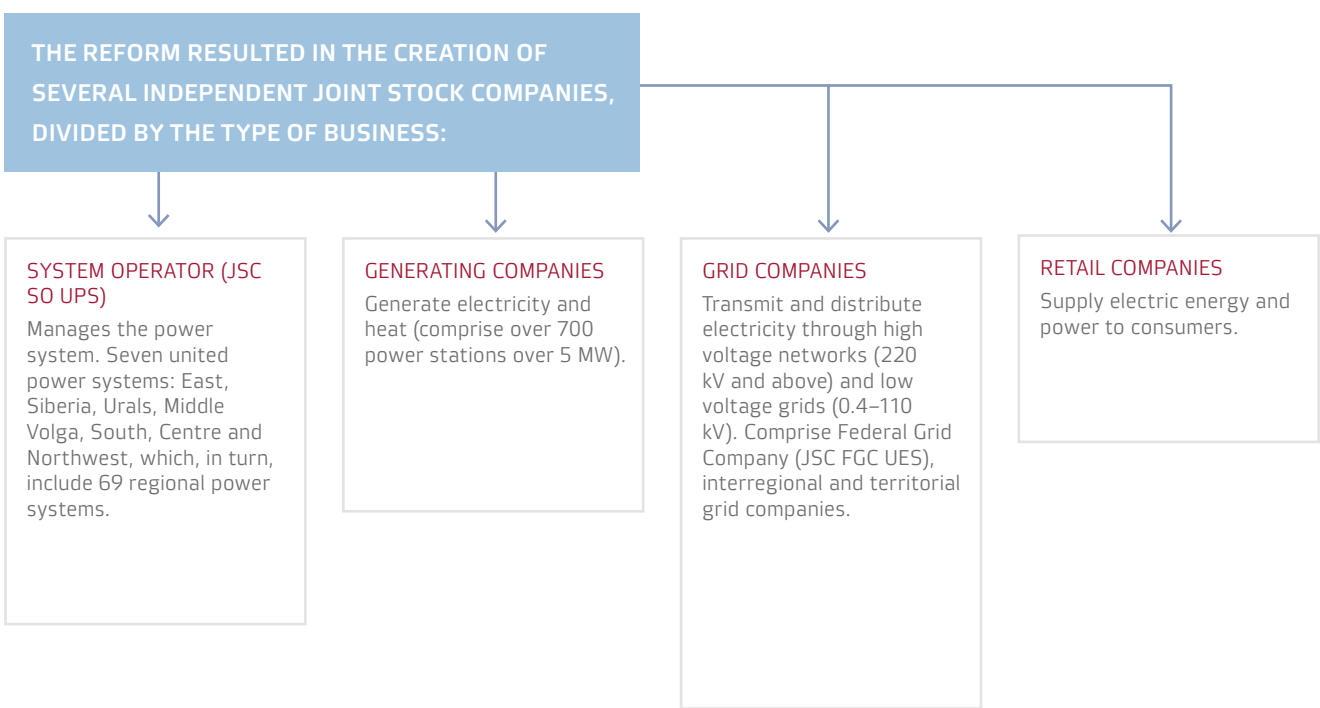


MARKET OVERVIEW

STRUCTURE OF THE UNIFIED POWER SYSTEM OF RUSSIA (UPS)

The current model of the Russian electricity industry evolved during the 2000s, driven by the restructuring of JSC RAO UES of Russia, a single entity engaged in the generation, transmission and supply of electricity and power.

IDGC of Centre operates electricity transmission in 11 branches.



The structural reforms made it possible to start creating sound market relations in the power sector.

IDGC of Centre takes monopoly position and is a key infrastructure company in economically developed regions of the European part of Russia.

KEY INDUSTRY INDICATORS

The power sector is one of the leading sectors of the Russian economy, accounting for about 3% of Russia's GDP. Therefore, the overall assessment of the market prospects of Russian power companies depends on Russia's economic development and reinvestment opportunities,

which are the key factors for the basic evaluation of companies and for the inflow of capital into industry.

Trend in power consumption

1,008.25 bn kWh

amounted the energy consumption in Russia in 2015

- In 2015, the energy consumption in Russia amounted to 1,008.25 bn kWh.
- Energy consumption reduction versus 2014 amounted to 5.61 bn kWh (0.55%).
- The trend mainly depend on the temperature factor: in certain power systems, power consumption reduced significantly due to higher ambient temperatures versus 2014.
- Apart from the temperature factor, in 2015 the power consumption in the UPS of Russia reduced due to the reduction of power consumption of some industrial plants.

Trend in industrial production

1.6 %

electricity, gas and water production and distribution decreased

- In 2015, production volumes continued to reduce.
- Compared to 2014, production volumes decreased by 3.4%.
- Electricity, gas and water production and distribution decreased by 1.6%.

Trend in consumer prices

15.5 %

was the average inflation rate in 2015

- In 2015, the average inflation rate was 15.5%. In the two last years, the inflation rate increased twice, exceeding 2011-2013; the average annual growth was 6.4%. The growth of inflation was mainly due to the significant devaluation of the ruble since the end of 2014.
- The growth of inflation results in an increase of business costs for the companies, in particular while performing investment programmes and in an increase of borrowings service costs due to the growth of interest rates.

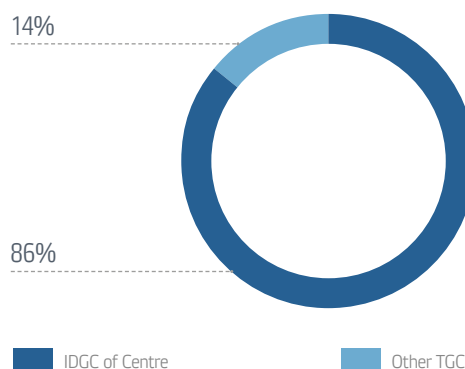
MARKET POSITION

The Company holds a leading position in terms of services provided in all of the 11 regions of Central Russia where IDGC of Centre operates.

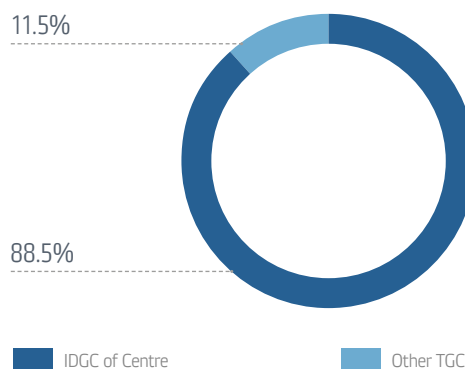


- | | |
|--------------------|----------------------|
| 1. Belgorod Region | 7. Orel Region |
| 2. Bryansk Region | 8. Smolensk Region |
| 3. Voronezh Region | 9. Tver Region |
| 4. Kostroma Region | 10. Tambov Region |
| 5. Kursk Region | 11. Yaroslavl Region |
| 6. Lipetsk Region | |

The Company's Share on the Electricity Transmission Market



The Company's Share on the Grid Connection Market



BENCHMARKING OF IDGC OF CENTRE AGAINST PEERS IN 2015

No. 2 Revenue according to RAS (2015), RUB mln

MOESK	129,288.3
IDGC of Centre	79,817.2
IDGC of Centre and Volga Region	68,884.1
IDGC of the Urals	60,534.0
IDGC of Volga	47,860.4
Lenenergo	43,726.7
IDGC of Siberia	42,744.4
IDGC of North West	39,622.6
IDGC of South	30,365.0
IDGC of North Caucasus	14,548.6

No. 2 EBITDA¹ according to RAS (2015), RUB mln

MOESK	41,953.8
IDGC of Centre	15,219.2
IDGC of Centre and Volga Region	10,482.7
IDGC of the Urals	8,452.8
IDGC of Volga	7,676.0
Lenenergo	7,201.9
IDGC of North West	6,855.7
IDGC of South	5,760.8
IDGC of Siberia	5,583.3
IDGC of North Caucasus	-437.2

No. 4 Net profit according to RAS (2015), RUB mln

MOESK	9,246.5
IDGC of the Urals	2,466.0
IDGC of Centre and Volga Region	942.6
IDGC of Centre	909.0
IDGC of North West	644.0
IDGC of Volga	242.9
IDGC of South	149.6
IDGC of Siberia	-237.0
IDGC of North Caucasus	-3,018.4
Lenenergo	-5,916.5

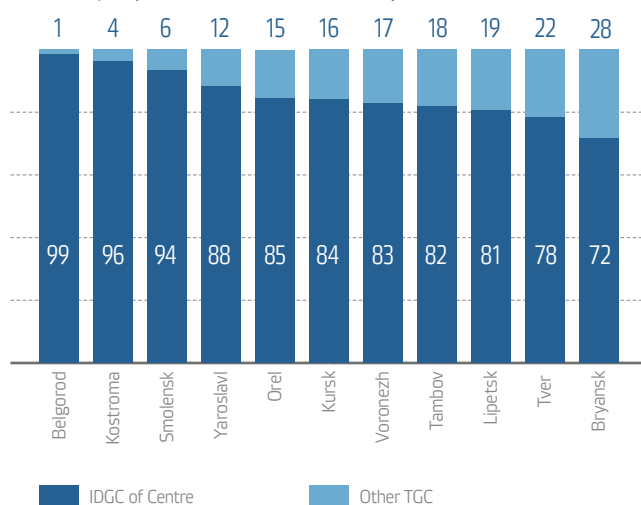
Without change vs. 2014

Without change vs. 2014

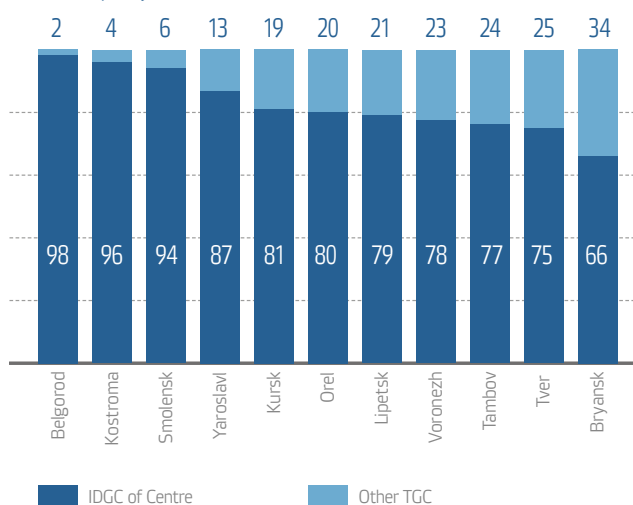
-2 positions by 2014

¹ EBITDA is calculated as follows: profit before taxation – 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.

The Company's Share on the Electricity Transmission Market,%



The Company's Share on the Grid Connection Market,%



Large companies providing similar services

Belgorod	South-East Direction for Power Supply – Structural Unit of Transenergo, branch of Russian Railways
Bryansk	JSC Russian Railways
Voronezh	SUE Voronezh Municipal Power Grid
Kostroma	Energoservice LLC
Kursk	OJSC Kursk Power Grid
Lipetsk	OJSC Lipetsk City Power Company
Orel	OJSC Oreoblenergo
Smolensk	OJSC ELS
Tambov	OJSC Tambov Power Grid Company
Tver	LLC Unified Power Grid Company
Yaroslavl	OJSC Rybinsk Municipal Power Grid

No. 2 Capitalisation (30.12.2015), RUB mln

MOESK	36,579.0
IDGC of Centre	8,232.5
IDGC of the Urals	8,043.6
IDGC of Centre and Volga Region	7,054.9
Lenenergo	4,857.7
IDGC of Siberia	4,683.9
IDGC of Volga	3,455.5
IDGC of North West	2,624.5
IDGC of North Caucasus	1,908.8
IDGC of South	1,554.1

+2 position by 2014

No. 1 MOEX trading volume (2015), RUB mln

IDGC of Centre	907.5
IDGC of Volga	422.5
Lenenergo, ord	380.8
IDGC of Centre and Volga Region	306.0
MOESK	253.6
Lenenergo, pref	158.3
IDGC of the Urals	153.1
IDGC of North Caucasus	98.7
IDGC of North West	87.9
IDGC of South	81.6
IDGC of Siberia	14.4

+1 position by 2014

No. 2 Dividends (2014), RUB mln

MOESK	2055.4
IDGC of Centre	831.7
IDGC of the Urals	507.1
IDGC of Centre and Volga Region	349.4
IDGC of Siberia	28.4
IDGC of Volga	17.9
IDGC of North West	0.0
Lenenergo	0.0
IDGC of South	0.0
IDGC of North Caucasus	0.0

+5 positions by 2014

Sources:
www.moex.com, Bloomberg, company official websites, RAS statements

KEY FACTORS OF IDGC OF CENTRE'S INVESTMENT ATTRACTIVENESS

Present in 11 regions of Central Russia with stable demand for services

IDGC of Centre holds monopolistic positions and is a key infrastructure company in economically well-developed regions of the European part of Russia.

More details on page 24 of the Annual Report.

Leading positions in the amount of the power grid assets

The Company holds the first place in the length of the electricity transmission line and holds second place in the volume of transformer capacity among other IDGCs.

More details on page 44 of the Annual Report.

Leading positions in the amount of the power grid assets

An S & P credit rating of "BB-" with a "Stable" outlook and balanced debt load confirms the sustainable financial position of the Company.

More details on page 98 of the Annual Report.

Dividend policy and positive dividend history

During the last 5 years, IDGC of Centre has paid dividends, the payments for 2013 and 2014 made up 25% of the net profit under RAS.

More details on page 179 of the Annual Report.

High level of corporate governance

The Company adheres to high standards of corporate governance, which is confirmed by the assessment of independent experts; its corporate governance rating according to RID is NCGR 7+ "Developed practice of corporate governance¹".

More details on page 128 of the Annual Report.

High information transparency

Proceeding from the results of interviewing representatives from the investment community, the quality of the Company's management transparency and data disclosure are among the Company's advantages.

More details on page 183 of the Annual Report.

Free float 34%

The stocks of IDGC of Centre are traded in the first (higher) listing of MICEX, an index committee highly appreciated in the level of freely traded stocks.

More details on page 174 of the Annual Report.

¹ In March 2016 the corporate governance rating increased to 7 NCGR++.

KEY DEVELOPMENT AREAS OF IDGC OF CENTRE

	OPPORTUNITIES	THREATS
EXTERNAL ENVIRONMENT	<ul style="list-style-type: none"> ● A uniform tariff policy. ● A state policy aimed at increasing economic efficiency (in terms of energy saving and energy efficiency). ● The approval of the Development Strategy for Russia's electricity grids. ● The opportunity to expand additional services, including those related to energy savings. ● The adoption of Federal Act No.307-FZ, dated November 3, 2015, on the Amendments to Individual Legislative Acts of the Russian Federation for Enhancing the Payment Discipline of Energy Consumers. ● The consolidation of electric grid assets in regions of operation, resulting from the adoption of Resolution of the Russian Government No. 184 of February 28, 2015 on assigning the owners of electric power . 	<ul style="list-style-type: none"> ● Dependence on the economic situation in the regions and in the country as a whole. ● Energy consumption reduction. ● 'Last Mile' model disappearance and risk of 'Revenue Shortfall'. ● Low payment discipline of sales companies and end users. ● Changes in the key rate of the Bank of Russia. ● Emergencies, natural disasters. ● No legislative procedure of consumer motivation to reduce capacity reserves. ● Large volumes of preferential connection to grids.
INTERNAL ENVIRONMENT	<ul style="list-style-type: none"> ● The monopolistic position of the Company in the regions where it operates. ● The Company's branches are 'boiler holders' (engaged in boiler tariff setting) in the regions. ● A prudent credit policy. ● A high credit rating and a positive credit history. ● A centralised system of planning and cash flow management of the Company. ● Centralised procurement for the main needs of the Company. ● A developed system of customer service centres. ● Highly-qualified engineers and technicians. ● A certified quality management system. 	<ul style="list-style-type: none"> ● A large area of service and large distance between facilities; the Company has higher maintenance costs, and needs more time to eliminate accidents. ● A high degree of wear on power grid facilities. ● Uneven equipment load within the area of service. ● Accounts receivable, the need of reserves provision.