

KEY PERFORMANCE INDICATORS

The achievement of IDGC of Centre's priority development targets is evaluated by a system of Key Performance Indicators (hereinafter, KPI) used by the Company. Starting from 2015, the list of KPIs was changed significantly; these new indicators take into account the priorities set in the Strategy of power grid complex development and are associated with the instructions given by the Russian Government. For instance, the KPI target values for 2015 take into consideration the Company's need to reduce its specific operating costs in 2017 by at least 15% compared to 2012, specifically investment costs, which need to be reduced by at least 30%, and electric power losses which need to be reduced by 11% compared to 2012.

The system of KPIs shows the achievement of the following targets:

- Improvement the reliability and the quality of power supply;
- Enhancement of the safety of power supply;
- Reduction of investment and operating costs;
- Implementation of the investment programme.

The applied KPI system is used as a basis of motivation for the Company's General Director and management: a variable part of remuneration depends on the achievement of these set KPIs. For each KPI, its contribution is defined by the payments of bonuses, and quarterly and annual remuneration is paid if only all specified KPI have been achieved.

The KPI of the General Director and its target values are set on an annual basis by the Company's Board of Directors according to item 53) Cl. 15.1 Article 15 of the Company's Articles of Association. The targets for 2015 were defined by the Board of Directors on February 26, 2015 (Minutes No. 03/15 of February 27, 2015), item No. 5 on "Approving the Methodology for the Calculation and Evaluation of the Implementation of the Key Performance Indicators of General Director of IDGC of Centre".



Data on the KPIs implementation is available on the Company's website.

The following list of KPI and target values were set for 2015

ANNUAL KPI

Total Shareholder Return (TSR)

Return on Invested Capital (ROIC)

Reduction of unit operating expenses

Level of electric energy losses

Achieving the level of reliability of services provided

Reduction of unit investment expenditures

Implementation of a facility commissioning schedule

Compliance with a grid connection deadline

Workforce productivity

TARGET VALUE FOR 2015

≥ average value of the indicator for companies included in the MICEX PWR Index at the end of the reporting period, or ≥ average value of the indicator for last three years preceding the reporting one

≥ 0.9

≥ as approved in the business plan

≤ as approved in the business plan

1

≥ 15%

≥ 95%

≤ 1.1

≥ as approved in the business plan

QUARTERLY KPI

Not any increases in the number of major failures

Preventing the growth of the number of victims in accidents

Business solvency indicator – debt to equity ratio

TARGET VALUE FOR 2015

No increase

No increase

≤ 1.5 or values on the business plan (taking into account the solvency group)

¹ The power grid complex development strategy was approved by Resolution of the Russian Government No. 511-r on April 3, 2013.