

FINANCIAL RESULTS ANALYSIS

FINANCIAL RESULTS

Key economic parameters in 2013–2015, RUB mln¹

Parameter	2013	2014	2015	Deviation 2015/2014	
				RUB mln	%
Revenue	92,947.5	86,705.2	79,817.2	- 6,888.0	- 7.9
Production costs	78,132.4	73,947.6	68,520.1	-5,427.5	-7.3
Gross profit	14,815.1	12,757.6	11,297.1	-1,460.5	-11.4
Management costs	2,140.5	2,107.5	2,193.8	86.3	4.1
Selling costs	1,187.5	652.6	0,0	-652.6	-100.0
Profit (loss) from sales	11,487.1	9,997.5	9,103.3	-894.2	-8.9
Interest receivable	108.2	106.7	267.3	160.6	150.5
Interest payable	2,111.6	2,501.6	4,195.4	1,693.8	67.7
Income from shareholdings	19.1	38.8	17.7	-21.1	-54.4
Other revenues	5,120.0	6,668.8	5,211.8	-1,457.0	-21.8
Other expenses	12,693.4	9,446.3	8,440.4	-1,005.9	-10.6
Profit (loss) before tax	1,929.4	4,863.9	1,964.3	-2,899.6	-59.6
Income tax and other charges	1,636.5	1,538.0	1,055.3	-482.7	-31.4
Net profit (loss)	292.9	3,325.9	909.0	-2,416.9	-72.7
EBITDA ²	11,599.4	15,740.5	15,219.2	-521.3	-3.3



Financial Report 2015 shows the RAS in Appendix 1 to this Annual Report.



The consolidated financial statements to IFRS for 2015 shows Appendix 2 to this Annual Report.

¹ The information given is according to Russian Accounting Standards.

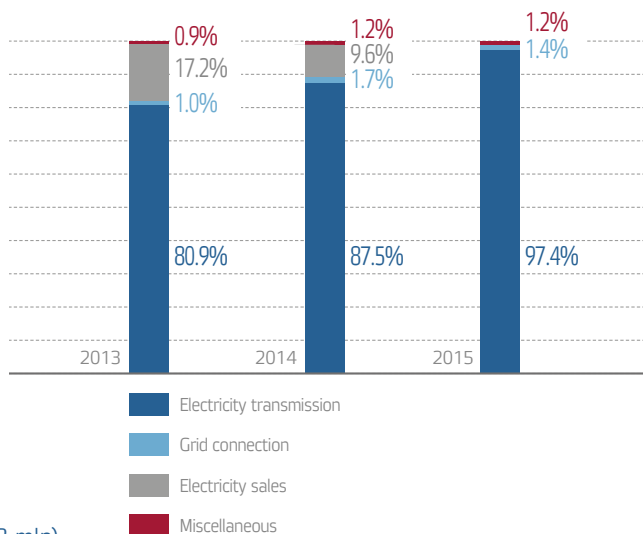
² The formula for EBITDA calculation: Profit before tax – Interest payable + Depreciation = line 2300 form 2 - line 2330 form 2 + line 6514 form 2.1+ line 6554 form 2.1+ line 6564 form 2.1.

REVENUE

Five branches of the Company acted as guaranteeing electricity suppliers in 2013-2014, pursuant to resolutions of the Ministry of Energy of the Russian Federation.

Due to the accounting specifics, the revenue from electricity sales (data for 2013-2014) actually include a part of the Company's revenue from electricity transmission services. The table below shows the revenue from electricity transmission and revenue from electricity sales in comparable conditions.

Revenue in 2013–2015



The key revenue parameters in 2013–2015 were as follows (RUB mln)

Parameters	2013	2014	2015	Deviation 2015/2014	
				RUB mln	%
Revenue	92,947.5	86,705.2	79,817.2	-6,888.0	-7.9
In particular:					
Electricity transmission (Russian Accounting Standards)	61,396.2	69,151.5	77,733.6	8,582.1	12.4
<i>Electricity transmission, incl. internal electricity sales</i>	75,181.5	75,904.4	77,733.6	1 829.2	2.4
Grid connection	923.2	1,495.5	1,159.7	-335.8	-22.5
Electricity sales (Russian Accounting Standards)	29,770.0	15,053.0	0,0	-15,053.0	-100.0
<i>Electricity sales, excl. internal electricity transmission</i>	15,984.7	8 300.1	0,0	-8,300.1	-100.0
Other services	858.1	1,005.2	923.9	-81.3	-8.1

According to 2015 results, the Company's revenue decreased by RUB 6,888 mln (-7.9%) compared to 2014 and amounted to RUB 79,817.2 mln. This reduction is due to the fact that IDGC of Centre gave up its functions of the guaranteeing supplier in 2014, which the Company performed since 2013. In late 2013 - early 2014, tenders were held by the Ministry of Energy of the Russian Federation to choose new guaranteeing suppliers in the regions. Starting from February 1, 2014, the functions of

the guaranteeing supplier were transferred to the following companies, which won tenders:

- Orelenergo – February 1, 2014;
- Kurskenergo, Tverenergo – April 1, 2014;
- Bryanskenergo, Smolenskenergo – June 1, 2014.

79,817.2 RUB mln
was the Company's revenues in 2015

According to 2014 results, revenue from electricity sales amounted to RUB 8,300.1 mln, and in particular RUB 2,402.7 mln received by Bryanskenergo, RUB 1,085.3 mln – Kurskenergo, RUB 199.6 mln - Orelenergo, RUB 2,443.2 mln – Smolenskenergo and RUB 2,169.2 mln at Tverenergo.

Revenue from electricity transmission increased by RUB 1,829.2 mln (2.4%) in 2015 compared to 2014. This increase happened due to the gain in net supply by RUB 568 mln, average tariff growth by RUB 1,459.4 mln as a result of a change in net supply structure, and load loss reduction by RUB 198.1 mln.

8,300.1 RUB mln
proceeds from the sale of electricity
at the end of 2014

The revenue from grid connection services amounted to RUB 1,159.7 mln in 2015, which is down 22.5% vs. 2014. This decrease was due to the fulfilment of major contracts in 2014: Tverenergo (IIK OJSC – RUB 127.71 mln), Kurskenergo (Vozrozhdenie, LLC – RUB 148.13 mln Voronezhenergo (Rosenergoatom branch – RUB 139.05 mln).

The revenue from other activities includes the revenue from additional services and leasing revenue. Revenue from additional services amounted to RUB 923.9 mln in 2015, which is down RUB 81.3 mln (8.1%) vs. 2014. The Company (in particular the branch of Smolenskenergo) had a contract for complex maintenance of outdoor lighting grids (for technical maintenance and electricity consumption) in 2014. Starting from 2015 the Company has a new contract only for maintenance of the outdoor lighting grids.

2.4%
increase in revenue for electricity
transmission versus 2014

PRODUCTION COSTS

The production costs of electricity transmission and the production costs of electricity sales are given separately in accordance with RAS statements, and in comparable

conditions, in view of the fact that some of the electricity transmission costs were included in the production costs of electricity sales.

The trends in the production costs and sale costs in 2013–2015, RUB mln

Parameter	2013	2014	2015	Deviation 2015/2014	
				RUB mln	%
Production costs and sales costs ¹	81,460.4	76,707.7	70,713.9	-5,993.8	-7.8
In particular:					
Electricity transmission (Russian Accounting Standards)	65,089.6	67,658.0	69,756.1	2,098.1	3.1
<i>Electricity transmission, incl. internal electricity sales</i>	65,423.2	67,860.1	69,756.1	1,896.0	2.8
Grid connection	285.8	357.1	429.4	72.3	20.2
Electricity sales (Russian Accounting Standards)	15,667.3	8,193.0	0.0	-8,193.0	-100.0
<i>Electricity sales, excl. internal electricity transmission</i>	15,333.7	7,990.9	0.0	-7,990.9	-100.0
Other	417.7	499.6	528.4	28.8	5.8

¹ Production costs with Management costs and Selling expenses.

In 2015, the total amount of production costs was RUB 70,713.9 mln. The greater part (98.6% of the total, or RUB 69,756.1 mln) consists of electricity transmission costs. The grid connection costs amounted to RUB 429.4 mln (0.6% of the total), other costs: RUB 528.4 mln (0.8% of the

total). The reduction in production costs and sales costs vs. 2014 was RUB 5,993.8 mln, or 7.8%, which is due to the reduction of the cost of purchased energy for sale as the result of the transfer of the guaranteeing supplier function.

1,159.7 RUB mln
revenue from grid connection services in 2015

70,713.9 RUB mln
were the cost of sale of provided
by IDGC Centre services in 2015

Structure of production costs and sales costs in 2013–2015, RUB mln¹

Parameter	2013	2014	2015	Deviation, 2015/2014	
				RUB mln	%
Uncontrolled costs – Total	58,749.3	53,072.7	46,361.3	-6 711.4	-12.6
in particular:					
Loss compensation costs	9,864.7	9,833.7 ²	10,594.9	761.2	7.7
Services of PJSC FGC UES	14,737.3	15,355.9	15,259.8	-96.1	-0.6
Services of territorial grid companies	12,442.6	12,169.8	11,447.1	-722.7	-5.9
Amortisation of fixed and intangible assets	7,558.4	8,375.0	9,059.5	684.5	8.2
Purchased electricity for sale	14,146.3	7,338.3	0.0	-7,338.3	-100.0
Controlled costs – Total	22,711.1	23,635.0	24,352.6	717.6	3.0
in particular:					
Material costs	2,767.4	2,922.3	2,956.3	34.0	1.2
Production-related services	790.2	693.8	784.5	90.7	13.1
Personnel expenses (payroll, mandatory social security charges, non-government pension funds)	14,402.6	15,402.7	16,286.7	884.0	5.7
Other costs	4,750.9	4,616.2	4,325.1	-291.1	-6.3
Total costs	81,460.4	76,707.7	70,713.9	-5,993.8	-7.8

¹ Data for 2013-2014 are given in comparable conditions.

² Electricity purchase for loss compensation in 2014 as a part of the production costs includes internal settlements (RUB 1.1 bln), retail mark-up and infrastructure payments (RUB 0.2 bln).

Uncontrollable costs

In 2015, the uncontrolled costs amounted to RUB 46,361.3 mln (65.6% of the total costs) which is RUB 6 711.4 mln, or a 12.9% decrease compared to 2014. The key factors that affected the reduction in costs were as follows:

- No purchased electricity for sale in 2015 as compared to RUB 7,338.3 mln in 2014, because in 2015 the functions of the guaranteeing supplier were transferred to new companies based on tender results.
- Loss compensation costs amounted to RUB 10,594.9 mln, an increase by RUB 761.2 mln. (7.7%) compared to 2014, which is due to the growth in average prices on the wholesale electricity market and integration of the power grid assets of Yargorelectroset OJSC.
- The services of PJSC FGC UES amounted to RUB 15,355.9 mln, a decrease by RUB 96.1 mln (0.6%) compared to 2014, which was mainly due to a reduction in the average rate for compensation of normative losses calculated since July 1, 2015 with the changes introduced into some acts of the Government of the Russian Federation pursuant to Decree No. 458 by the Government of the Russian Federation dated May 11, 2015 in order to improve the procedure of electricity volume purchase at the wholesale market for delivery to the households and to equivalent categories of consumers and of electricity volume purchase by the

Unified National Power Grid (actual in 2014 – 1,572 RUB/kWh thous, actual in 2015 – 1,448 RUB/kWh thous).

- Reduction of costs for services of territorial grid companies by RUB 722.7 mln (5.9%) due to a reduction in the transfer balance in the grid of adjacent territorial grid companies.
- Depreciation of fixed and intangible assets amounted to RUB 9,059.5 mln, an increase by RUB 684.5 mln (8.2%) compared to 2014 based on commissioning of the fixed assets.

65.6 %

in the cost structure of the Company there are uncontrollable costs in 2015

15,259.8 RUB mln
were the services of PJSC FGC UES

11,447.1 RUB mln
were the services of Territorial Grid Companies

9,059.5 RUB mln
were the depreciation of fixed assets and intangible assets

Controlled costs

In 2015, controlled costs amounted to RUB 24,352 mln (34.4% of the total costs), which is RUB 717.6 mln, or a 3% increase compared to 2014, including:

- Increase of material costs by RUB 34 mln (1.2%) due to growth in prices, in particular for fuel and lubricants and due to costs increase related to the integration of Yargorelectroset OJSC into the Yarenergo branch.
- Increase of production-related services by RUB 90.7 mln (13.1%) due to the increased volume of additional services provided.
- Increase of personnel expenses (payroll, mandatory social security charges, non-government pension funds) by RUB

884 mln (5.7%) due to indexation of the employees' salaries (the minimum monthly pay rate in the Company increased by 9.7%) and changes in the remuneration scheme for managers and specialists since May 1, 2015 (transfer to a new grade system and a salary increase of for key and deficit jobs: senior specialist of the power distribution zone, power section supervisor, dispatcher, etc.).

- Reduction of other costs by RUB 291.1 mln (6.3%) due to reduction of leasing expenses and consulting services and increase of the property tax.

34.4 %

in the cost structure of the Company there are controllable costs in 2015

PROFIT FROM SALES

Profit from sales amounted to RUB 9,103.3 mln in 2015, which is a RUB 894.2 mln (8.9%) reduction compared to 2014. This reduction was mainly due to revenue reduction by RUB 6.888 mln with reduction in production costs by RUB 5,427.7 mln, and due to an increase in management costs by RUB 86.3 mln (4.1%); there were no selling expenses in the reporting year (compared to RUB 652.6 mln in 2014).

9,103.3 RUB mln
was the sales profit in 2015

OTHER REVENUES AND EXPENSES, INCL. INCOME FROM SHAREHOLDINGS, INTEREST RECEIVABLE AND PAYABLE

In 2015, the balance of other revenues and expenses amounted to RUB –7,139 mln.

OTHER REVENUES

In 2015, other revenues decreased by RUB 1,317.5 mln compared to 2014 in the following items:

- Profit of the previous years detected in the reporting period: a decrease of RUB 257 mln as a result of the adjustment postings for electricity transmission in 2014.
- Replenishment of reserves: a decrease of RUB 1,055.6 mln due to replenishment of bad debt provisions in 2014 as a result of the repayment of debts by the debtor, and signing of adjustment postings. In 2015, replenishment of reserves was done through lawsuits based on court judgements.
- Other miscellaneous revenues: a decrease by RUB 732.8 mln, mainly due to a contract for assignment of the claim between IDGC of Centre and Belgorod Energy Sales Company LLC concerning electricity transmission services rendered by OJSC Belgorodenergosbyt, and due to the recognition of the property of Yargorelectroset OJSC equal to the share of IDGC of Centre in the authorised capital of Yargorelectroset OJSC, being the subsidiary.

In 2015, other revenues increased compared to 2014 in the following items:

- Interest receivable: an increase by RUB 160.6 mln due to an increase in the key rate by the Bank of Russia and, accordingly, an increase in deposit rates in 2015. Moreover the establishment of the Unified Treasury resulted in that payment days in the Company are twice a week, which increased the average period of disposable monetary resources to 9.8 days (compared to 4 days in 2014).
- Other revenues related to assets: an increase by RUB 457.9 mln due to posting of equipment and supplies revealed during the inventory and liquidation of fixed assets, and due to higher income from the revaluation of financial assets.

by 1,317.5 RUB mln
other income was down versus 2014

by 257 RUB mln
"Income of previous years,
identified in the reporting period" was down

OTHER EXPENSES

In 2015, other expenses increased by RUB 687.9 mln compared to 2014 in the following items:

- Interest payable: an increase by RUB 1,693.8 mln related to an increase of loan rates in 2015 (including the increase in the key rate by the Bank of Russia and the situation on the financial market) and also due to increased loans receivable of the Company (by RUB 4,885 mln compared to 2014).
- Expenses related to the salaries of production employees paid from profit: an increase by RUB 407.4 mln due to the change in the procedure of vacation allowance accounting (in 2014 these expenses were charged as production costs, and in 2015 – as profit).
- Allocations to valuation reserves: an increase by RUB 356.3 mln due to the replenishment of reserves from bad debts and lawsuits.

In 2015, other expenses decreased compared to 2014 in the following items:

- Loss of the previous years detected in the reporting period: a decrease by RUB 1,053.2 mln as a result of the adjustment postings for electricity transmission in 2014.
- Other miscellaneous expenses: a decrease by RUB 961.3 mln mainly due to a contract for assignment of the claim between IDGC of Centre and Belgorod Energy Sales Company LLC concerning electricity transmission services rendered by OJSC Belgorodenergosbyt, and due to posting of expenses related to liquidation of Yargorelectroset OJSC, being a subsidiary.

by 687.9 RUB mln
other expenses grew up

NET PROFIT

In 2015, profit before tax amounted to RUB 1,964.3 mln which is RUB 2,899.6 less compared to 2014. Income tax and other charges amounted to RUB 1,055.3 mln.

Thus, in 2015 there was net profit of RUB 909 mln, a decrease by RUB 2,416.9 mln compared to 2014.

Net profit in 2013–2015, RUB mln

Parameter	2013	2014	2015	Deviation 2015/2014	
				RUB mln	%
Net profit	292.9	3,325.9	909.0	-2,416.9	-72.7
In particular:					
Electricity transmission	-1,009.2	2,799.0	8.3	-2,790.7	-99.7
Grid connection ¹	509.9	910.8	584.2	-326.6	-35.9
Electricity sales	439.9	-788.3	0.0	788.3	-100.0
Other	352.3	404.4	316.5	-87.9	-21.7

Profit distribution in 2013–2015 pursuant to the resolutions of the Annual General Meeting of Shareholders

Parameter	Measurement unit	for 2012	for 2013	for 2014
Net retained earnings	RUB mln	3,450.7	292.9	3,325.9
Including:				
reserve fund	RUB mln	-	-	-
profit for development	RUB mln	2,587.8	216.9	2,494.2
dividends	RUB mln	862.9	75.99	831.7
Share in net profit	%	25.0	25.9	25.0
Repayment of losses of previous years	RUB mln	-	-	-
Amount of dividend per 1 share	RUB	0.02044	0.0018	0.0197

The decision on profit distribution for 2015 will be made at the Annual General Meeting of Shareholders based on the recommendations by the Board of Directors of the Company.

EBITDA

EBITDA amounted to RUB 15,219.2 mln in 2015, which is a decrease by RUB 521.3 mln, or 3.3%, compared to 2014. This decrease happened due to:

- A decrease in revenue by RUB 6,888 mln;
- A decrease in costs (without amortisation) by RUB 6,678.3 mln, mainly for the purchased electricity (RUB -7,338.3 mln);

- An increase of the balance of other revenues and expenses (without the interest payable) by RUB 311.6 mln mainly due to the replenishment of bad debt provisions in 2014.

¹ Amount of the grid connection liabilities included into financial statements as part of net profit.

FINANCIAL STABILITY

The parameters showing the Company's financial standing in 2013–2015 were as follows

Parameter	meas.unit	2013	2014	2015	Deviation 2015/2014, p./p.p./%
Liquidity ratios					
Quick liquidity ratio	–	1.04	0.87	1.38	0.51 p.
Current liquidity ratio	–	1.19	0.96	1.54	0.58 p.
Working capital financed by equity to total assets ratio	–	0.16	–0.04	0,35	0.39 p.
Ratios of financial stability					
Net asset value	RUB mln	52,975.9	56,231.6	56,313.0	0.1%
Ratio of overdue accounts payable	%	9	20.8	31.5	10.7 p.p.
Equity to total assets ratio	–	0.50	0.50	0.48	–0.02 p.
Total debt to EBITDA	–	2.8	2.4	2.8	0.4 p.
Profitability ratios					
Gross profit margin	%	15.9	14.7	14.2	–0.5 p.p.
Net profit margin	%	0.3	3.8	1.1	–2.7 p.p.
Operating profit margin	%	2.1	5.6	2.5	–3.1 p.p.
Return on Equity (ROE)	%	0.5	6.1	1.6	–4.5 p.p.
EBITDA margin	%	12.5	18.2	19.1	0.9 p.p.
Return on total assets (ROTA) for profit before tax	%	1.9	4.5	1.7	–2.8 p.p.
Business activity ratios					
Turnover of assets	times	0.9	0.8	0.7	–12.5%
Turnover of accounts receivable	times	7.0	5.8	4.6	–20.7%
Turnover of accounts payable	times	8.6	8.7	8.2	–5.7%
Ratio of accounts receivable and payable growth rates	–	1.0	1.5	1.0	–0.5
Ratio of total accounts receivable and payable	–	1.2	1.8	1.7	–0.1
Ratio of the most liquid accounts receivable and payable	–	1.8	2.8	2.8	–
Share of accounts receivable in revenue	%	14	19	22	3 p.p.

LIQUIDITY RATIOS

In 2015, the change in liquidity ratios was due to changes in the structure of liabilities – refinancing of liabilities. In particular:

- The quick liquidity ratio represents the ability of the company to repay its current liabilities in the shortest possible time. The standard ratio is over 0.8. As of the end of 2015, this ratio was 1.38, an increase compared to the previous year which is within the normal limits.
- The current liquidity ratio as of December 31, 2015 increased up to 1.54 (in 2014, the value of this ratio was 0.96).
- Due to refinancing of liabilities the ratio of sufficiency of own working capital increased significantly to 0.35.

RATIOS OF FINANCIAL STABILITY

The ratio of overdue accounts payable increased by RUB 1,288.6 mln in 2015, and amounted to 31.5%, mainly due to an increase in accounts receivable by RUB 1,035.4 mln, and as a result of the inability to fulfill obligations on time.

As of December 31, 2015, the autonomy (financial independence) ratio was 0.50. This ratio characterises the share of own funds in the Company's total assets. The standard ratio is over 0.5. As of the end of 2015, this ratio did not change significantly.

PROFITABILITY RATIOS

Profitability ratios characterise the efficiency of the Company's operations. The profitability of sales by gross profit in 2015 amounted to 14.2%, with a 0.5 p.p. decrease compared to the previous year. The other profitability ratios decreased as well, in particular:

- The net profit margin amounted to 1.1%, a 2.7 p.p. decrease compared to 2014.
- The operating profit margin was 2.5%, a 3.1 p.p. decrease compared to 2014.
- The return on equity ratio (ROE) amounted to 1.6%, a 4.5 p.p. decrease compared to the previous year.
- The return on total assets (ROTA) for profit before tax was 1.7%, a 2.8 p.p. decrease compared to 2014.

The reason for the negative trends in the profitability ratios was the decrease of the Company's net profit in 2015.

However, EBITDA margin showed positive results in 2015 compared to the previous year.

BUSINESS ACTIVITY RATIOS

Turnover ratios are used for analysis of the efficiency of management of the Company's liabilities. In particular:

- The turnover of assets is a financial factor of how efficiently the company uses the total of its assets. Through 2015, the turnover of assets decreased by 12.5% because revenue went down by RUB 6,888 mln. The revenue reduction was due to the fact that the functions of the guaranteeing suppliers were transferred to companies that won tenders of the Ministry of Energy of Russia.
- The turnover of accounts receivable shows the speed of repayment of accounts receivable, i.e. how quickly the Company receives payment for the services provided. The turnover of the accounts receivable based on the financial and business operation results in 2015 decreased by 20.7%, which was due to growth of the accounts receivable, which in turn was caused by poor payment discipline of consumers and sales companies.
- The turnover of accounts payable shows the speed of repayment of debt to suppliers and contractors. This ratio shows how many times the company repaid its average accounts payable. The ratio increased by 5.7% in 2015 due to an increase by RUB 931.7 mln in accounts payable.

The ratio of accounts receivable and payable decreased in 2015 due to the higher growth rate of accounts payable compared to the accounts receivable growth rate:

- The ratio of the growth rates was down 0.5.
- The ratio of total accounts receivable and payable was down 0.1.
- The ratio of the most liquid accounts receivable and payable was unchanged – 2.8.

ACCOUNTS RECEIVABLE AND PAYABLE

Change in accounts receivable in 2013–2015, RUB mln

Parameter	2013	2014	2015	Deviation, 2015/2014	
				RUB mln	%
Accounts receivable	13,024.8	16,713.6	17,749.0	1,035.4	6.2
incl:					
Buyers and customers	11,073.0	13,902.0	15,395.6	1,493.6	10.7
Advances paid	171.6	432.2	119.9	-312.3	-72.3
Other debtors	1,780.2	2,379.4	2,233.4	-146.0	-6.1

The increase in accounts receivable by RUB 1,035.4 mln in 2015 was due to poor payment discipline of consumers and sales companies and a change in contract terms (transfer to payment for the actual consumption and refusal of advance payments), in particular:

2,795 RUB mln
growth of receivables for electricity transmission;

41 RUB mln
decrease of receivables for grid connection services;

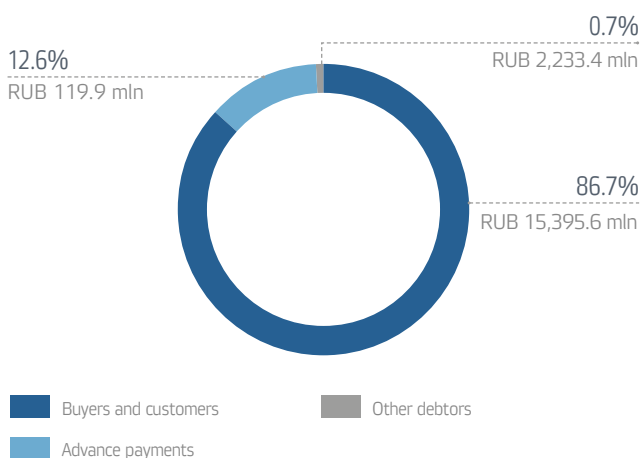
1,305 RUB mln
decrease in receivables for the sold electric energy.
The change is due to the transfer of functions of the supplier of last resort to winners of the tender of the Russian Ministry of Energy in 2014.

A monthly accounts receivable statement is prepared and analysed in order to control the performance of contractual obligations. In case of a payment delay by over 30 days, the Company takes punitive measures as stated in the corresponding regulatory documents.

As a result of claims by IDGC of Centre to collect overdue payment for electricity transmission services in 2015, there were 393 positive court decisions for a total amount of RUB 2,075.4 mln and 12 refusals for an amount of RUB 159.2 mln. The proportion of the positive court decisions was 92.8%, or 36.5 p.p. higher compared to 2014.

There were 177 positive court decisions for a total amount of RUB 1,545.2 mln in 2014, and 26 refusals for a total amount of RUB 1,196.4 mln.

Structure of accounts receivable in 2015



Pursuant to court decisions in 2015, the Company received enforcement orders for an amount of RUB 1,516.5 mln, of which RUB 1,091.3 mln, or 72%, were paid. For the same period last year, the Company had writs of execution for an amount of RUB 305.2 mln, of which RUB 111.32 mln, or 36.4%, were paid.

Thus in 2015 the Company took measures to receive 98.9% of overdue payments, showing that claim work was done at a steadily high level.

In 2015, the total amount of the written-off receivables amounted to RUB 316.4 mln: RUB 244.8 mln – to the financial result of 2015, and RUB 71.6 mln – to bad debt reserve.

Change in accounts payable in 2013–2015, RUB mln

Parameter	2013	2014	2015	Deviation, 2015/2014	
				RUB mln	%
Accounts payable	10,697.3	9,239.7	10,171.4	931.7	10.1
including:					
Suppliers and contractors	6,212.6	5,315.6	4,908.3	-407.3	-7.7
Notes payable	0.0	0.0	0.0	-	-
Salaries payable	10.8	48.4	4.3	-44.1	-91.1
Taxes and charges	786.5	623.8	1,063.1	439.3	70.4
Advances received	2,047.9	1,743.1	2,040.7	297.6	17.1
Accrued dividends	18.8	13.1	16.9	3.8	29.0
Other creditors	1,620.7	1,495.6	2,138.2	642.6	43.0

As per results of the reporting year, 48.3% of the total accounts payable is to suppliers and contractors, 20.1% to advances received, and 21.0% to other creditors. Accrued dividends are quite insignificant – 0.2% of the total amount of accounts payable.

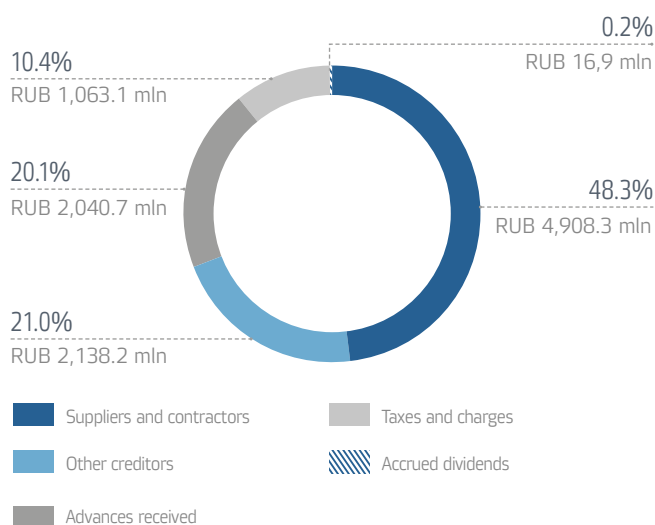
Accounts payable increased by RUB 931.7 mln in 2015 compared to 2014, mainly due to changes in the following items:

+439.3 RUB mln
taxes and levies (+70.4%)
mainly it includes debt on VAT (RUB 332 mln)
and is ongoing;

-407.3 RUB mln
suppliers and contractors (-7.7%) –
the deviation due to the repayment of debt
to counterparties in accordance
with contractual obligations;

+297.6 RUB mln
advances received (+17.1%) – the growth due
to the conclusion of new grid connection contracts.

Structure of accounts payable in 2015



CAPITAL AND CREDIT POLICY

CAPITAL

The structure of capital of IDGC of Centre in 2013–2015

Parameter	Measurement unit	2013	2014	2015	Deviation 2015/2014	
					RUB mln	%
Equity	RUB mln	52,975.9	56,231.6	56,313.0	81.4	0.1
Borrowed funds	RUB mln	52,012.2	55,160.4	61,556.2	6,395.8	11.6
In particular:						
Loans	RUB mln	33,051.1	37,201.0	42,131.5	4,930.5	13.3
Accounts payable	RUB mln	10,697.3	9,239.7	10,171.4	931.7	10.1
Ratio of equity and borrowed funds	–	1.02	1.02	0.91	–0.11	–10.8
Share of borrowed funds in liabilities	%	49.5	49.5	52.2	2.7	5.5
Cash at the end of the period	RUB mln	1,030.4	367.3	105.6	–261.7	–71.2
Net debt	RUB mln	32,020.7	36,833.6	42,025.9	5,192.3	14.1

At the end of 2015, the Company's equity amounted to RUB 56,313 mln, or 47.8% of total capital. This increase in equity by RUB 81.4 mln (0.1%) compared to the previous year was due to a positive financial result of the reporting year. In particular, profit from electricity transmission increased by RUB 8,582.1 mln.

In 2015, the share of long-term liabilities in the Company's total capital increased to 41%, while in 2014 it amounted to 32%. The change in capital structure was mainly due to the refinancing of some loans that were due before the end of 2015. The share of short-term liabilities in total liabilities based on results of financial and business operations in 2015 amounted to 11%.

Net debt increased by 14.1% due to the increase of borrowed funds for the Company's operating and investment activity by RUB 4,930.5 mln.

Changing the structure of the capital was primarily due to the refinancing liabilities maturity falling due in 2015.

56.3 RUB mln
own equity
(47.8% of the total equity)

CREDIT PORTFOLIO

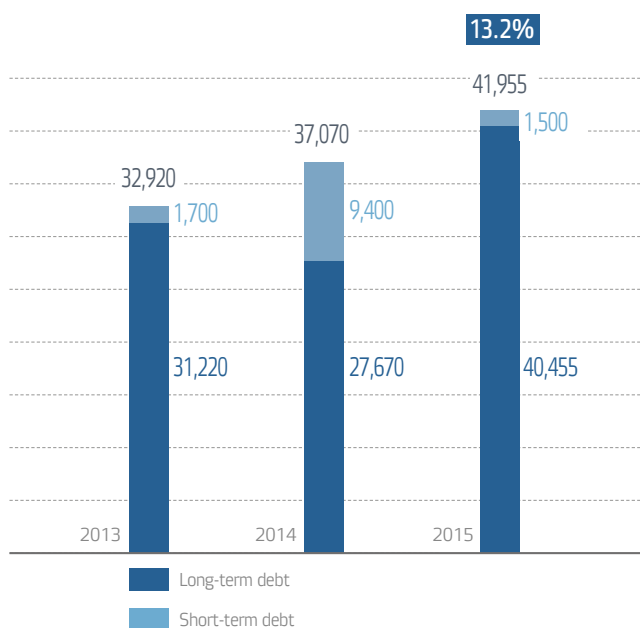
The emphasis of the credit policy of IDGC of Centre is placed on long-term borrowings. The maximum maturity of the loans taken in 2015 was 37 months (the same as in 2014), and of the bonded loans – 84 months.

The increase in loan debt in 2015 amounted to 13.2%, or RUB 4,885 mln as compared to 2014.

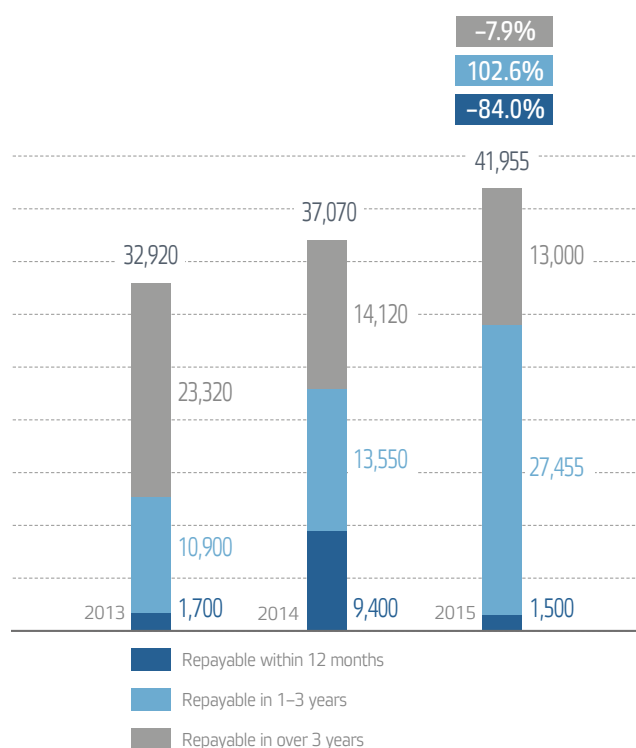
The change in the structure of the credit portfolio was as follows: the share of long-term debt increased to 96.4%, compared to 74.6% in 2014.

As for the structure of the credit portfolio per maturity, 65.4% are repayable in 1 to 3 years, 31% - repayable in over 3 years.

Trend in the loan debt in 2013–2015, RUB mln



Structure of the debt portfolio by maturities in 2013–2015, RUB mln



Change in the credit portfolio in 2015, RUB mln

Parameter	Credit portfolio as of Jan 1, 2015	Loans taken in 2015	Loans repaid in 2015	Credit portfolio as of Dec 31, 2015
Loans	37,070.0	26,061.5	21,176.5	41,955.0
Interest on loans	131.0	4,470.2	4,424.7	176.5

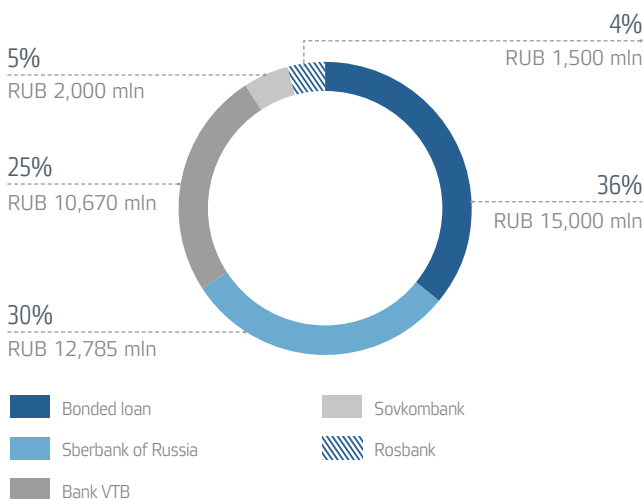
The main creditors of IDGC of Centre are major Russian banks with a high degree of reliability. The Company takes most of its loans from Sberbank of Russia (30% of the total loans) and VTB Bank (25% of the total loans).

The credit portfolio was diversified in 2015 with BO-02, BO-03 and BO-04 stock exchange bonds placed at Moscow Exchange for a total amount of RUB 15.0 bn. The share of bonded loans in the credit portfolio in 2015 was 36%.



You can find information on stock exchange-traded bonds in the section "Corporate Governance. Securities" to this Annual Report and on the Company's website.

Loan portfolio diversification in 2015

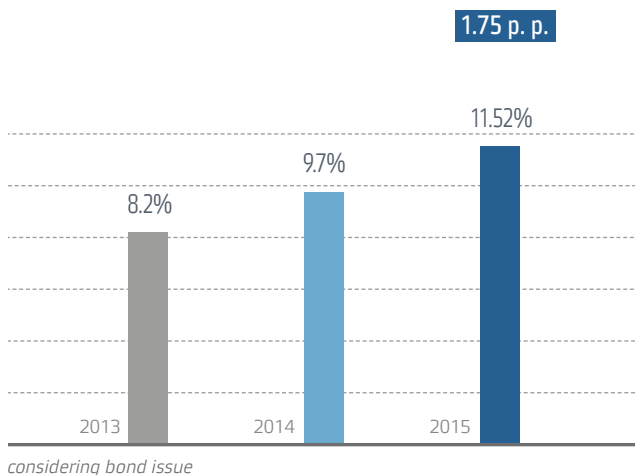


WEIGHTED AVERAGE RATE

The weighted average rate on borrowings in 2015 increased to 11.52%, compared to 9.77% in 2014 due to national and macroeconomic factors. The increase of the average rate by 1.75 p.p. was due to the significant increase of the key rate of the Bank of Russia in December 2014 and the corresponding increase of the credit rates of banks in 2015.

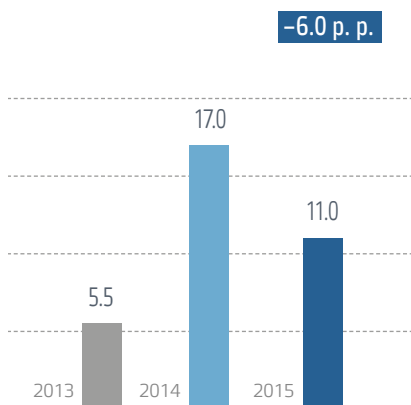
The loans and borrowings of the Company are unsecured.

Weighted mean borrowing rate in 2013–2015

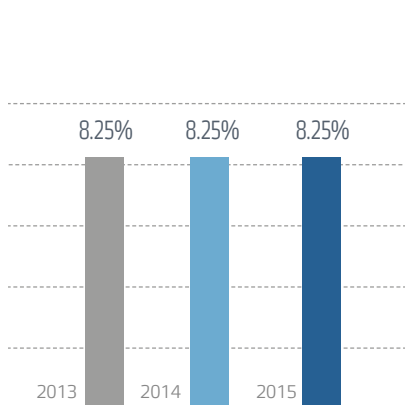


The loans and borrowings of the Company are unsecured

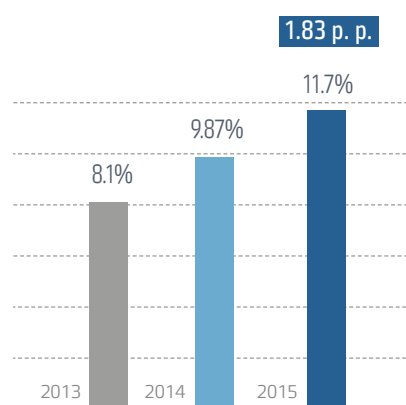
Key rate of the Central Bank of Russia



Refinance rate of the Central Bank of Russia



Weighted average rate for all bank credits

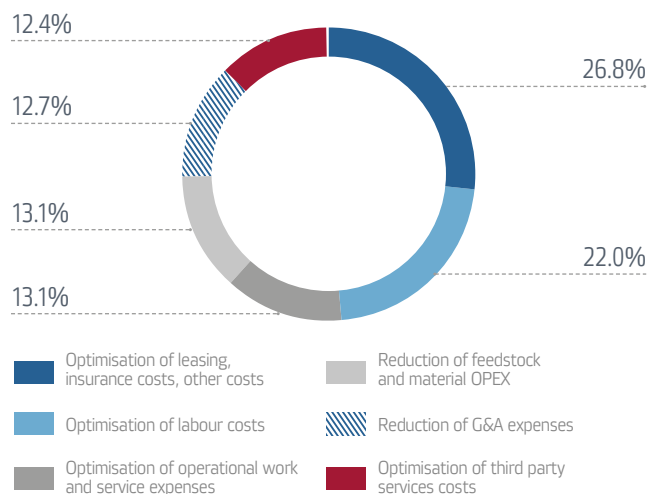


EFFICIENCY MANAGEMENT PROGRAMME

The reduction of controlled operating costs in 2015 as compared to 2012 amounted to RUB 3,444 mln, or 20.8%, which is within the terms of the Strategy for the Russian Power Grid Complex development.

In 2015, the reduction of the operating costs was RUB 1,719 mln, or 8.5%, as compared to 2014, which is in line with Decree No. 2303-P13 of the Government of the Russian Federation "On the annual reduction of operating expenses per unit by at least 2-3%" dated April 16, 2015.

Effect from Efficiency Management programme implementation in 2015



In order to increase the Company's operating efficiency, the following actions were taken:

No	Measures	Actions	Economic efficiency, RUB mln
1	Reduction of material costs	Reducing the cost of materials by optimising the cost limits and by using recyclable materials	449.9
2	Optimisation of production-related expenses	— optimising the costs of payment to contractors, in particular by reducing prices and reviewing the contract terms; — increasing the share of jobs performed by the internal staff	451.8
3	Reduction of management costs	Optimising travel and representation expenses, payroll and communication expenses	436.7
4	Optimisation of personnel expenses	Optimising the quantity of personnel, improving the payment system encouraging achievements for the benefit of the Company	756.2
5	Optimisation of expenses for third party services	Reducing the list and the cost of third party services, performing the required works by own resources	428.1
6	Optimisation of financial lease, insurance, and other costs	Reducing the list and cost of third party services	921.3
	Total		3,443.9