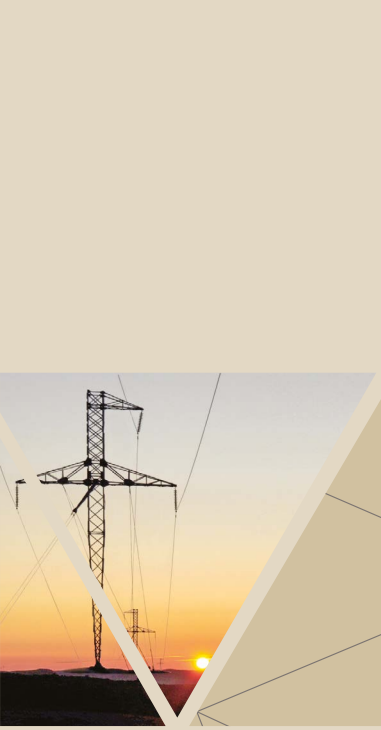
ROSSETI

INTERREGIONAL DISTRIBUTION GRID COMPANY OF THE NORTH-WEST

IDGC of the North-West



Annual Report 2015

Read more in the online version of this Annual Report

http://ar2015.mrsksevzap.ru/en/

About the Report

This Annual Report (hereinafter, the Report) contains the performance of IDGC of the North-West (hereinafter, the Company) and its subsidiaries and affiliates. The Report discloses the Company's manufacturing and financial performance and sustainability performance in 2015.

The Report is developed in accordance with the regulators' requirements for information disclosure, including:

- requirements of the Central Bank of the Russian Federation for information disclosure in joint stock companies' annual reports;
- MICEX requirements for information disclosure in annual reports;
- Corporate Governance Code recommended by the Central Bank of the Russian Federation;
- Russian Grids' requirements for generation of subsidiaries' reports.

The Report is based on the financial statements of IDGC of the North-West for 2015 in accordance with Russian Accounting Standards. Some sections of the report contain the details of consolidated financial statements for 2015 prepared in accordance with the international financial reporting standards.

When developing a Corporate Governance section, the recommendations of the Sustainability Reporting Guidelines GRI G4 were taken into account.

A focus in the Report is on performance management which is outlined in the Company's business model with key performance indicators approved by the Board of Directors of IDGC of the North-West.

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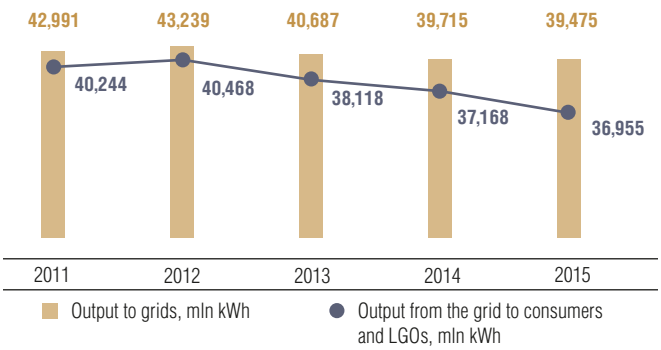
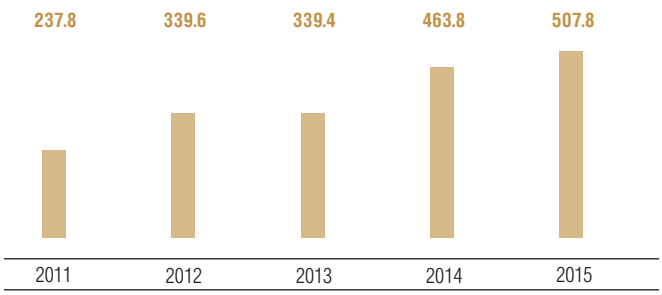
KEY INDICATORS AND EVENTS

Summary of results

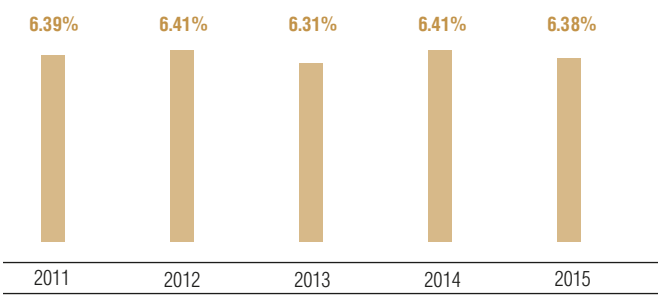
OUTPUT TO GRIDS AND FROM THE GRID TO CONSUMERS AND LGOS



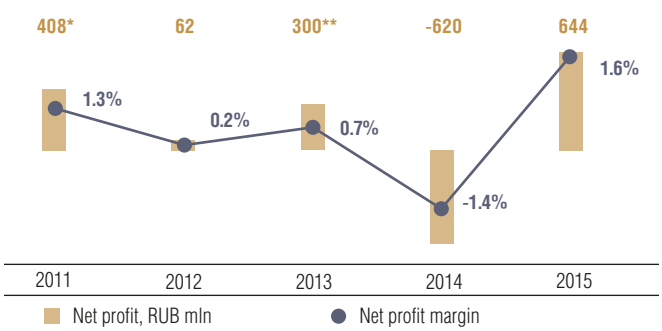
CAPACITY ADDED WITHIN GRID CONNECTION, MW



LOSS



NET PROFIT

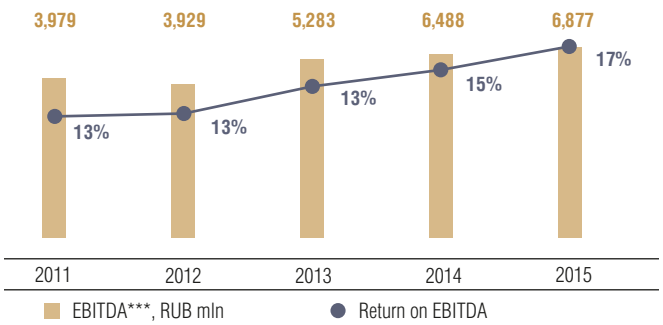


Description of assets	2011	2012	2013	2014	2015
Length of overhead power transmission lines by circuit, km	167,216	167,946	167,327	167,723	166,891
Length of cable power transmission lines, km	7,924	7,999	8,115	8,100	8,140
Number of substations (>35kW), units	1,144	1,149	1,149	1,172	1,172
SS capacity, MVA	18,003	18,163	18,345	19,030	19,031
Total volume of power grids, c.u.	990,840	1,021,301	1,080,050	1,099,472	1,112,957

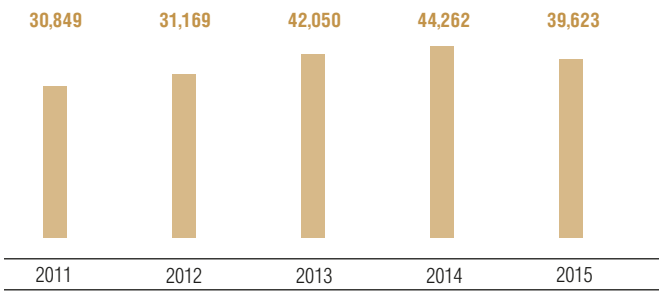
* The indicator is calculated based on the earnings before tax, interest payable and depreciation adjusted for changes in the current market value of financial investments.

** In 2012, retrospective adjustments were made for the purpose of correction of accounting statements for recognition of deferred tax liability relating to the provision for doubtful debt resulting in the increase in the balance of deferred tax liabilities with the relevant effect on the financial result of 2011 which amounted, with the adjustments made, to RUB 411 million.

EBITDA



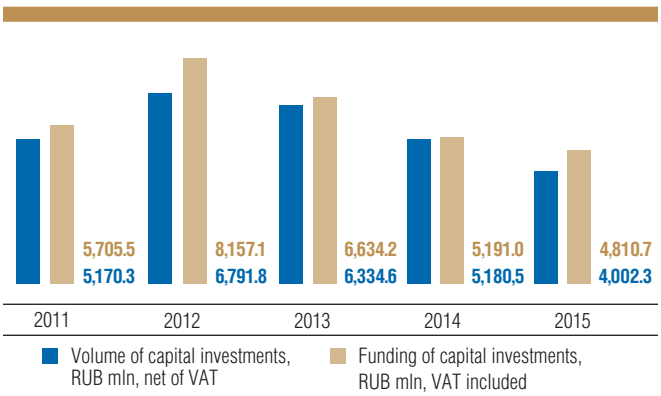
TOTAL REVENUE, RUB MILLION



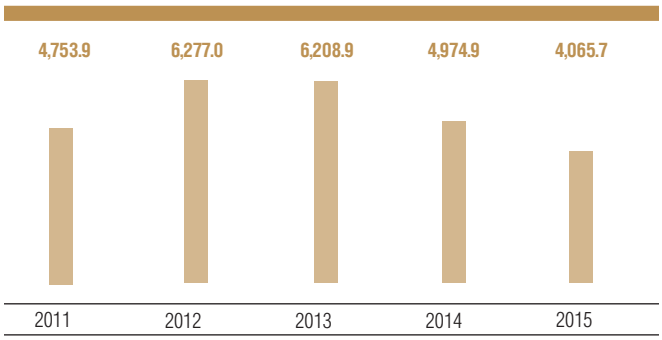
Key financial results	2011	2012	2013	2014	2015
Total revenue, RUB million, including:	30,849	31,169	42,050	44,262	39,623
from electricity transmission	29,486	29,276	29,650	31,343	36,881
from grid connections	884	1,412	955	882	804
from electricity sales	0	0	10,799	11,017	946
other	479	481	646	1,020	991
Production cost, RUB million	27,781	28,129	38,293	40,030	35,547
Ratio of net debt to EBITDA	1.57	2.56	3.03	3.81	2.25
Gross profit, RUB million	3,067	3,040	3,757	4,232	4,076
Profit before tax, RUB million	960	422	733	-529	880
Cash flow from operations, RUB million	4,479	2,896	585	6,630	5,485
Return on equity secured by cash, %	0.96	-0.98	0.22	-3.77	0.68
Net assets cost, RUB million	27,144	27,442	27,695	26,995	27,636
Capitalisation as of the end of the period, RUB million	7,477	6,116	2,712	2,433	2,624

***In 2014, retrospective adjustments were made for the purpose of revision of accounting report submissions of differences in taxes in respect of estimated liabilities for the payment of vacation allowances, annual remuneration, fees for legal proceedings with the relevant effect on the financial result of 2013 which amounted, with the adjustments made, to RUB 275 million.

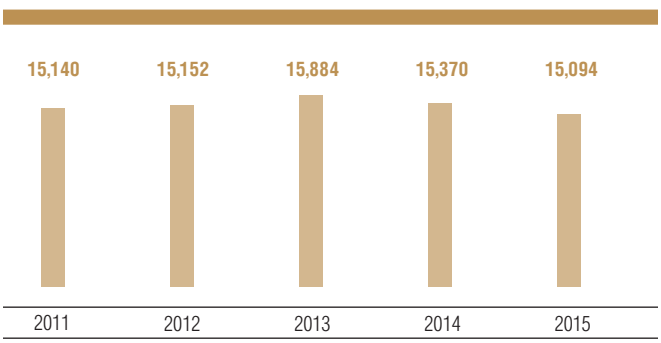
CAPITAL INVESTMENTS



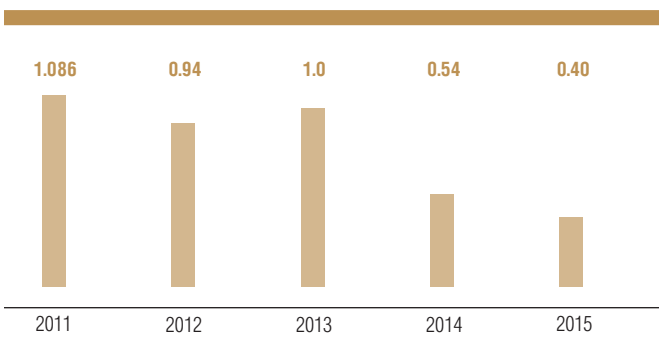
COMMISSIONED FIXED ASSETS, RUB MILLION



NUMBER OF PERSONNEL, PEOPLE



INJURY FREQUENCY RATE



KEY EVENTS OF THE YEAR

January

In regions where PJSC IDGC of the North-West operates, commissions to monitor payment discipline in respect of the electricity supplied and electricity transmission services were established. The idea to create these commissions was suggested by Oleg Budargin, General Director of PJSC Rosseti was supported by all heads of regions where Company operates.

February

PJSC IDGC of the North-West which performed the functions of supplier of last resort (SLR) in Murmansk Oblast from March 01, 2013, delegated the GS status to JSC AtomEnergoSbyt from February 01, 2015.

April

4 months after the official launch, the new website of PJSC IDGC of the North-West won the first prize in the Best Corporate Media-2015 held by Russian Association of Communication Directors and Corporate Publishing.

May

The Investment Programme for 2015 was adjusted to increase funding of energy system reliability improvement activities. The total volume of funding in 2015 amounted to RUB 4.7 million.

June

Unique operations were performed – wires of the Brevennik 1–2 overhead line over the Severnaya Dvina tributary were lowered to enable sail training ship Mir and the legendary Kruzenshtern to enter the port of Arkhangelsk.

September

Dedicated web portal for additional services to consumers of PJSC IDGC of the North-West was launched. Information about the turnkey grid connection option or the cost of utilities relocation beyond the land boundary is available online.

November

Funding of procurement of special-purpose machines and vehicles increased two-fold. In 2015, PJSC IDGC of the North-West purchased 235 pieces of machinery. To this effect, RUB 315 million was included into the Investment Programme, as compared to RUB 145 million a year earlier.

December

Ministry of Energy of the Russian Federation approved the draft Investment Programme of PJSC IDGC of the North-West for 2016-2020. The amount of funding will be RUB 26.4 billion. The official website and the corporate newspaper of PJSC IDGC of the North-West became winners of the national corporate media award of Serebryanye Niti 2015 (Silver Threads 2015). The unified portal of the energy company won the Grand Prize in its category.

EVENTS AFTER THE REPORTING DATE

January 2016

The road map for the transition to direct payments from end consumers for electricity transmission. The project is to reduce the debt burden of counterparties to the grid company.

MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

Dear shareholders and investors, and dear partners,

IDGC of the North-West is one of the most important companies of the strategic region of our country. Seamless operation and development of the regional power grid are our primary objectives. The successful solution of these objectives in 2015 helped to increase the Company's investment appeal and created conditions for further effective development.

In relations with shareholders, the Company is committed to adhere to the fundamental principles of corporate governance. Protecting the interests of each shareholder has been and remains a priority for the Board of Directors. We are consistently working to ensure that the corporate governance system in PJSC IDGC of the North-West meet the best standards. The Company's ratings confirm this.

Despite the difficult economic situation, we have performed our generation obligations and achieved favourable financial results. As of year-end, the net profit amounted to RUB 644 million.

RUB 4.8 million was spent for development of power grids in our regions of responsibility.

Financial result is the outcome of continuous efforts in the cooperation with public authorities of the regions and careful weighted attention of the management to the Company's operating expenses.

During 2015, the Board of Directors, including at in-person meetings, examined many diverse current and strategic issues, while focused on economic aspects of the Company's operations. Reducing the accounts receivable, providing timely and efficient grid connection of consumers, increasing the value of the Company's assets, building the incentive system for the entire management of the Company —from the executive team to management of distribution zones – these are the subjects of discussion the Board of Directors was focused on.

Financial health of the Company in the difficult economic situation in the country is one of the key issues decisions were made frequently. Conceptual documents aimed at improving the quality of governance in all areas of operations of the Company were adopted. The Board approved the restated Standard and Rules for the Company's business planning, Rules for operational efficiency improvement and cost reduction, Rules for domestic funding, Rules for payment, and Unified Procurement Standard.

Let me thank members of the Board of Directors, committees, management and employees of the Company for the active and involved participation in the Company's operations in 2015.

Chairperson of the Board of Directors,
PJSC IDGC of the North-West

Svetlana Zholnerchik

MESSAGE FROM THE GENERAL DIRECTOR OF THE COMPANY

Dear Shareholders,

In 2015, PJSC IDGC of the North-West as a major infrastructure company of the Northwestern Federal District reached its primary objectives: ensured the reliable operation of the power grid infrastructure for consumers in seven regions of the NWFD and achieved a good financial result in the form of net profit of RUB 644 million, which is higher than the business plan figure.

This is due to a balanced usage policy of production, human and financial resources in an unfavorable macroeconomic environment with accounts receivables for services provided by the electricity transmission companies.

We performed all the planned activities of the Repair and Maintenance Programme – we spent more than RUB 1.7 billion for repair of equipment, received the AWP Readiness Certificate for 2015/2016, and passed the autumn-winter peak loads successfully.

As of year-end, the accident rate and the amount of process upsets in the grids reduced by 31% as compared to 2014.

As of year-end, the accident rate and the amount of process upsets in the grids reduced by 31% as compared to 2014. Undersupply of electricity to consumers due to process upsets reduced by 38%.

PJSC IDGC of the North-West spent RUB 4.8 billion for development of the power grid in the regions, which allowed improving the equipment reliability, and ensuring the grid connection of new customers. 1097 km of power transmission lines of 0.4-150 kW voltage class and 242 MVA of new transformer capacity were commissioned.

One of the essential factors that had positive effect on the production operations in the context of a general economic downturn was the management decision to increase the proportion of work carried out without the involvement of contractors. Thus, the Repair and Maintenance Programme and grid connection activities of consumers for more than 70% were performed by the Company using its own resources. As a result, we managed to maximise the use of our own human capacity, significantly improve the quality and level of responsibility for the work performed.

The most important projects in 2015 included renovation of the 110/35/10 kW Tarnoga substation supplying electricity to over 14 thousand citizens of Vologda Oblast, construction of the 110 kW Zelenogorsk – Izhma overhead transmission line to supply electricity to remote areas of the Komi Republic and the 110 kW overhead transmission line and the 110/35/6 kW Verkhovye substation for connection of oil production facilities of the Yaregskoye oil and titanium deposit, and reconstruction of the 110/35/6 kW Kuznechevskaya substation in the capital of Pomorye.

The priority of our work in 2015 was the increase of effectiveness of investment activity in regions where the Company operates, the creation

>70%

WERE PERFORMED BY THE COMPANY USING ITS OWN RESOURCES

644 RUB million

NET PROFIT

of conditions under which the Investment Programme funds will be spent only for really demanded projects in the region.

The increase of effectiveness of investment activity in regions is the priority.

Through the cooperation with the Administrative Office of Presidential Plenipotentiary Envoy to the Northwestern Federal District, the first Regional Investment Energy Fair was held in Pskov. As a result, agreements were signed with investors who plan developing their businesses in Pskov Oblast. Further development of this project in all regions where the Company operates and at the interregional level will allow us moving away from inefficient building of capacity, allocating funds for the implementation of really demanded projects and receiving profit from the transfer of electricity to be consumed by real properties. Investors will be able to obtain access to the grid infrastructure faster, better and cheaper, and consumers will get better tariffs.

In 2015, 36.9 billion kWh of electricity was transmitted via the Company's grid. As compared to 2014, the volume of transmission reduced by 0.6%, which is due to a slight decrease of electricity in some regions of responsibility. The volume of revenue from the sale of electricity transmission services increased by RUB 5.538 billion rubles and was 118% on the number of the previous year due to the increase in the average sales tariff.

The total loss of electricity reduced by 26 million kWh to 6.38%. In absolute values, this figure as of year-end was 2.5 billion kWh.

In 2015, we obtained a good financial result. Net profit was RUB 644 million. Revenues amounted to RUB 39.623 billion, which exceeded the target value by RUB 158 million. The general decline in revenue of RUB 4,639 million (10%) as compared to 2014 was due to the cancellation of supplier of last resort functions in Murmansk Oblast.

As of year-end, the consistent work in this field resulted in the collection of total of more than RUB 10 billion from the debtors. However, unfortunately, the payment discipline – especially in case of suppliers of last resort in regions where the Company operates remains extremely low. The suppliers of last resort account for the largest portion of the debt. And

36.9 billion kWh

OF ELECTRICITY
WAS TRANSMITTED
VIA THE COMPANY'S GRID

this is a deterrent in the development of the Company.

The main focus of the management have been and remain the consumer receivables for electricity transmission services.

As from the beginning of 2016, we started implementing the road map providing for transition of major consumers to the direct payment scheme. This will enable us to receive funds for electricity transmission services, bypass the intermediaries who are not necessarily honest and use the money to implement the production programmes. The first campaign to effect the transition to direct payments was organised in Arkhangelsk and Vologda Oblasts as most problematic areas in terms of payment discipline of suppliers of last resort in the regions.

In Q2, the Komi Republic will join the project implementation efforts. Further, the project will extend to all regions where the Company operates.

In 2016, the management of PJSC IDGC of the North-West will concentrate its attention on ensuring reliability of electricity supply to consumers of the North-West. The focus will be improving planning and implementation of the Investment Programme in close working with the regional authorities, reducing the accounts receivable and ensuring profitability of the Company.

General Director Alexander Letyagin

1. COMPANY PROFILE

Public Joint Stock Company Interregional Distribution Grid Company of the North-West was founded under the decision of its sole founder JSC RAO UES of Russia (Order No.153r of JSC RAO UES of Russia as of December 09, 2004) and registered December 23, 2004. The Company's authorised capital at the incorporation date was RUB 10 million divided into 100 million ordinary shares.

Since July 29, 2014, A.V. Letyagin has been General Director of PJSC IDGC of the North-West.

PJSC IDGC of the North-West operates in the territory of 7 constituent entities of the Russian Federation with a total area of 1,409,726 sq km (8.23% of the territory of Russia).

5,828.6 thousand people live in the area of the Company's operations (3.97% of the population of Russia).

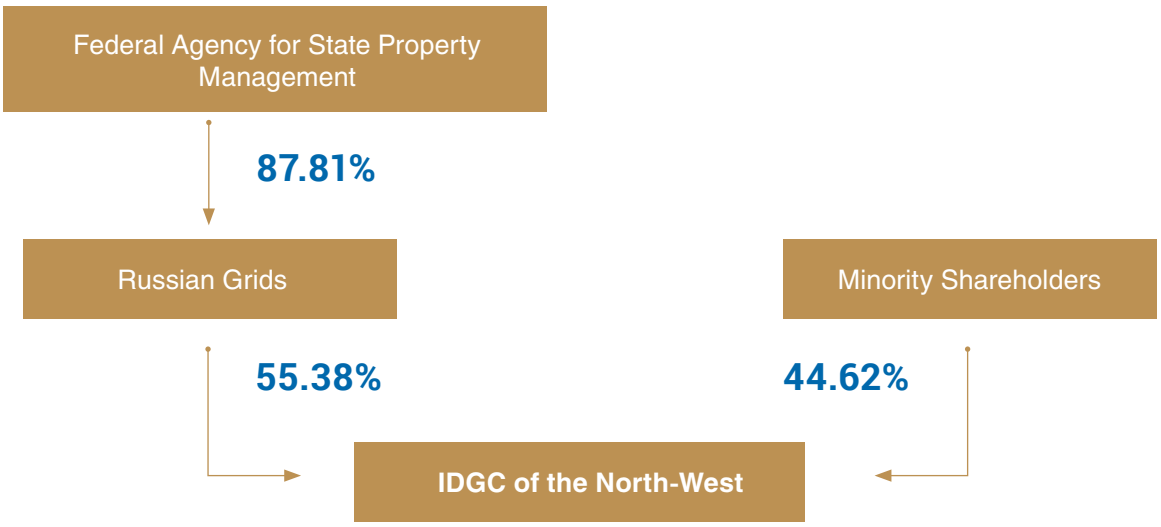
9.6 RUB billion

THE COMPANY'S AUTHORISED CAPITAL

1.4 million sq km

AREA OF OREPATIONS

Company's ownerships structure



AREA OF OPERATIONS

5,828.6 thousand people

POPULATION OF THE AREA OF OPERATIONS

STRATEGIC REPORT

24,259 ▽5.08% pcs

Number of performed contracts

533.7 △ 10% MW

Capacity added within grid connection

76 %

Company's share in the electricity transmission market in the serviced area

2. STRATEGIC REPORT

2.1. PLACE OF THE COMPANY IN THE MARKET

PJSC IDGC of the North-West operates in the territory of 7 constituent entities of the Russian Federation in the North-Western region and is the largest grid company in the regions where it operates.

The Company's main type of activity is the transmission of electricity. Pursuant to the decision of the Federal Tariff Service of the Russian Federation (Order No.191-E as of June 03, 2008), PJSC IDGC of the North-West is included in the register of the natural monopoly's entities carrying out the activities of electricity transmission under No. 47.1.116.

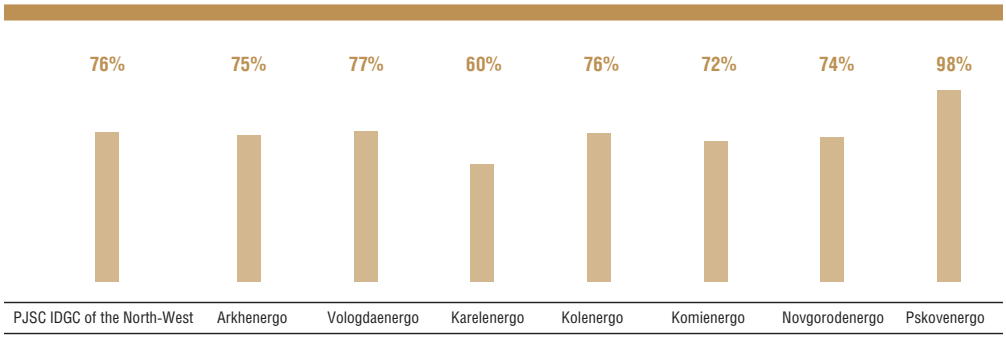
The Company's share in the electric energy transmission market, in general for the service area, is about 76%, including electric energy a portion of which is transmitted through the grids of LGOs being payment recipients.

The presence of currently operating local grid operators poses no significant risk for the Company. Most of the electricity delivered to consumers through distribution grids of other network organisations is also delivered through the grids of PJSC IDGC of the North-West via the high and medium voltage levels. The market share controlled by the Company has not changed considerably for the last 5 years.

76%

THE COMPANY'S SHARE IN THE ELECTRIC ENERGY TRANSMISSION MARKET, IN GENERAL FOR THE SERVICE AREA

COMPANY'S SHARE IN THE ELECTRICITY TRANSMISSION MARKET (BASED ON REVENUE)



As of year-end 2015, the volume of electricity transmitted was 36,955 million kWh, which is much less than the figures in previous periods. As compared to 2011, the decline was more than 8%. One of the reasons for decline was the execution by consumers of direct contracts with PJSC FGC UES in relation of all points of connection to the UNEG (the "last mile"). The total decline in the electricity transmission by PJSC IDGC of the North-West by last mile facilities by 2015 was 2,242 million kWh, including by branches:

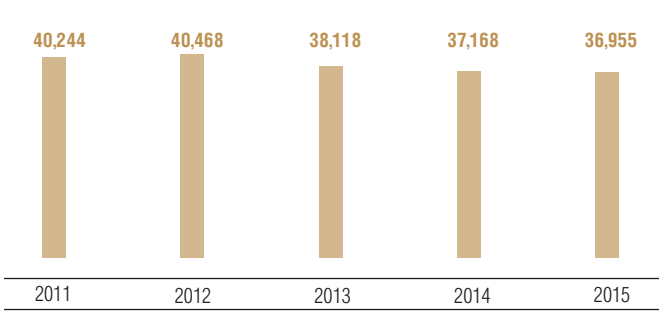
- Arkhenergo – 237 million kWh,
- Vologdaenergo – 1 418 million kWh,
- Karelenergo – 290 million kWh,
- Komienergo – 226 million kWh.

In addition, the volume of transmission is affected by change in the electricity consumption by large consumers in the region. In 2015, transmission of electricity from the Karelenergo grids to the consumer JSC NAS SUAL was ceased due to the repurchase of the Ondskaya HPP by SUAL. Decline in consumption by JSC NAS SUAL in 2015 as compared to 2011 was 1,318 million kWh. Decline in electricity transmission in 2015 as compared to 2014 was attributed to the cancellation of consumption by JSC NAS SUAL in the amount of 224 million kWh.

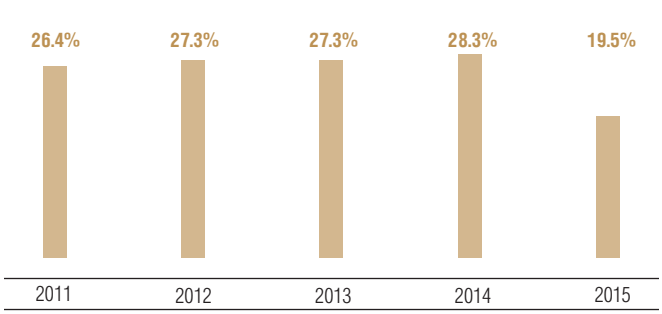
The share of electric energy supplied to the grid of local grid operators in 2015 was 19.5% of the total transmission by PJSC IDGC of the North-West.

There is a number of local grid operators which render grid connection services in regions where PJSC IDGC of the North-West operates. These companies are the main competitors of PJSC IDGC of the North-West in terms of grid connection services.

VOLUMES OF ELECTRICITY TRANSMITTED THROUGH THE GRIDS OF PJSC IDGC OF THE NORTH-WEST, MILLION KWH



THE PROPORTION OF SUPPLY TO THE GRID BY LOCAL GRID OPERATORS OF THE SERVICES PROVIDED



Based on expert assessments of the Company's management, the share of PJSC IDGC of the North-West in the grid connection market in the Northwestern Federal District varies subject to the region and the voltage level in grids to which the connection is made.

For all regions included in the area of responsibility of PJSC IDGC of the North-West the market share with the voltage level of 35 kW and more is closing 100%. As for voltages of 0.4 kW to 20 kW, the market share varies from 100% at Pskovenergo to 3% at Kolenergo. In other branches, the market share at this voltage level is as follows: in Karelenergo branch – 80%, in Komienergo branch – 80%, in Arkhenergo branch – 70%, in Novgorodenergo branch – 62%, in Vologdaenergo branch – about 58%.

Such difference by regions is related to the established ownership of grids of each level of voltage. There are almost no 0.4 and 10 kW grids on the balance sheet of Kolenergo, therefore, this branch has made very few grid connections at this voltage level. At the same time, in Pskov Oblast, Pskovenergo branch owns most part of grids at this voltage level.

THE NUMBER OF APPLICATIONS FILED IN 2011-2015 FOR GRID CONNECTION BY VOLTAGE RANGE (EXCLUDING ELECTRICITY GENERATION FACILITIES)

Period	0.4 kW		6–20 kW		not less than 35 kW	
	pcs.	for total capacity, MW	pcs.	for total capacity, MW	pcs.	for total capacity, MW
2011	24,400	401.53	1,063	408.07	13	142
2012	30,045	484.55	1,044	527.26	27	244
2013	32,336	578.91	1,161	690.84	34	314
2014	30,824	551	1,148	706	38	340
2015	26,494	451.1	1,111	665.7	35	257

2.2. STRATEGIC PRIORITIES OF THE COMPANY

2.2.1. Mission and strategy

The main purpose (mission) of PJSC IDGC of the North-West is a long-term and reliable, high-quality and affordable supply of energy to consumers.

The long-term strategy of development of PJSC IDGC of the North-West is determined by provisions of the Development Strategy of the Electric Grid Complex of the Russian Federation, approved by the RF Government Executive Order No 511-r dated April 03, 2013 and priorities of reliable supply of energy to consumers.

The Development Strategy of the Electric Grid Complex of the Russian Federation has determined the following target figures for the Electric Grid Complex of the Russian Federation:

1. Improving reliability and quality of power supply to a level requested by consumers;
2. Improving safety of energy supply, including by reducing the total number of accidents, including unrecorded accidents;
3. Improving efficiency of the power grid.

2.2.2. Strategic areas

Target figures	The 2015 contribution to the implementation of strategic objectives (change in relation to 2014)	For 2016	Strategic objectives	Corresponding key performance indicators
1. Improving reliability and quality of power supply to a level requested by consumers				
1.1. Improving customer service quality (including reducing the number of steps required for grid connection to power grids, by 2015 – from 10 to 6, and by 2018 – to 5)	In 2014, the number of steps required for grid connection to power grids was 5. In 2015, the number was reduced to 4. In all 7 regions of the Company's responsibility, the following services are implemented: – Receipt of applications for connection of power receivers with capacity of up to 150 kW on a single toll-free number 8-800-333-02-52; – Turnkey operations in customer grids.	Reducing the number of steps required for grid connection to power grids to 3. SMS notification of the applicant about the status of its application for grid connection.	Reducing the number of steps required for grid connection to power grids to 3 in 2016. Optimisation of grid connection procedures, including simplification of the procedure for checking the compliance with technical requirements and reducing the number of trips to 1 (with execution of all necessary documents). Ensuring of receipt of grid connection applications from a certain category of consumers[1] through the online resources – the customer service portal or the Company's official website In the amount of not less than 30% of applications received from this category of applicants.	Compliance with the terms of grid connection

[1] Applicants – individuals with electrical installations with voltage level of up to 20 kV, and the distance from the existing electrical grids of required voltage class to the boundaries of the applicant's site where electrical installations to be connected are located is not more than 300 meters in cities and urban-type settlements and not more than 500 meters in rural areas, of up to 15 kW and from 15 kW to 150 kW.

Target figures	The 2015 contribution to the implementation of strategic objectives (change in relation to 2014)	For 2016	Strategic objectives	Corresponding key performance indicators
1.2. Reducing the undersupply of electricity	Reducing the undersupply of electricity to consumers due to process upsets was as follows: – in 2014 – 17% on the number of 2013. – in 2015 – 38% on the number of 2014.	Reducing the number of process upsets by 3% on the number of 2015 and reducing the electricity undersupply.	Preventing the growth of electricity undersupply. To improve the efficiency, reliability and safety of energy generation, 12 target programmes for renovation and refurbishment of power grid facilities in 2016-2021 were developed.	Achieving the level of reliability of the services Absence of increase in the number of major accidents
1.3. Reducing the cost of grid connection for small and medium-sized businesses	Reducing the average cost of grid connection of power receivers of the "privileged" applicants with a maximum capacity of 15 kW was as follow: – in 2014 – 33% on the number of 2013. – in 2015 – 44% on the number of 2014.	Reducing the unit cost of grid connection operations of power receivers of the "privileged" applicants with a maximum capacity of 15 kW by 10% on the number of 2015.	Reducing the unit cost of grid connection operations of power receivers of the "privileged" applicants with a maximum capacity of 15 kW by 20% on the number of 2015.	Compliance with the terms of grid connection
2. Improving safety of energy supply, including by reducing the total number of accidents, including unrecorded accidents				
	Reducing the on-the-job injury rate; the number of injured persons was: – in 2014 – 47% on the number of 2013; – in 2015 – 25% on the number of 2014.	Avoidance of increase in the number of injured persons on the number of 2015.	Avoidance of increase in the number of injured persons. Priority cancellation of potentially traumatic equipment with design features which do not ensure safe maintenance and repair.	Avoidance of increase in the number of injured persons.
3. Improving efficiency of the power grid				
3.1. Increase in capacity utilisation (as percentage of installed capacity of transformers at all voltage levels, excluding the obligatory redundancy)	As of January 01, 2016, the maximum actual capacity utilisation in the Company as a whole is 57.9% of the maximum permissible load of feeding centres. The decline as compared to the data as of January 01, 2015 was 1.6%.	Improving the capacity increase by ensuring the load of feeding centres commissioned before 2013 by not less than 25% by adjusting the electric power industry prospective development schemes and programmes, taking into account the forecast demand for electricity (capacity) in accordance with the actual need of applicants, land-use planning documents, as well as tariff and balance decisions.	Increase of the load of feeding centres by 2018 of not less than 1.5% on the number of 2015. Participation in the development of the mechanism of mutual responsibility between the executive authorities of the RF constituent entities, promising consumers and grid companies as relates to the planned capacity and the time for load increase in the implementation of grid connection of consumers to the power grids.	

Target figures	The 2015 contribution to the implementation of strategic objectives (change in relation to 2014)	For 2016	Strategic objectives	Corresponding key performance indicators
3.2. Reduction of specific investment costs by 30% on the number of 2012 (in rubles per physical unit (km, MVA))	The rate of reduction of specific investment costs was as follow: – in 2014 – 11.9% as compared to the target of 7.5%. – in 2015 – 18.4% as compared to the target of 15%.	Reduction of specific investment costs in 2016 by not less than 22.5%	Reduction of specific investment costs in 2017 and further by not less than 30%	Reduction of specific investment costs. Compliance with the commissioning schedule.
3.3. Reduction of operating expenses by 15% by year 2017 (adjusted for inflation) on the number of 2012 as calculated per unit of electrical equipment serviced.	Reduction of specific operating expenses to the level of 2012 was as follows: – in 2014 – 12.16%, more than 2 times higher than the target reduction (5%); – in 2014 – 21.34%, more than 2 times higher than the target reduction (10%).	The approved business plan for 2016 with a forecast for the period of 2017-2020 provided for a decline in specific operating expenses to the level of 2012 in the amount of 20.79% in 2016, which is significantly higher than the target value (15%).	The approved business plan for 2016 with a forecast for the period of 2017-2020 provided for the following parameters of decline of operating expenses to the level of 2012: 2017 – 21.39% 2018 – 23.22% 2019 – 24.87% 2020 – 26.74%	Reduction of specific operating expenses
3.4. 2017 reduction of losses by 11% in relation to the level of 2012.	Reducing the size of losses in similar conditions in relation to the level of 2012 was as follows: – in 2014 – 6.77%; – in 2015 – 7.2%.	Reducing the size of losses in 2016 by 9.6% in relation to the level of 2012 in similar conditions.	Reducing the size of losses in 2017 by 11% in relation to the level of 2012 in similar conditions and maintaining the achieved level of losses.	The level of electricity losses

2.3. PERFORMANCE MANAGEMENT

2.3.1. The KPI system

The achievement of priority development goals of the Company is assessed with the KPI system applicable in the Company.

Starting from 2015, the Company's system of key performance indicators has been significantly modified to take into account the priorities defined by the Development Strategy of the Electric Grid Complex of the Russian Federation, approved by the RF Government Executive Order No 511-r dated April 03, 2013, and for the purposes of mutual agreement of the indicators with the objectives of the Company's Long-term Programme of Strategic Development, and performance of certain instructions of the Government of the Russian Federation.

The System of Key Performance Indicators for the Company's General Director is established pursuant to decision of the Board of Directors as of March 13. 2015 (Minutes No. 176/18).

For 2015, the Board of Directors of the Company provided the following Key Performance Indicators with target values.

KEY PERFORMANCE INDICATORS

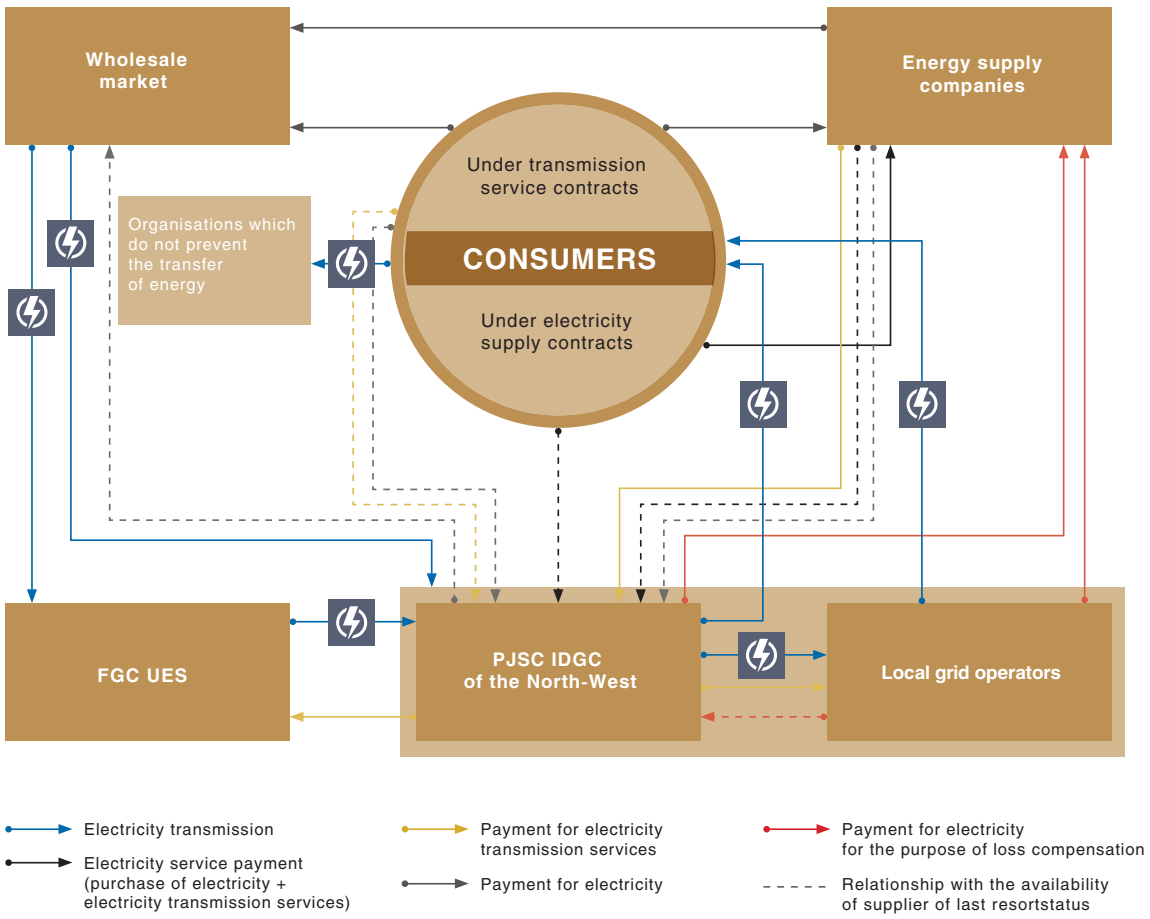
Description	Target value in 2015
Annual figures	
TSR - total shareholder return	≥ the average value of the indicator for companies included in the calculation base of the Moscow Exchange Electric Utilities Index (MICEX PWR) as of the end of reporting period, or ≥ the mean figure for the last three years preceding the reporting year
Return on invested capital (ROIC)	≥ 0.9
Reduction of specific operating expenses	≥ approved in the Business Plan
The level of electricity losses	≥ approved in the Business Plan
Achieving the level of reliability of the services	1
Reduction of specific investment costs	≥ 15%
Compliance with the commissioning schedule	≥ 95%
Compliance with the terms of grid connection	≤ 1.1
Labour efficiency	≥ approved in the Business Plan
Quarterly indicators	
Absence of increase in the number of major accidents	Absence of increase
Avoidance of increase in the number of injured persons	Absence of increase
Financial stability indicator – financial leverage coefficient	≤ 1.5 or the Business Plan value (with die account for the financial standing group)

Performance of the annual KPIs as of year-end 2015 amounted to 88.9% and was due to the failure to meet the target indicator of 'Compliance with the commissioning schedule'. Performance of the quarterly KPIs as of year-end 2015 amounted to 91.7% and was due to the failure to meet the target indicator of 'Avoidance of increase in the number of injured persons' in Q4 2015.

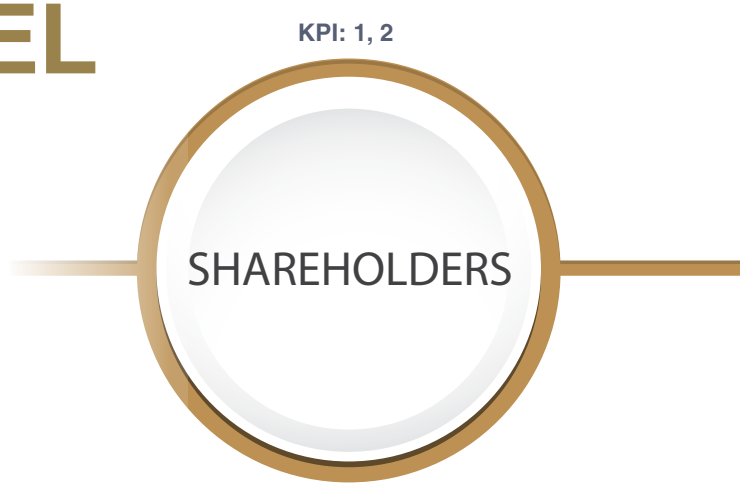
The values of indicators for 2015 take into account the need to achieve the target figures of the Development Strategy of the Electric Grid Complex of the Russian Federation in terms of reduction by 2017 of the specific operating costs by at least of 15% as compared to 2012, the specific investment costs – by at least of 30% of the reduction of electricity losses in the volume of 11% as compared to 2012.

The System of Key Performance Indicators applied in the Company is tied with the size of the variable part of remuneration of management – for each of the indicators, a percentage is set in the amount of paid premiums, – quarterly and annual bonuses are made subject to the performance of relevant KPIs.

2.3.2. Electricity market business block and business model



BUSINESS MODEL



Business model of IDGC of the North-West is based on the rendering of its core services to consumers: transmission of electricity and grid connections.

Processes ensure reliable and high quality processes performance of core operations. Effectiveness of the business model in general and some of its parts is assessed through key performance indicators (KPIs).

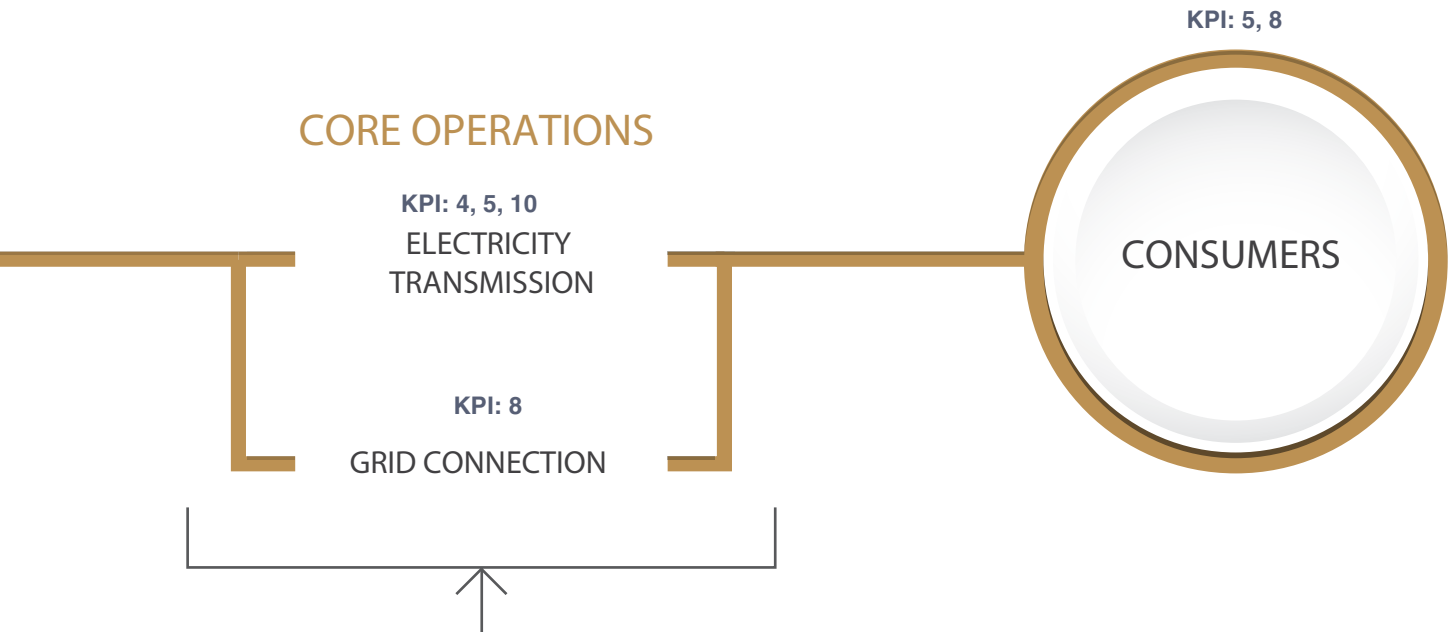
KEY PERFORMANCE INDICATORS (KPIs)

ANNUAL INDICATORS

1. Profitability of the shareholders' investments (TSR, Total Shareholder Return)
2. Return on invested capital (ROIC)
3. Reduction of per unit operating expenses
4. Loss of electricity
5. Achievement of a reliability level for rendered services
6. Reduction of per unit investment costs
7. Compliance with the facility start-up schedule
8. Compliance with the implementation schedule for grid connections
9. Labor productivity

QUARTERLY INDICATORS

10. No major breakdowns
11. Prevention of the number of injuries in accidents
12. Financial stability – Financial leverage ratio



SUPPORTING PROCESSES

KPI: 5, 10

MAINTENANCE AND REPAIR, EQUIPMENT RETROFIT

Maintenance and repair of electricity grids are prerequisites of a reliable and high-quality power supply.

Equipment retrofit facilitates reduction of loss, improvement of the operation safety of grids, and growth of the Company's performance

KPI: 6, 7

INVESTMENT ACTIVITIES

Investment activity enhances reliability and improves electricity grids, reduces losses in electricity grids, and helps to reduce operating costs and ensure the start-up of additional capacities for connection.

KPI: 3, 12

ECONOMY AND FINANCE MANAGEMENT

The economy and finance management is based on:
– cost management aimed at minimization of consumed resources and maximization of relevant return;
– stable financial and business operations.

KPI: 9, 11

HR MANAGEMENT AND IMPROVEMENT OF MANUFACTURING SAFETY

Key goals of the HR policy:
– human resources support and development;
– satisfaction of the Company's demands for personnel;
– improvement of labor productivity;
– improvement of manufacturing safety.

KPI: 1, 2

CORPORATE GOVERNANCE

IDGC of the North-West has an efficient and transparent corporate governance system in place. It takes into account the interests of all shareholder groups and is aimed at enhancing the Company's appeal.

OPERATING RESULTS

2,520 ▽ 1.1% million kWh

Losses

8,140 △ 0.5% km

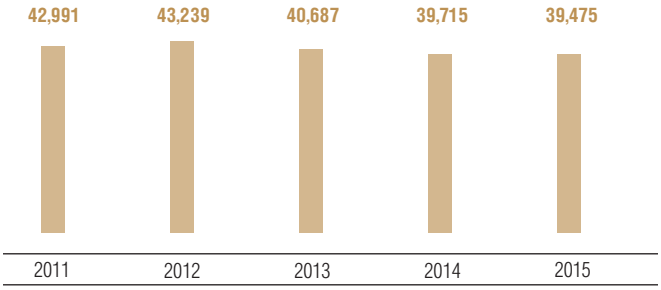
Length of cable power transmission lines

1,112,957 △ 1.2% c.u.

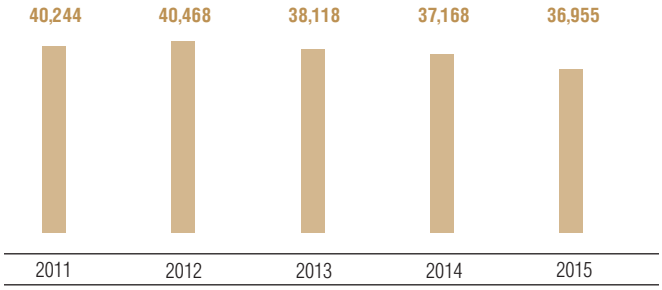
Total volume of power grids

3. OPERATING RESULTS

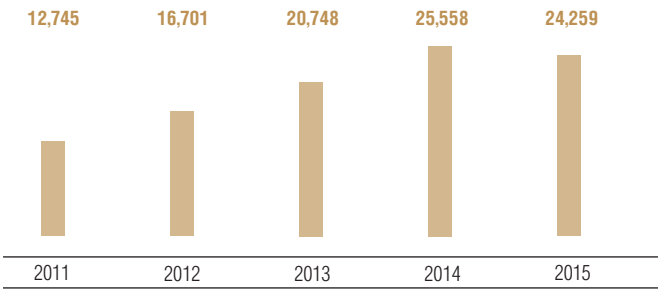
OUTPUT TO GRIDS, MILLION KWH



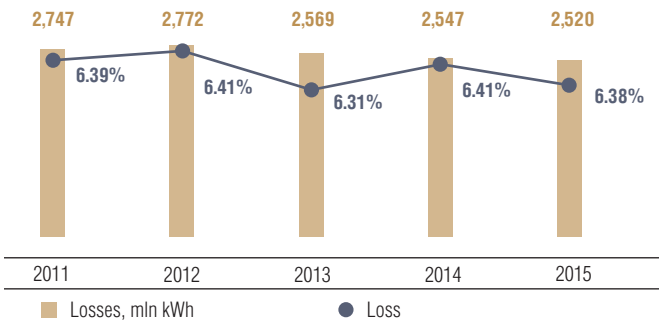
OUTPUT FROM THE GRID TO CONSUMERS AND LGOS, MILLION KWH



NUMBER OF PERFORMED CONTRACTS, PCS



LOSSES



DESCRIPTION OF ASSETS

Description	2011	2012	2013	2014	2015
Length of overhead power transmission lines by circuit, km	167,216	167,946	167,327	167,723	166,891
Length of cable power transmission lines, km	7,924	7,999	8,115	8,100	8,140
Number of substations (>35kW), units	1,144	1,149	1,149	1,172	1,172
SS capacity, MVA	18,003	18,163	18,345	19,030	19,031
Total volume of power grids, c.u.	990,840	1,021,301	1,080,050	1,099,472	1,112,957

3.1. ELECTRICITY TRANSMISSION

The main production activity of the Company is provision of electricity transmission services.

The actual electricity loss in the power grids of PJSC IDGC of the North-West was 2,520 million kWh or 6.38% of the output to grids. Compared to the corresponding period of 2014, with the reduction of output to grids by 0.6%, the reduction of electricity loss was 27 million kWh or 0.03 percentage points.

As of year-end 2015, the output of electricity by PJSC IDGC of the North-West from the grid to consumers and related LGOs within the boundaries of balance sheet and operational responsibility was 36,955 million kWh, which is, if compared to the values of 2014 (37,168 million kWh), 213 million kWh or 0.6% less than in 2014.

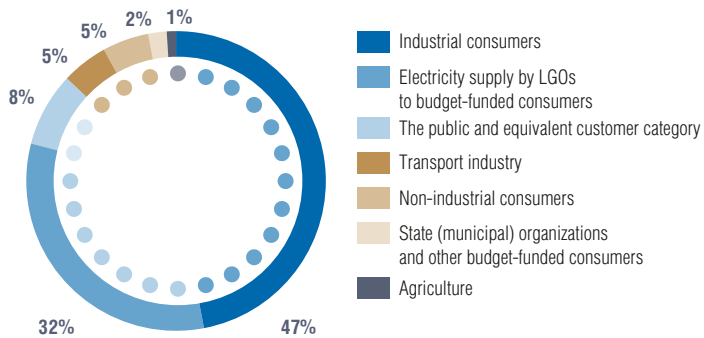
The main reasons for that are as follow:

- Cessation of electricity transmission from the Company's grids to the consumer JSC NAS SUAL due to the purchase of generating assets by JSC SUAL;
- Decline in electricity consumption in Arkhangelsk Oblast and the Komi Republic.

6.38%

THE ACTUAL ELECTRICITY LOSS IN THE POWER GRIDS OF PJSC IDGC OF THE NORTH-WEST

STRUCTURE OF ELECTRICITY SUPPLY FROM THE COMPANY'S GRIDS IN 2015 BY CONSUMER GROUPS



3.2. GRID CONNECTION

The number of grid connection applications is formed from received and canceled applications. Therefore, the number and capacity of filed applications is greater than the number of executed contracts.

More than 90% of all contracts are contracts with applicants, whose capacity of power receivers is not greater than 15 kW. Due to the changes in RF laws regulating the grid connection activities, the period of performance of major contracts, with a capacity of more than 670 kW is as follow:

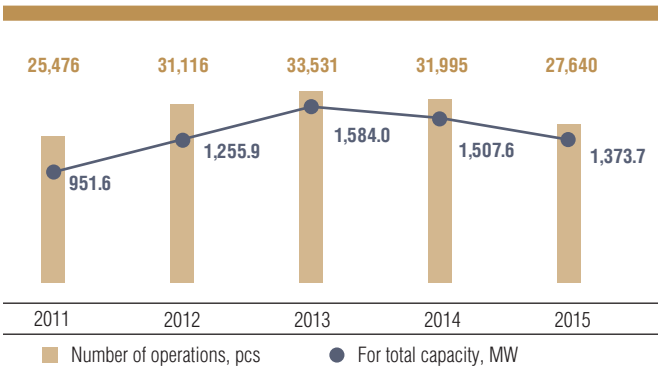
- 1 year in the absence of measures in grids of the grid operator;
- 2 years, unless other terms (but not more than 4 years) are provided by the Investment Programme of the relevant grid operator, or by the parties' agreement – which has an impact on the total amount of connected capacity.

Also, the implementation of major contracts for grid connection is affected by financial solvency of the applicants and macroeconomic environment as a whole.

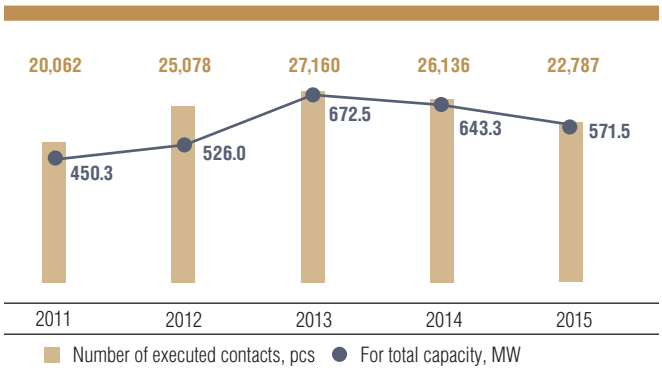
STRUCTURE OF APPLICATIONS (EXCLUDING ELECTRICITY GENERATION FACILITIES)

	2011		2012		2013		2014		2015	
	pcs.	for total capacity, MW	pcs.	for total capacity, MW	pcs.	for total capacity, MW	pcs.	for total capacity, MW	pcs.	for total capacity, MW
Individuals	21,057	211.1	26,334	284.1	28,104	315.7	26,430	294.8	22,857	254.4
Legal entities	4,419	740.4	4,787	1,007.6	5,439	1,338.9	5,580	1,301.9	4,789	1,472.0
IDGC of the North-West	25,476	951.5	31,121	1,291.7	33,543	1,654.6	32,010	1,596.7	27,646	1,726.4

THE NUMBER OF GRID CONNECTION APPLICATIONS



THE NUMBER OF EXECUTED GRID CONNECTION CONTRACTS



Total number of received grid connection applications in 2015 as compared to 2014 reduced by 14%. The number of executed contracts decreased by 13% during the reporting period. The total number of contracts performed in 2015 decreased by 5% as compared to 2014.

As from 2013, there has been a downward trend in the number of executed grid connection contracts due to a decrease in number of grid connection applications filed by the "privileged" applicants.

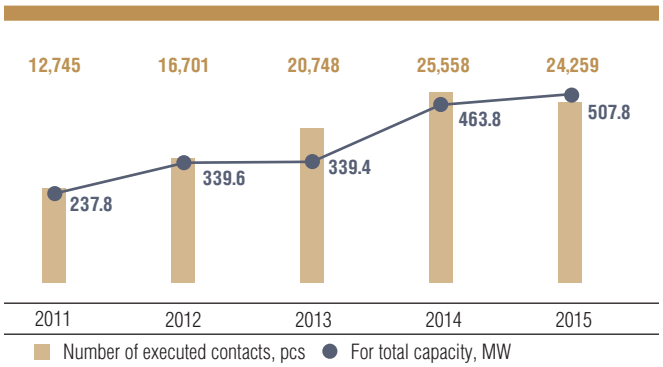
Also, as of year-end 2015, the ratio of performed contracts to executed contracts was 1.06. However, this figure was only 0.97 in the same period of the previous year. That is, in 2015, performance of contracts exceeded the execution thereof, indicating that the rate of accumulation of obligations have not grown.

The amount of contracts performed and the decline in the number of contracts in force (including outstanding contracts) as of year-end 2015 were due to:

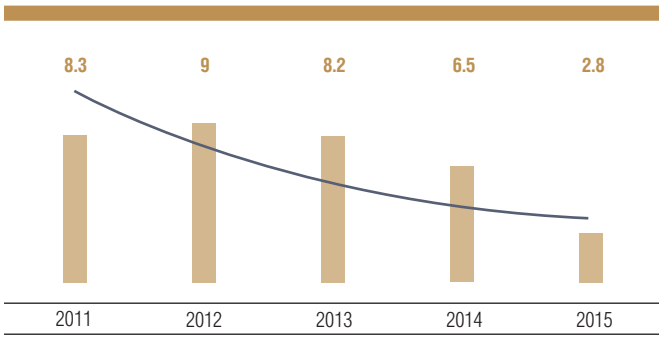
- Increase in amount of grid connection contracts to be performed using own resources;
- Performance of design and survey work for projects of construction, renovation and upgrade of distribution grids 0.4-10 kW using own resources;
- Simplification of trade and procurement procedures;
- And also the work performed with the applicants through the use of the feedback scheme for the notification of applicants of readiness of the grid company for implementation of the grid connection, and the procedures initiated for termination of grid connection contracts where applicants are not interested in performance thereof.

During 2015, two-fold reduction in the volume of capital investments as compared to the same period in 2014 was achieved, with the same number of contracts performed. The achieved effect is due to the ongoing work on revision of the technical requirements under the contracts in force in order to optimise technical solutions, and to expand the practice of using own resources in the performance of grid connection contracts.

THE NUMBER OF PERFORMED GRID CONNECTION CONTRACTS*



THE COST OF GRID CONNECTION OF 1 KW, RUB THOUSAND



* excluding electricity generation facilities.

3.3. INFRASTRUCTURAL ACTIVITIES

3.3.1. Reducing the electricity loss

The actual electricity loss in the power grids of PJSC IDGC of the North-West was 2,520.06 million kWh or 6.38% of the output to grids. Compared to the corresponding period of 2014, with the reduction of output to grids by 0.6%, the reduction of electricity loss was 27.03 million kWh or 0.07 of the electricity output to the grid. The comparative index reduced by 0.03 percentage points. Within the priority area, PJSC IDGC of the North-West implements the package of measures aimed at optimising (reducing) the level of loss.

In 2015, pursuant to the Electricity Metering Systems Prospective Development Programme, 6,006 metering points were upgraded and remote data collection from 6,759 metering points was organised in the retail market. The cost of measures was RUB 68,598 million. Implementation of measures under the Programme allowed us to obtain the effect of reducing electricity loss in 2015 by 8,420 thousand kWh, which is 3,862 thousand kWh lower than the target effect (68% of the target figure 12,282 thousand kWh).

The effect of the Programme achieved in 2015 – by RUB 23,260 thousand, which is RUB 3,401 thousand lower than the target effect (87% of the target figure RUB 26,661 thousand). The main reasons for deviations from the target values in 2015 are associated with the lack of offers (competitive bids) and the recognition of the trade and procurement procedures for the implementation of measures aimed at organising the electricity metering under energy service agreement invalid.

The effect of the implementation of investment activities within the Programme is related to a reduction in loss by increasing accuracy of metering devices, a prompt detection of theft and undercount of electricity, and an increase in the volume of electricity transmitted due to simultaneous readout.

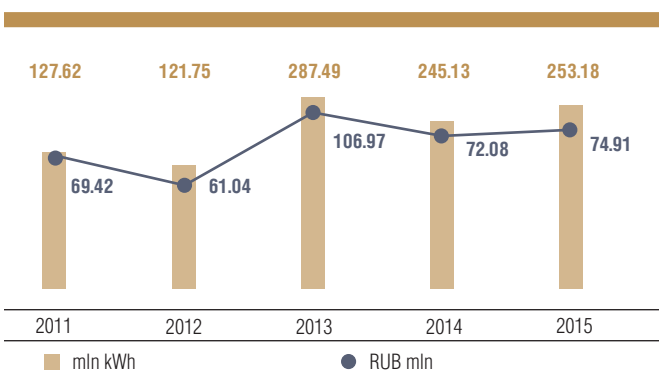
The purpose of investment activities within the Programme is to achieve the economic effect by reducing electricity loss with reliable and timely receipt of the electricity consumed data, eliminate the risk of unregistered utilisation, and reduce the costs of formation of the volume of services rendered during the electricity transmission.

Implementation of the Electricity Metering Systems Prospective Development Programme is classified as capital-intensive activity, with a forecast simple payback period of 6.9 years, net present value of the investment portion of the Programme greater than zero, internal rate of return of over 12%, profitability index greater than 1, payback period with discount not exceeding the lifetime of investment projects for the development of automated metering stations (10 years), that is, the performance of the Programme activities is expedient in economic terms and efficient.

27 million kWh

THE REDUCTION OF ELECTRICITY LOSS

ANNUAL EFFECT OF LOSS REDUCTION THROUGH THE MEASURES TAKEN



3.3.2. Purchase of electricity in the wholesale market

Pursuant to the Agreement for Accession to the WholesaleMarket Mercantile System, PJSC IDGC of the North-West is a participant of the wholesale market. Since February 01, 2015, the Company has ceased to perform the supplier of last resort functions in Murmansk Oblast as GS status was granted to the winner of the relevant contest, to JSC AtomEnergoSbyt.

3.3.3. Improving accessibility of the energy infrastructure

Improving accessibility of the energy infrastructure (the Road Map)
Implementation by PJSC IDGC of the North-West of Road Map measures to improve accessibility of the energy infrastructure:

- Development of mechanisms and accelerated connection on a temporary basis, including through the autonomous power systems; the Company has approved the Rules for Provision of Independent Sources.
- In order to ensure the rapid development of grid infrastructure for connection of new consumers, synchronisation of the Investment Programme of PJSC IDGC of the North-West with the regional development schemes and programmes is implemented. In all regions, working groups have been established to revise the regional development schemes and programmes with the participation of representatives of the Company.
- Interactive service Customer's Personal Account was developed and commissioned. Potential customers may now file grid connection applications via the Internet. Loading index maps for feeding centres for 35 kW and more are created. 24 Customer Service centres were established, all telephones in the Centres are fitted with audio recording devices. Hot Line was also provided. Pursuant to the Standards of Information Disclosure by Electricity Wholesale and Retail Markets, information about the number of grid connection applications received and grid connection contracts executed and performed is published on the website.
- A uniform Customer Service Quality Standard was approved.
- KPIs of Senior Managers as relate to the provision of services (including grid connection services) were approved. The authorised executive authorities in the field of state regulation of tariffs approved the reliability and service quality indicators.
- Pursuant to the Order No. 18 'On the receipt of grid connection applications over the Internet' dated January 17, 2014, since February 2014, grid connection applications can be received online. With the use of this service, 796 grid connection applications were filed in 2014, and 781 in 2015. In general, Web reception traffic increased by more than 6 times, thanks to the enhancement of online services.

In 2015, PJSC IDGC of the North-West implemented the project of '8-800 – access to electric grids from home', which was designed to provide turnkey grid connection services on a single telephone number 8-800-333-02-52.

3.3.4. Repair and maintenance activities

PJSC IDGC of the North-West operates 175,030.9 km of overhead power transmission lines; 8,140 km of cable power transmission lines; 1,172 substations with the voltage from 35 kW and above and the installed capacity of power transformers of 19,031 MVA.
The Repair and Maintenance Programme is formed taking into account the optimal utilisation of the own labour resources, the qualitative and quantitative potential capacity of contractors based on the following:

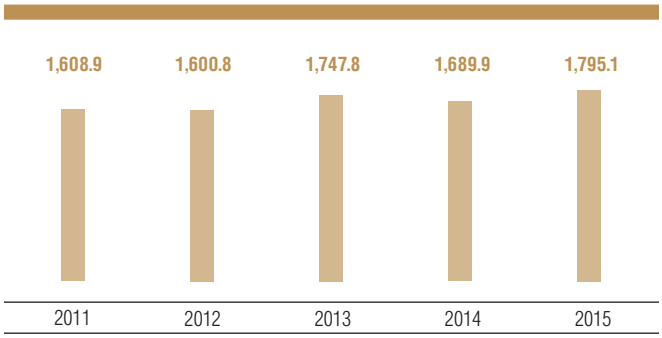
- Analysis of accident rate at power grid facilities for the previous periods;
- Technical state of electrical grids, as defined from results of diagnostics in accordance with the multi-year schedules;
- Requirements of state and departmental supervisory authorities;
- Measures developed in accordance with accident investigation reports;
- Target programme activities, including programmes of clearing and widening of forest corridors;
- Working results of commissions checking the Company preparation for autumn-winter period;
- Provisions of the Federal Law No. 256-FZ 'On safety of fuel and energy complex facilities' dated July 21, 2011.

Physical indicators of the 2015 Repair and Maintenance Programme were performed in full with target values of certain items overachieved. The overachievement of targets resulted from financial savings after the competitive procedures, the use materials from inventory during repairs using own resources (at procurement prices from the previous periods), and performance of emergency and repair work.

During the formation of the Company's business plan for 2015, the amount of the 2015 Repair and Maintenance Programme is RUB 1,774.6 million. The actual implementation of the 2015 Repair and Maintenance Programme was RUB 1,795.1 million.

In total for the period of 2011-2015 and as part of the repair and maintenance programmes, the amount of RUB 8,442.6 million was spent; the repair and maintenance fund is assimilated in full every year.

REPAIR AND MAINTENANCE PROGRAMME, RUB MILLION



ACHIEVEMENT OF THE KEY PHYSICAL INDICATORS OF THE REPAIR PLAN

Indicator	Unit of meas.	2011	2012	2013	2014	2015	% performed
Repair of overhead lines 35-150 kW	km	2,232.6	1,982.4	2,366.1	2,281.8	2,074.3	103
Repair of grids 0.4-20 kW	km	5,624.0	6,888.8	8,000.1	7,755.3	7,865.5	106
Capital repair of transformers 35-220 kW	pcs.	40	17	22	18	20	118
Integrated repair of substations 35-220 kW	pcs.	46	85	64	32	55	100
Clearing of corridors for overhead lines 35-150 kW	ha	7,632.8	7,801.1	8,655.1	11,022.1	9,539.7	106
Clearing of corridors for overhead lines 6-20 kW	ha	6,361.2	6,841.4	8,554.1	8,167.9	8,378.0	112

3.3.5. Operating process management

Operating process management (hereinafter – OPM) of power grid facilities means a set of measures taken by the relevant OPM departments of PJSC IDGC of the North-West to manage process parameters and operating condition of the power grid facilities.

The main objectives of operating process management (hereinafter – OPM) of power grid facilities are the following:

- Ensure power supply reliability and quality of electricity in accordance with the regulatory requirements, technical regulations and terms of contracts for electricity transmission services;
- Ensure proper quality and operational safety of power grid facilities;
- Ensure efficient transmission of electricity through power grids with minimal technical losses.

OPM within the Company is effected through the performance of operating and non-operating functions. Operating functions are aimed directly at modifying process parameters and operating condition of power grid facilities, while non-operating functions include planning repairs, working on operational dispatch applications, development of operational documentation, organisation of work with the personnel, investigation of accidents, ensuring of safe operation on the overhead power transmission lines, the substation devices and equipment, etc.

The OPM activities in PJSC IDGC of the North-West are performed by the following functions:

- The Operating Process Management and Contingency Control Department (hereinafter – the OPM&CC department),
- 7 Grid Operation Centres (GOC) of the branches, 27 Operative Dispatching Services of the branches,
- 134 ODG REG.

During the reporting, the OPM&CC department performed, inter alia, the following activities:

- The work of commissions for enhancement of operational functions of the GOC in the Vologdaenergo, Kolenergo, Komienergo, Novgorodenergo branches is organised and carried out (during the reporting period, 29 overhead power transmission lines 110-150 kW were accepted for operation, and 29 overhead power transmission lines 110-150 kW were accepted for supervision).
- For the purposes of optimisation of the OPM system in the Company's power grid facilities:
  - Target models of the OPM system for the Arkhenergo, Vologdaenergo, Komienergo, Novgorod, Pskovenergo branches of the Company were approved in the prescribed manner;
  - An additional comprehensive analysis of possible options for the target models of the OPM system in the Karelenergo and Kolenergo branches were provided;

– A commission to review the target models of the OPM system in the power grid facilities of the Company branches was created; its working results included the finalisation of the target models of the OPM system in the Karelenergo, Kolenergo, Novgorodenergo branches and of the draft schedules of activities to bring the OPM system in the Arkhenergo, Komienergo, Pskovenergo branches in line with the target model.

- The Power Grid Bottleneck Removal Programme was updated, as well as the Relay Protection and Automatic Equipment Upgrading Programme.
- Switch in the control room of the Operating Situation centre held in the executive office of PJSC IDGC of the North-West was upgraded.
- For 2016, it is planned to further expand the GOC operating functions of the Vologdaenergo, Kolenergo, Novgorod branches, and same of the Pskovenergo branch.

3.4. SUPPLIER OF LAST RESORT FUNCTIONS

In 2014, PJSC IDGC of the North-West sold electricity in Murmansk Oblast and Novgorod Oblast. The function of a supplier of last resort in Murmansk Oblast and Novgorod Oblast was performed by the Company in the area of operations of the previous suppliers of last resort – JSC Kola Sales Company and Novgorodenergosbyt LLC excluding the areas of operations of other suppliers of last resort.

From March 2013 to January 2015, the Company performed the function of a supplier of last resort in Murmansk Oblast. Pursuant to the Order of the Ministry of Energy of the Russian Federation dated January 23, 2015, the functions of a supplier of last resort in the territory of Murmansk Oblast have been delegateded to JSC AtomEnergoSbyt as from February 01, 2015.

3.5. INNOVATIVE DEVELOPMENT

The cost of implementation of the Innovative Development Programme of PJSC IDGC of the North-West in 2015 were RUB 491 million. The funding source of measures for implementation of innovative equipment is basically the Investment Programme of PJSC IDGC of the North-West. The cost of introduction of innovative equipment provided for in the Investment Programme of PJSC IDGC of the North-West amounted to RUB 301.2 million. Basically, this refers to the installation of innovative equipment such as reclosers, steel polyhedral supports, microprocessor-based relay protection and automation devices, etc. Through the activities funded from the production cost — RUB 189.8. Funding of the Innovative Development Programme in 2015 was 91%.

491 RUB million

THE COST OF IMPLEMENTATION OF THE INNOVATIVE DEVELOPMENT PROGRAMME OF PJSC IDGC OF THE NORTH-WEST IN 2015

THE COST OF IMPLEMENTATION OF THE INNOVATIVE DEVELOPMENT PROGRAMME

Primary areas	Implementation costs, RUB million			Variance	
	2014 actual	2015 target	2015 actual	abs.	%
Innovation and energy efficiency, including:	**1,338.8**	**541.0**	**491.0**	**-50.0**	**-9**
RD Programme	0.0	5.7	0.0	-5.7	-100
Measures for assimilation of new technology	925.4	415.1	301.8	-113.4	-27
Measures to increase energy saving and energy efficiency	352.6	33.4	13.6	-19.8	-59
Measures to increase environmental compatibility of production	1.0	13.8	11.1	-2.7	-20
Measures for employees training and upgrade in universities	4.8	5.4	6.3	0.8	15
Measures to improve business processes	55.0	67.5	158.3	90.8	134

In order to find and implement innovative technical and process solutions at the facilities of PJSC IDGC of the North-West and to regulate the system of presentations made by electric equipment manufacturers, as well as to increase its efficiency, the Company issued Order No. 236 dated May 07, 2015 to introduce into practice the Corporate Presentation Day in PJSC IDGC of the North-West (hereinafter – CPD) to be held at least once in 6 months. Organising Committee of 13 persons was established to prepare for and hold the CPD.

In 2015, the following CPD were held in the Company: 'High-voltage equipment 35-220 kW: innovative solutions, import substitution' (St.Petersburg) and 'High-voltage equipment 6-35 kW: innovative solutions, import substitution'.

FINANCIAL RESULTS AND INVESTMENT

6,877 △ 6% RUB million

EBITDA in 2015

15,044 ▽ 18.47% RUB million

Debt load in 2015

644 △ 203.87% RUB million

Net profit

4. FINANCIAL RESULTS AND INVESTMENT

4.1. FINANCIAL RESULTS ANALYSIS

The Company's revenue in the reporting period was the combined income from the following types of activities:

- Provision of electricity transmission services;
- Connection to electric grids;
- Production and sale of DPP electric energy in the Arkhenergo branch;
- Electricity sales;
- Other services in the core and non-core activities.

KEY FINANCIAL INDICATORS IN 2011-2015

Indicator, RUB million	2011	2012	2013	2014	2015
Revenue from sales	30,849	31,169	42,050	44,262	39,623
Production cost	27,781	28,129	38,293	40,030	35,547
Gross profit	3,067	3,040	3,757	4,232	4,076
Selling expenses	30	29	474	487	112
Management expenses	819	900	889	853	984
Profit on sales	2,218	2,112	2,394	2,892	2,981
Balance of other proceeds and expenses	- 1,258	-1,689	-1,661	-3,421	-2,101
Profit before tax	960	423	733	-529	880
Profit taxation	552	361	433	91	236
Net profit	408*	62	300**	-620	644
EBITDA***	3,979	3,929	5,283	6,488	6,877

* In 2012, retrospective adjustments were made for the purpose of correction of accounting statements for recognition of deferred tax liability relating to the provision for doubtful debt resulting in the increase in the balance of deferred tax liabilities with the relevant effect on the financial result of 2011 which amounted, with the adjustments made, to RUB411 million.

** In 2014, retrospective adjustments were made for the purpose of revision of accounting report submissions of differences in taxes in respect of estimated liabilities for the payment of vacation allowances, annual remuneration, fees for legal proceedings with the relevant effect on the financial result of 2013 which amounted, with the adjustments made, to RUB 275 million.

*** The indicator is calculated based on the earnings before tax, interest payable and depreciation adjusted for changes in the current market value of financial investments.

4.1.1. Revenue

In 2015, the total revenue of PJSC IDGC of the North-West was RUB 39,623 million, which is RUB 4,639 million (10.5%) less than the level of 2014.

In general for the Company, the revenue from electricity transmission services provided was RUB 36,881 million (net of VAT).

The electricity transmission revenue (exclusive of the performance of supplier of last resort functions) is distributed as follows:

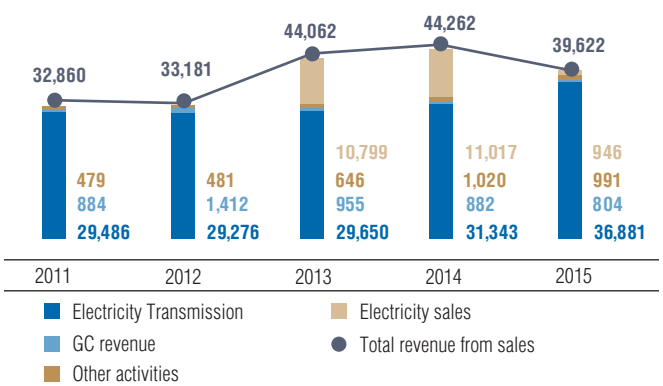
- Suppliers of last resort – 54% (RUB 20,013 million);
- Energy supply companies – 13% (RUB 4,779 million);
- Local grid operators – 15% (RUB 5,535 million);
- "Direct" consumers – 18% (RUB 6,534 million).

By year-end 2015, the grid connection revenue was RUB 804 million, as compared to the target value of RUB 703 million (variance +14.3%). The biggest increase in grid connection revenue as compared to the target values of 2015 was achieved in the Arkhenergo branch (+ RUB 34.1 million) and Karelenergo branch (RUB + 44.4 million). Decline in grid connection revenue as compared to the target occurred in the Kolenergo branch (RUB -3.6 million).

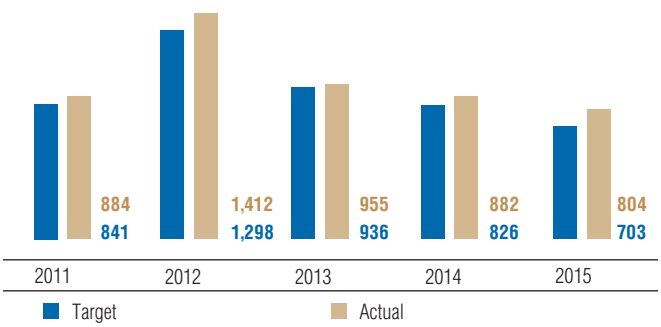
39.6 RUB billion

IN 2015, THE TOTAL REVENUE OF PJSC IDGC OF THE NORTH-WEST

SALES REVENUE DYNAMIC PATTERN, RUB MILLION



GRID CONNECTION REVENUE DYNAMIC PATTERN (TARGET/ACTUAL), RUB MILLION (NET OF VAT)



4.1.2. Production cost and the cost structure

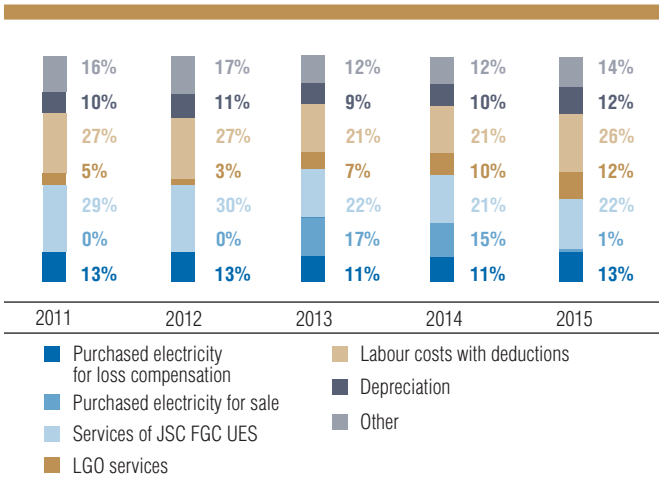
Total actual net cost for 2015 amounted to RUB 35,547 million, which is less than the 2014 level by RUB 4,483 million (11.2%). The decline in the production cost against the previous year was due to the termination of the GS functions in the regions where the Company operates and therefore a reduction of cost of purchased electricity for sale. However in 2015, the actual primary cost elements showed the following change as compared to the previous year:

- LGO services growth was RUB 246 million. The cost increase is due to the change in the Karelenergo boiler mutual settlement schemes and the increase from July 01, 2015 of individual tariffs for settlements between the LGOs.
- The cost of purchased energy for loss compensation increased by RUB 288 million. This increase is due to growth of average weighted purchase price of electricity to compensate for loss and volume of loss of electricity purchased for compensation of 11% and 3%, respectively, as compared to the previous year.

The basic increase in the purchase price of the loss occurred in the second half of 2015 due to the adoption of the RF Government Decree 'On Approval of Changes Introduced into Certain Regulations of the Russian Federation in order to improve the Procedure for Determination of Capacity Purchase Volumes in the Wholesale Market for the Delivery to the Public and Equivalent Consumer Categories and the Volume of Capacity Purchase by the Organisation Managing the Unified National (All-Russian) Power Grid'. In this regard, there was a change of forecast consolidated balances of the FTS Russia as related to the consumption of electricity (capacity) by the public. For this reason, there was an increase in the capacity price in the wholesale electricity and capacity market, which affected the growth of unregulated price.

The growth of variable costs as of year-end 2015 amounted to 6.5% in the actual annual average CPI value of 15.5%, which demonstrates the effectiveness of measures to contain the costs (see more details in section 'Performance management').

PRODUCTION COST STRUCTURE DYNAMIC PATTERN,%

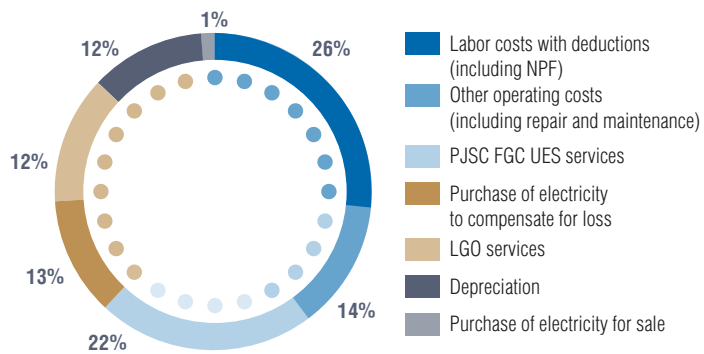


* Including the loss compensation in sales activity

ANALYSIS OF PRODUCTION COST AND THE COST STRUCTURE, RUB MILLION

Costs	2011	2012	2013	2014	2015
Total production cost	27,781	28,129	38,293	40,030	35,547
Non-influenceable costs	15,998	15,800	25,327	26,800	21,457
PJSC FGC UES services	8,177	8,371	8,339	8,439	7,887
LGO services	1,503	819	2,812*	4,045*	4,291
Purchase of electricity to compensate for loss	3,646	3,629	4,257*	4,341*	4,629
Purchase of electricity for sale	0	0	6,429	6,037	487
Depreciation	2,672	2,981	3,491	3,938	4,163
Influenceable costs	11,783	12,329	12,966	13,230	14,090
Raw and other materials	1,540	1,684	1,795	1,753	1,890
Electricity for economic needs	313	302	314	311	260
Production services	952	1,034	1,099	1,041	967
labour costs with deductions (including NPF)	7,525	7,742	8,252	8,489	9,221
Communication services	108	108	121	84	94
Services by public utilities	103	102	103	93	152
IT services	117	106	84	133	84
Land surveying	90	58	118	93	222
Security services	202	207	212	211	409
Taxes	158	160	275	347	790
Other costs	676	826	592	675	35,547

PRODUCTION COST STRUCTURE (INCLUDING MANAGEMENT AND SELLING COSTS) IN 2015,%



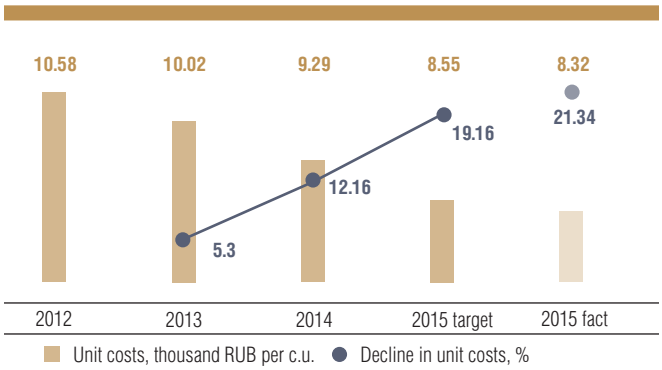
4.1.3. Cost management

Cost management programme (CMP) is the key tool to increase the internal operating efficiency of the Company through the implementation of the cost management process aimed at minimising the consumed resources while simultaneously maximising the return on them.

The target indicator for reduction of operating expenses by 15% by 2017 (adjusted for inflation) on the number of 2012 as calculated per unit of electrical equipment serviced (as approved by the Development Strategy of the Electric Grid Complex of the Russian Federation in accordance with the Government Instruction of the Russian Federation No 511r dated April 03, 2013). The economic effect of the CMP implementation of the EMP according to the approved 2015 Company's Business Plan provides for decline in operating costs of the Company in 2015, in 2012 prices) to 19.16% of the 2012 level of costs.

The effect of implementation of the Cost Management programme in PJSC IDGC of the North-West as of year-end 2015 was 21.34%, which improved the effect provided for in the Company's Business Plan by 2.18%, while the target value is exceeded by 11.34%. Thus, the CMP implementation in the Company is outperforming.

THE EFFECT OF IMPLEMENTATION OF THE COST MANAGEMENT PROGRAMME



COST MANAGEMENT PROGRAMME

Indicator	Unit of measurement	2012 actual	2013 actual	2014 actual	2015 actual
Number of conventional units	thousand c.u.	1,021,214	1,081,247	1,087,959	1,112,957
CPI	%	0	6.8	7.8	15.4
Total costs including selling and management costs, where:	RUB million	29,057	30,824	31,674	35,869
Influenceable costs	RUB million	10,803	11,566	11,639	12,314
Non-influenceable costs	RUB million	18,255	19,258	20,035	23,555
THE CMP EFFECT	%	0	-5.32	-12.16	-21.34
Target level of decline in non-influenceable costs	%	0	2.0	5.0	10.0

4.2. ANALYSIS OF FINANCIAL SITUATION

4.2.1. Assets and liabilities

Key property indicators of PJSC IDGC of the North-West and their sources are presented in accordance with the RAS statements for 2013-2015.
In 2013-2015, material events affecting the whole financial and business activities took place:

- As from March 01, 2013, in Murmansk Oblast, and as from April 01, 2013 and October 01, 2013, in Novgorod Oblast, the supplier of last resort functions in relation to the area of operations of JSC Kola Energy Sale Company, JSC Novgorodoblenergosbyt and JSC Novgorodenergosbyt were delegated to PJSC IDGC of the North-West.
- The supplier of last resort function performed by PJSC IDGC of the North-West in Novgorod Oblast was delegated to LLC Garantenergoservice. As from April 01, 2013, the function was delegated in respect of JSC Novgorodoblenergosbyt, and as from October 01, 2013 – in respect of JSC Novgorodenergosbyt.
- As from February 01, 2015, the supplier of last resort function performed by PJSC IDGC of the North-West in Murmansk Oblast was delegated to JSC AtomEnergoSbyt.

As of year end 2015, the Company's assets were RUB 56,607 million.
The growth in assets in 2011-2015 was RUB 18,537 million, or 45%: from RUB 41,070 million to RUB 59,607 million.

As of year-end 2015, non-current assets account for the main portion of the Company's asset structure - 72%. This significant prevalence of non-current assets is based on specifics of the activities of PJSC IDGC of the North-West as relates to the capital-intensive industry, which requires considerable investment in fixed assets. The most significant growth in fixed assets (9% in annual average terms) took place in 2011-2013 and was due to the post-crisis economic recovery, the reset of RAB regulation parameters of the branches and, as a consequence, the increase in the volume of capital investments 2014-2015, there was a slowdown of fixed assets growth due to the deterioration of macroeconomic conditions, lack of liquidity in the banking sector and the revision of funding sources and terms of implementation of the Company Investment Programme of the Company. During the period of 2011-2014, the portion of current assets in the totality of assets fell from 81% to 70%.

In the structure of current assets, the largest portion accounts for receivables – 90% of the Company's current assets. The growth of receivables in 2015 amounted to RUB 439 million, and it is the smallest figure as compared to previous periods.

59,6 RUB million

ASSETS IN 2015

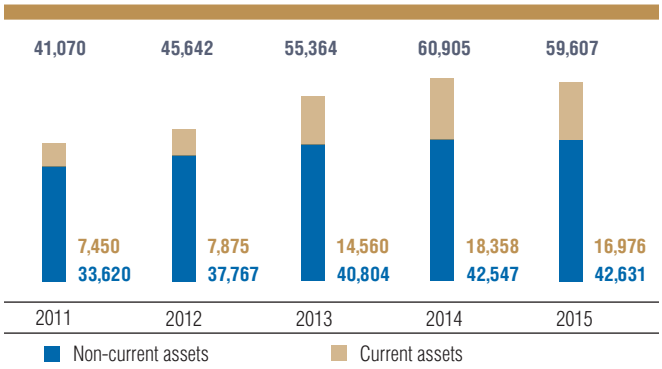
As of year-end 2015, the Company's liabilities did not see significant structural changes, and equity and reserves account for a significant portion - 46%, while the remaining equity ratio was distributed as follows: 23% – long-term liabilities, 31% – short-term liabilities.

Structural changes and dynamic pattern of liabilities of the Company are directly dependent on changes in the assets side of the balance-sheet. Overdue debt in consumer receivables affects the increase in payables to contractors. However as of year-end 2015, the Company achieved the following results in reducing its own liabilities:

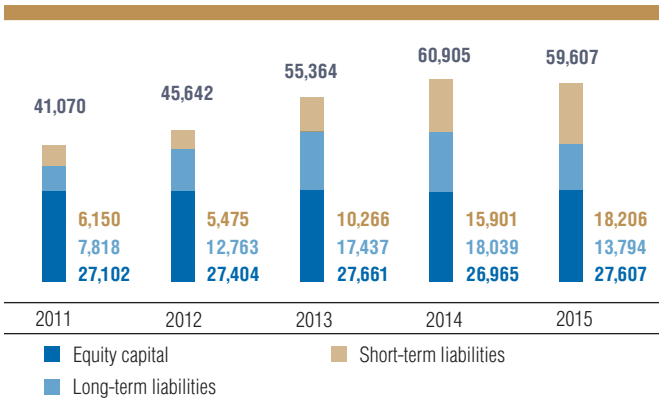
- The Company's credit portfolio size decreased by RUB 3,407 million or 18% as compared to the 2014 level;
- The growth of the total accounts payable (excluding advance payments received for grid connection services) amounted to RUB 47 million and and it is the smallest figure for the period of 2012-2015.

The amount of equity of PJSC IDGC of the North-West as of December 31, 2015 was RUB 27,607 million, which is RUB 642 million higher than the same indicator as of year-end 2014. The positive trend is caused by the presence of the total retained earnings in the amount of RUB 486 million, and the net profit as of year-end 2015 in the amount of RUB 644 million as compared to the loss in 2014 of RUB 620 million.

ASSET STRUCTURE AND DYNAMIC PATTERN IN 2011-2015, RUB MILLION



LIABILITIES STRUCTURE AND DYNAMIC PATTERN, RUB MILLION



3.4 RUB million

THE COMPANY'S CREDIT PORTFOLIO SIZE DECREASED

4.2.2. Handling accounts receivable

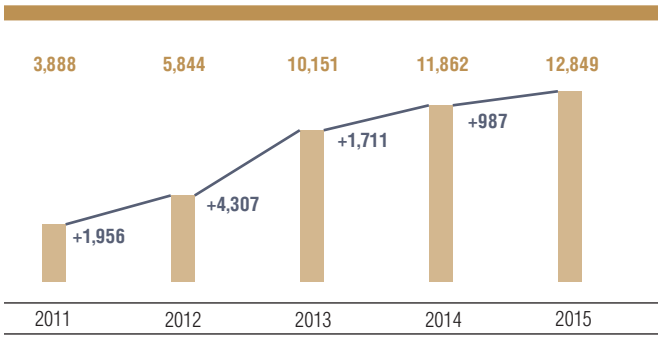
The amount of for electricity transmission services as of year-end 2015 was RUB 12,849 million. During the period of 2011-2015, the amount of accounts receivable for electricity transmission services was increasing.

The main reasons for the growth of accounts receivable are as follow:

- The growth of current debt due to increase in revenue for electricity transmission services,
- Breach of contractual obligations by service consumers as relates to the payment for services actually provided,
- Disputes in terms of services provided.

- As a result of the claims work performed by the Company to collect overdue accounts receivable for the electricity transmission services provided, favourable judgments were obtained in 2015 as part of 495 cases for a total amount of claims of RUB 6,537 million, while recovery of RUB 1,011 million under 17 cases was dismissed. The proportion of satisfied claims in favor of the Company was 87%, which is below the value reported for the same period last year by 10 percentage points.
- For the same period in the previous year, favourable judgments were awarded in relation to claims in amount of RUB 7,249 million (458 cases), and claims of RUB 163 million were dismissed (12 cases).

DYNAMIC PATTERN OF ACCOUNTS RECEIVABLE FOR ELECTRICITY TRANSMISSION SERVICES, RUB MILLION.



INCREASE IN ACCOUNTS RECEIVABLE OF THE COMPANY

Branch	Variation, RUB million
Arkhenergo	496
Karelenergo	798
Kolenergo	844
Komienergo	248
Novgorodenergo	403
Vologdaenergo	–1 798
Pskovenergo	–4

According to the results of the judgments, in 2015 writs in amount of RUB 5,520 million were served, of which RUB 5,192 million, or 94% were discharged. For the same period in the previous year, writs for a total of RUB 5,188 million were served, with RUB 4,187 million, or 81% discharged.

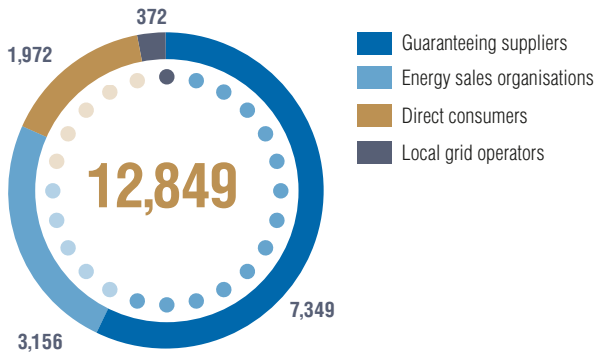
Coverage of overdue accounts receivable by activities aimed at reducing the debt is at a consistently high level and was 99.7% as of year-end 2015.

The most efficient measure is the claims work, despite the long-term consideration of cases.

Apart from the claims work, there are other measures being taken in accordance with the Regulation on Handling Accounts Receivable for Electricity Transmission Services:

- Dispute settlement negotiations;
- Entering into direct contracts for electricity transmission services with end consumers of electricity;
- Entering into debt restructuring agreements;
- Set-off of counter claims of the same kind and assignment of receivables (cession), etc.

STRUCTURE OF ACCOUNTS RECEIVABLE
AS OF DECEMBER 31, 2015 BY CONSUMER GROUPS, RUB MILLION.



THE LARGEST DEBTORS AS OF YEAR END 2015

Company	Accounts receivable, RUB million	Variation, RUB million	Action
JSC Arkhenergosbyt (Arkhenergo branch)	2,949	–557	Meetings of NP "Market Council" have repeatedly addressed the question of deprivation of the status of a supplier of last resort in Arkhangelsk Oblast, however to date, no decision of deprivation was made.
JSC Vologda Sales Company (Vologdaenergo)	967	–57	Debts collected by the courts
JSC Kondopoga (Karelenergo branch)	883	–	Debts collected by the courts The reason for the debt is the consumer's refusal to conclude a contract for electricity transmission services for 2015. Through legal proceedings, the sum of unreasonable earnings is recovered from JSC Kondopoga for the electricity transmission services actually provided.
JSC Intaugol Mine (Komienergo branch)	201	–110	Bankruptcy proceedings were initiated in respect of the consumer.
JSC Oboronenergo (Arkhenergo, Vologdaenergo, Karelenergo, Kolenergo, Komienergo branches)	341	–282	Debts collected by the courts

4.3. CREDIT PORTFOLIO AND LIQUIDITY

FINANCIAL AND ECONOMIC INDICATORS OF PJSC IDGC OF THE NORTH-WEST

Indicator	2011	2012	2013	2014	2015
Liquidity and current financial solvency					
Quick liquidity ratio	1.03	1.26	1.31	1.08	0.87
Current liquidity ratio	1.20	1.43	1.42	1.14	0.92
Turnover ratio and business activity performance					
Accounts payable turnover coefficient	5.30	5.67	6.29	4.03	2.76
Accounts receivable/accounts payable growth ratio	0.96	1.33	2.07	1.21	1.03
	1.03	0.87	1.65	1.62	1.10
	0.93	1.54	1.26	0.75	0.94
Total accounts receivable/ accounts payable ratio	0.84	1.29	1.62	1.21	1.14
Accounts receivable turnover coefficient	6.80	6.01	4.62	3.26	2.62
Financial stability indicators					
Equity ratio	0.66	0.60	0.50	0.44	0.46
Ratio of total debt to EBITDA*	1.57	2.71	3.17	2.84	2.19
EBITDA/%	12.32	7.74	4.97	4.54	3.75
Business performance indicators					
Return on equity (ROE)	1.52	0.23	1.09	-2.27	2.36
Return on Total Assets (ROTA) for profit before taxation	2.42	0.98	1.45	-0.91	1.46
Return on EBITDA	12.90	12.60	12.56	14.66	17.36

CREDIT PORTFOLIO

Indicator	2011	2012	2013	2014	2015	Change for 2015
Total credits and loans, RUB million	6,228	10,648	16,730	18,452	15,044	- 3,408
Long-term (1-5 years)	6,148	10,629	13,953	14,913	9,940	- 4,973
Short-term (less than 1 year)	80	19	2,777	3,539	5,104	1,565

* the Company's management resolved that corr. EBITDA indicator may be used instead of EBIDTA indicator.

Liquidity ratios describe the availability of Company's current assets for the timely discharge of current liabilities. Significant portion of the accounts payable by the distribution grid complex is the advance payments received under grid connection contracts with consumers.

Liquidity indicators in the period of 2011-2015 tend to decrease which is due to the growth of short-term liabilities which is faster than the increase in current assets, including through the conversion of long-term liabilities into short-term liabilities.

Equity-assets ratio (equity ratio) describes the enterprise's dependence on external loans. As of December 31, 2015 the portion of equity funds in the assets of PJSC IDGC of the North-West was 46%. Decrease in equity funds in the assets in the period of 2011-2015 was due to the following:

- the switching to RAB regulation in tariff setting, which affected the funding structure of the investment activities of the Company (the priority is on the raising of long-term loan capital);
- Increase in the volume of the Investment Programme for 2011-2012;
- the increase in accounts receivable attributed to the breach by consumers of their financial obligations under contracts.

Business activity performance indicators describe the Company's effectiveness in utilising its equity funds. Based on the 2015 results, the rate of growth of accounts receivable has been below the rate of growth of accounts payable – 1.03 and 1.10, respectively.

Indicators of turnover of receivables and payables in the period of 2011-2015 tend to decrease. The internal reasons for decrease in turnover are the changing consumer structure, poor payment discipline of the main consumers of the Company – regional distribution companies and major LGOs. The external reasons are complex business environment of the banking sector, slackening in the rate of economic growth and production in the regions of responsibility of PJSC IDGC of the North-West.

As a follow-up of analysis of the key financial and economic indicators in 2015, taking into account the low rate of economic growth, a complex situation with liquidity in the banking sector, the complex economic conditions in the regions of operations, the cost reduction policy in the Company, it may be concluded that the Company's management pursues a balanced policy of financial and economic management with an aim to preserve financial stability in the current economic environment.

The Company's debt load compared to the beginning of the year significantly reduced (by RUB 3,408 million, or 18.5%). Taking into account the cost reduction policy in the Company, the complex economic conditions in the regions of operations, it may be concluded that the Company's management has built a smart business activity management policy.

As of year-end 2015, the average weighted rate on the Company's credit portfolio was at a level lower than the key interest rate of the Central Bank of the Russian Federation (11%).

In order to increase the Company's debt service in 2015, a considerable portion of the credit portfolio was refinanced in the amount of RUB 5,000 million – through the bond issue. Saving achieved through the refinancing was RUB 91 million in 2015.

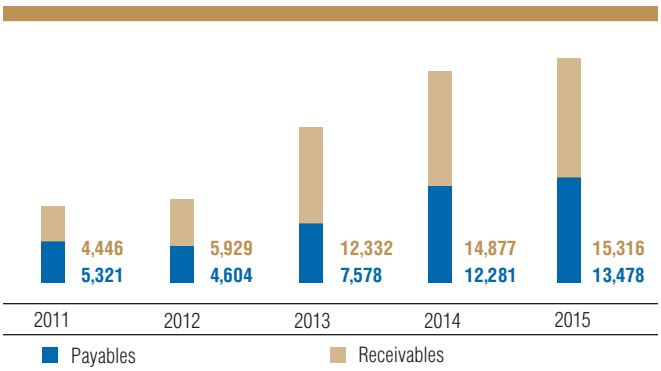
5 RUB million

A CONSIDERABLE PORTION OF THE CREDIT PORTFOLIO WAS REFINANCED

CREDIT PORTFOLIO AS OF YEAR-END 2015, RUB MILLION

Amount of credits and loans as of January 01, 2015 (excluding interest)	18,413
Funds raised in 2015	8,200
including for investment activities	0
for refinancing	8,200
for operating activities	0
for energy selling activities	0
Repayment in 2015	11,646
Amount of credits and loans as of December 31, 2015 (excluding interest)	14,967

ACCOUNTS RECEIVABLE/ACCOUNTS PAYABLE RATIO, RUB MILLION.



4.4. TARIFF POLICY

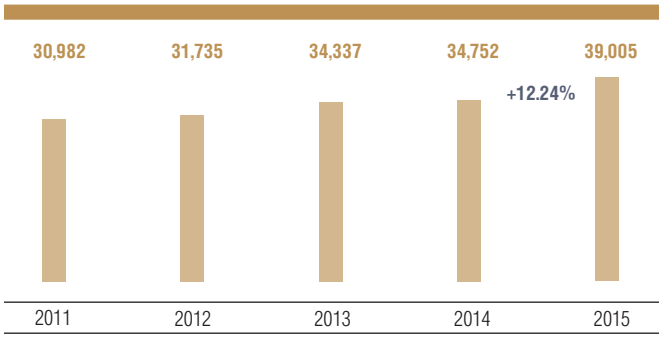
During 2015, the tariff regulation laws were amended as follow:

- In terms of procedure for determination of capacity purchase volumes in the wholesale market for the delivery to the public and equivalent consumer categories and the volume of capacity purchase by the organisation managing the unified national (all-Russian) power grid;

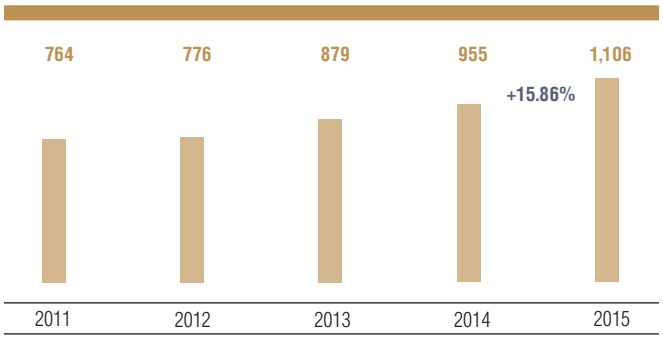
- In terms of procedure for attribution of electric grid facility owners to local grid operators.

The introduction of these amendments had an impact on the calculation of electricity transmission tariffs for these consumer groups and the reduction in the number of LGOs in the regions where PJSC IDGC of the North-West operates, resulting in a change in tariff solutions as from July 01, 2015. The approved tariffs provided for the aggregate growth of tariff revenues by 12.2% up to RUB 39 billion.

THE TARIFF REVENUE IN PJSC IDGC OF THE NORTH-WEST, RUB MILLION:



INFORMATION ON THE AVERAGE CALCULATED TARIFFS FOR SERVICES OF ELECTRIC ENERGY TRANSMISSION BY THE COMPANY'S BRANCHES*, RUB/MWH



4.4.1. Electricity transmission tariffs

TTariffs for the services of electric energy transmission for 2015 at all branches of PJSC IDGC of the North-West were approved based on fixed long-term parameters.

In 2015, the fixed long-term parameters were not revised. However, annual mandatory adjustment of the necessary gross revenue of the branches as stipulated by the current laws in the field of state regulation of tariffs was implemented.

In 2015, tariffs for the services of electricity transmission varied greatly by regions where PJSC IDGC of the North-West operates. Such great difference was due to different correlation of consumers by voltage levels. Branches, at which low-voltage electric grids prevail, such as Arkhenergo, Komienergo and Pskovenergo, are characterised by high tariffs, resulting from higher costs of electric grids' maintenance, as compared to branches, at which high-voltage electric grids prevail, such as Vologdaenergo, Kolenergo, Novgorodenergo. The biggest growth in the average tariff in 2015 was in the Karelenergo branch, which is related to a change in "boiler" scheme in the region. For other branches, the change in the average tariff has developed above the level set by the Forecast of Russia's social and economic development for 2015.

* taking into account expenses on payment for services of third-party grid organisations,

4.4.2. Grid connection tariffs

Information about grid connection tariffs and services is disclosed at the Company's official website in the section 'Standards of Information Disclosure by Electricity Wholesale and Retail Market Entities. Grid organisation'.

The main changes in 2015 as relates to the setting of grid connection fee: Federal Law No 83-FZ dated April 20, 2014 provided for changes in the article 23.2 of Federal Law No 35-FZ 'On the Electric Power Industry'.

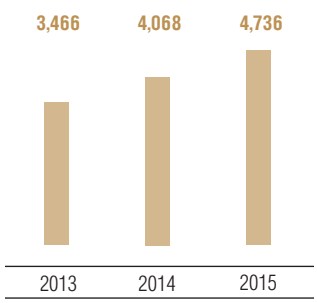
In 2015, the set tariffs enabled the Company to receive revenue for grid connection services in the amount of RUB 804 million.

Changes in the average size of the rate S1 were based on the aggregate rate approved by the state regulation authorities for the grid connection organisational measures. The main reason for changing the standardised tariff rate S1 for organisational and technical measures is the increase in the consumer price index.

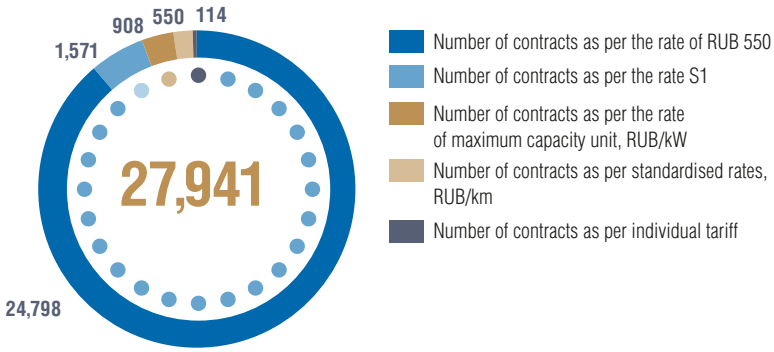
The availability of standardised grid connection rates has reduced the volume of contracts based on individual payment fees. The number of applicants who have entered into individual rate contracts amounted to 114 in the Company in 2015. The proportion of such contracts in the branches ranges from 0% to 1%, with the exception of Kolenergo branch, in which individual projects have been the basis for 6% of grid connection contracts.

The amount of grid connection fees under current contracts was RUB 20.5 million (net of VAT). Capital investment in 2015 for the implementation of activities for grid connection of power receiving devices of the “privileged” group of consumers was RUB 710.5 million.

CHANGES IN THE AVERAGE SIZE OF THE RATE S1 BY THE COMPANY BRANCHES



THE VOLUME OF GRID CONNECTION CONTRACTS APPLICABLE AS OF DECEMBER 31, 2015



MONITORING OF CURRENT PRIVILEGED GRID CONNECTION CONTRACTS OF UP TO 15KW IN 2015, RUB MILLION

The total cost of current contracts up to 15 kW	The cost of implementation of activities under grid connection contracts of up to 15kW, as recorded in IP	Actual costs included in the IP
20.5	713.4	710.5

4.5. INVESTMENT ACTIVITIES

4.5.1. Parameters of Investment Activities

The Investment Programme of PJSC IDGC of the North-West for 2015 was prepared with regard to goals and objectives of the Common Technical Policy for the Distribution Grid Complex.

Investment activities are a critical part of successful operation of the Company. Timely and sufficient investment contributes to the improvement of the reliability and performance of the power grid complex, reduces losses in electric grids, reduces operating costs and ensures commissioning of new capacities for connection of new consumers, while eliminating the energy deficit. The Investment programmes of the Company's branches are approved by executive authorities of the constituent entities of the Russian Federation withi n the framework of long-term Investment programmes.

In 2012, the transition of the branches to RAB regulation allowed to increase the volume of the Investment Programme of PJSC IDGC of the North-West by 30% as compared to 2011, and to achieve the volume of RUB 6.8 billion.

COST AND PHYSICAL PARAMETERS OF INVESTMENT ACTIVITIES

Parameter	Value
Acceptance of works, RUB million (net of VAT)	4,002.3
Commissioning of key assets, RUB million (net of VAT)	4,065.7
Funding, RUB million (VAt included)	4,810.7
Capacity commissioning, MVA	242.5
Capacity commissioning, km	1,097.0

4.5.2. Capital Investment Structure

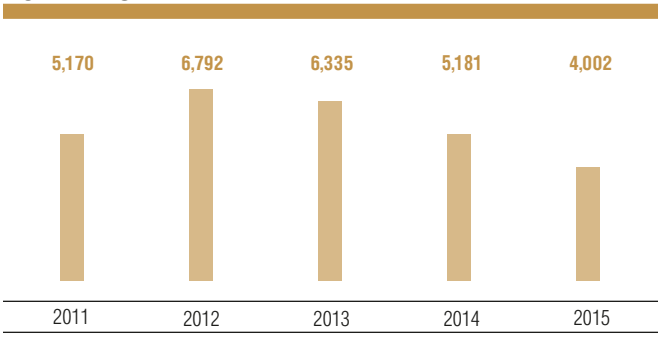
In 2013-2014, the volume of capital investment declined due to the RAB regulation parameters (parameters revision in 2012, Gross Revenue Requirement (GRR) smoothing), the limitation of electricity transmission tariff growth rate. The decline in capital investment continued in 2015, which was caused by the limitation of electricity transmission tariff growth rate, the general economic recess ion in the Russian Federation and decline in electricity consumption.

As compared to the previous year, the capital investment funding structure in 2015 changed as follows: the volume of new construction funding increased by 10% due to the grid connection activities on major projects.

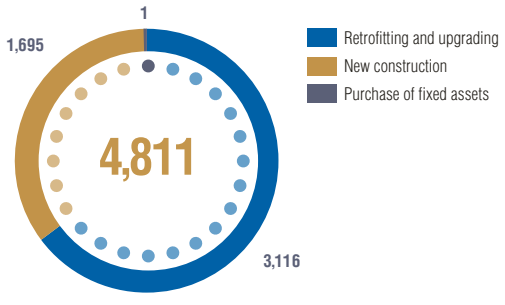
CAPITAL INVESTMENT FUNDING STRUCTURE, RUB MILLION

	2011	2012	2013	2014	2015
Total	5,706	8,157	6,634	5,191	4,811
High-priority projects	0	1,005	610	798	1,125
Retrofitting and upgrading	0	345	351	671	522
New construction	0	661	259	127	603
Programmes	1,535	1,449	1,263	941	859
Retrofitting and upgrading	1,374	1,348	1,033	801	622
New construction	161	101	230	140	237
Grid connection (hereinafter - GC), including	2,145	3,023	2,834	2,545	2,136
GC facilities with a capacity of over 670 kW (HV, MV1)	0	624	64	395	521
GC facilities with a capacity of 150 to 670 kW (MV2)	805	398	609	479	255
GC facilities with a capacity of 15 to 150 kW	103	188	307	231	174
GTC facilities with a capacity to 15 kW	1,094	1,813	1,854	1,441	1,186
Generation	143	0	0	0	0
Distribution grids	912	804	838	332	174
Retrofitting and upgrading	605	0	0	296	163
New construction	307	804	0	35	11
Process management automation (except automated utility metering systems)	283	338	193	107	118
Electricity metering and monitoring means	31	257	232	128	67
Safety programmes	52	30	22	11	57
Purchase of electric grid assets, land plots and other facilities	70	195	47	14	0.5
Other programmes and measures	678	1,055	595	315	273
Retrofitting and upgrading:					
TRR	4,176	5,947	5,139	3,858	3,116

DYNAMIC PATTERN OF CAPITAL INVESTMENTS, RUB MILLION



CAPITAL INVESTMENT FUNDING STRUCTURE, RUB MILLION



In 2012, the post-crisis recovery and com pletion of the transition process to RAB-regulation at the branches allowed to increase the Investment Programme funding volume up to RUB 8.1 billion, which is 43% higher than in 2011.

In 2013-2015, the Investment Programme funding volume significantly reduced.

The decrease in the volume of capital investments in 2013-2014 was due to RAB regulation parameters. Further capital investment decline in 2015 was caused by t he limitation of electricity transmission tariff growth rate, the general economic recess ion in the Russian Federation and decline in electricity consumption.

18.4%

THE UNIT INVESTMENT COSTS DECLINE RATE

4.5.3. The results of implementation of the Investment Programme

As from 2014, the Company started applying the 'Methodology for 30% investment cost reduction planning as compared to the level of 2012 in the course of Investment programmes preparation (adjustments) (hereinafter — the Methodology). As a result of the Methodology application, the unit investment costs decline rate in the Company in 2015 was 18.4% versus the 15% target. By 2017, it is planned to further reduce the unit investment costs to the level of 30% as compared to the level of 2012 (in rubles per physical unit (km, MVA)).

One of the priority objectives of the Company's Energy Saving and Energy Efficiency Improvement Programme (hereinafter — the Programme) which has been implemented since 2011 is the reduction of electricity losses in transmission. The Programme actions designed to achieve this objective include th e implementation of investment projects with accompanying effect of electricity losses reduction.

To ensure the sustainable development of territories in the Company's presence regions, 24 closed 35-110 kW feeding centers were opened in 2011-2015 as part of the Company's Investment Programme implementation.

Despite the fact that about 70% of the annual Investment Programme is applied to the retrofitting and upgrading, depreciation of fixed assets has grown in recent years. However, the Company has developed and implemented actions to maintain the required level of reliability of the power grid complex. This is primarily achieved through a full range of diagnostic procedures using up-to-date equipment (imaging radiometers, chromatographs, etc.) and methods, as well as the determination of t he required effect on the equipment. Analysis of the most typical causes of accidents is taken to design programmes to eliminate them. Thus, the implementation of programmes for clearing of native vegetation and widening of clearances under and around powerlines made it possible to reduce the number of outages caused by branches and trees falling on cables in 2015 by more than 30%. Particular attention is paid to equipping the operation with special equipment and increasing the personnel training levels, to improve the quality of repair and maintenance work and reduce the time to eliminate the damage.

The increase in the reliability of a power supply in the reporting year was made possible in the result of successful implementation of repair and investment programmes in 2015, the effective power system disturbances analysis and identification of their causes, and coordinated actions of the personnel engaged in emergency and repair work.

29.7 million kWh

THE EFFECT OF LOSS REDUC-TION FROM THE IMPLEMENTA-TION OF INVESTMENT PROJECTS AS A WHOLE IN THE COMPANY

Based on data received and according to the power system disturbances analysis, the production programmes are adjusted, and resources needed to eliminate the problem elements of the Company's power grid are relocated.

For PJSC IDGC of the North-West as a whole, during the reporting year in the grid of 6 kW and above, the following was achieved:

- The rate of accidents was reduced by 31%;
- The duration of power supply interruptions was reduced by 6%;
- - Undersupply of electricity to consumers as a result of power system disturbances was reduced by 38.3%;
- - The economic loss from power system disturbances was reduced by 12.5%.

4.5.4. Long-Term Investment Programme

The Investment Programme for 2016-2020 is approved by the Board of Directors dated April 29, 2015 (Minutes No. 181/23) and endorsed by the Ministry of Energy of the R ussian Federation (Order No.906).

Retrofitting and upgrading of the power grid complex (82% of the total investment) as needed due to the high proportion o f depreciation of fixed assets combine to the main area of capital investment in the Investment Programme for 2016-2020. The proportion of investments in new construction in the long-term Investment Programme accounts for 18% of the total volume of investments.

The Long-term Investment Programme endorsed by the Ministry of Energy of th e Russian Federation provides for capital investment in the volume of RUB 22,315 million net of VAt for 2016–2020.
The planned funding volume is RUB 26,440 million, including VAT. The planned commissioning of fixed assets is RUB 23,919 million.

The following capacities are planned to be commissioned :

- Power lines – 5,367.4 km;
- Transformer capacity of 1,766.9 MVA, with increase of capacity of 1,424.9 km and 736.1 MVA.

The uneven nature of commissioning over the years is due to the implementation of major investment projects in 2016 and 2020 in the Vologdaenergo, Kolenergo and Komienergo branches.

The uneven nature of commissioning of overhead power transmission lines over the years is due to the implement ation of a target programme to replace open wires with self-supporting insulated wires and the implementation of the major project 'Construction of 110 kW overhead line and 110/10 kW substation Olkhovey' in the Komienergo branch.

The reduced funding in 2016 resulted from the need to settle and repay the outstanding debts to PJSC FGC UES for electricity transmission services and reaching the volume of current payments in accordance with the contractual terms.

The volume of capital investments is determined by calculation for scenario conditions of the Investment Programme subject to the following condition: accounts payable at the end of the reporting year

1,425 km

THE INCREASE OF CAPACITY

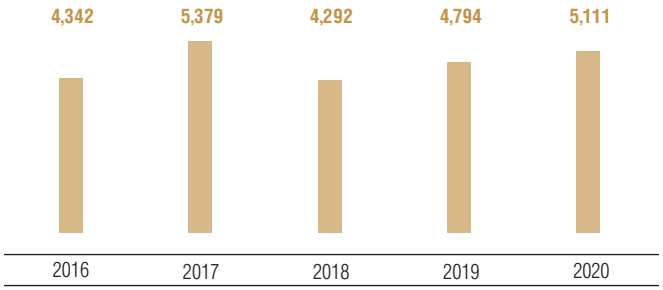
should not exceed 50% of the annual volume of the Investment Programme.

According to the scenario conditions of the Investment Programme due to the receipt of payment from the applicant (JSC Yamalgazinvest), the investment project in Komienergo – 'Construction of 110 kW overhead line and 110/10 kW substation Olkhovey' (compressor station KS-5 Usinskaya, compressor shop 2) is included to the Investment Programme with implementation period of 2016-2017.

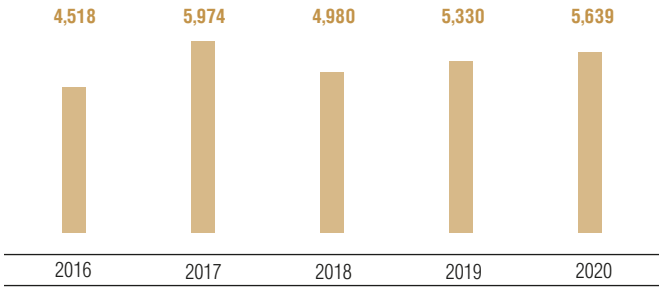
The dynamic pattern of commissioning of facilities as fixed assets is determined by the dynamic pattern of capital investments, and uneven nature over the years is due to the planned commissioning of major investment projects in 2016 and 2020.

The projected reduction in the volume of capital investment in 2016 is attributed to the deterioration of financial and economic performance of the Company as a result of the limitation of electricity transmission tariff growth rate.

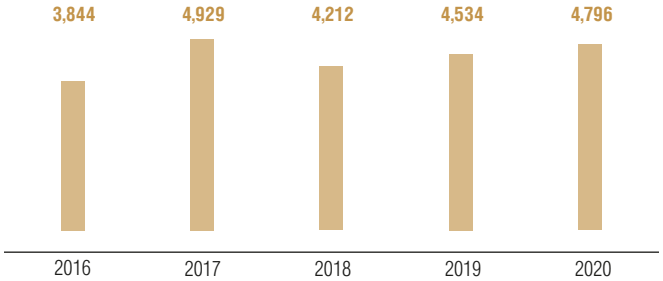
COMMISSIONING DYNAMIC PATTERN, RUB MILLION *

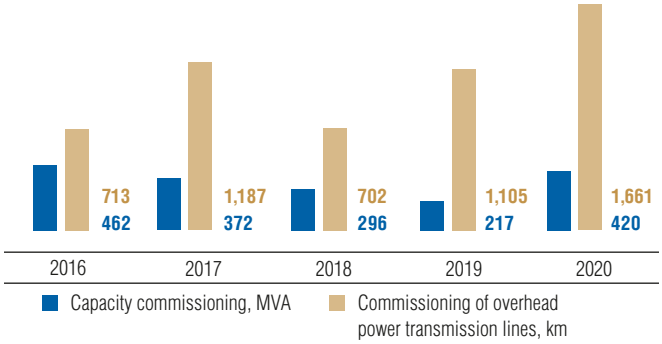


FUNDING DYNAMIC PATTERN, RUB MILLION **



ACCEPTANCE OF WORKS DYNAMIC PATTERN, RUB MILLION*





* net of VAT
** VAt included

4.6. KEY FINANCIAL INDICATORS IN ACCORDANCE WITH IFRS

The consolidated financial statements of PJSC IDGC of the North-West for the year ended December 31, 2015 prepared in accordance with IFRS include performance indicators of the Company and its subsidiaries:

- JSC "Pskovenergosbyt"
- JSC "Pskovenergoagent"
- OJSC "Energoservice North-West"
- JSC "Lesnaya Skazka"

KEY FINANCIAL INDICATORS OF THE COMPANY IN ACCORDANCE WITH IFRS

Indicator,,RUB,million	2015	2014	2013	2012	2011
Revenue, including:	42,370	46,935	44,615	33,419	33,288
Electricity Transmission	33,685	28,518	26,911	26,565	26,769
Electricity sales	6,917	16,548	16,139	4,994	5,190
Grid connection	804	882	955	1,412	884
Other revenues	964	987	611	448	445
Production cost of services	–40,479	–47,593	–43,337	–32,705	–31,975
Result of operating activities	1,897	-517	1,346	716	1,325
Financial expenses,net	–1,765	–2,897	–1,062	–515	–259
Profit/(loss) before tax	1,080	–2,501	683	508	1,253
Expenses on income tax	–265	284	–297	–112	–451
Profit/(loss) for the year	815	–2,217	387	396	802
Total aggregate profit/(loss) for the year	703	–2,183	168	294	789
EBITDA**	6,892	2,930	5,252	4,020	4,396
DEBT/EBITDA***	2.19	5.94	3.03	2.47	1.07
Fixed assets	35,474	35,276	35,915	33,251	29,523
Accounts receivable and advances paid	15,500	14,655	12,339	5,755	4,313
Equity capital	20,562	19,859	22,118	21,966	21,593
Long-term credit and loans	9,941	14,913	13,953	10,629	6,148
Short-term credit and loans	5,204	3,539	2,777	19	80
ROE****	0.04	–0.11	0.02	0.02	0.04
QR*****	0.87	1.08	1.32	1.26	1.03

* Consolidated financial statements of PJSC IDGC of the North-West for the year ended December 31, 2015 as prepared in accordance with IFRS was published on the website of PJSC IDGC of the North-West at http://www.mrsksevzap.ru/id_1yearfinreport#tab2
** earnings before interest, tax and depreciation and amortization
*** net debt to EBITDA ratio
**** return on equity ratio
***** quick liquidity ratio

The IFRS revenue in 2015 was RUB 42,370 million.

Revenue from sales of electricity transmission services amounted to RUB 33,685 million, revenue from the sale of electricity was RUB 6,917 million, revenue from the sale of grid connection services was RUB 804 million.

The general decline in revenue by RUB 4,565 million (by 9.73%) and the reduced production cost by RUB 7,114 million (by 14.95%) as compared to 2014 was due to the termination of electricity sales in Murmansk Oblast within the area of operations of JSC "Kolenergosbyt".

Revenue from the sale of electricity transmission services increased by RUB 5,167 million (by 18.12%) as compared to the previous year, resulted from the change in the "joint operation" tariff settlements scheme in the Karelenergo branch and the growth in the average selling tariff rate. Revenue from the lease of property increased more than two-fold (by RUB 124 million).

The proportion of non-current assets in the asset structure is 68.35% (RUB 35,474 million); 96.28% of non-current assets are fixed assets. Due to the signs of impairment found in respect of certain items of fixed assets which generate the cash flows, impairment testing was provided as of December 31, 2015. As a result of testing, no loss of impairment of the fixed assets was identified.

The largest share in the structure of current assets (90.87%) is held by accounts receivable (RUB 15,500 million). The main debtors are electric supply companies which are suppliers of last resort: JSC Arkhangelsk Electric Supply Company, JSC Vologda Electric Supply Company, JSC Komi Electric Supply Company.

Loans and credits are the most significant portion of the structure of long-term liabilities (67.40%), which at the end of the reporting period amounted to RUB 9,941 million, a decrease of RUB 4,972 million (by 33.34%) as compared to 2014. Short-term credits in 2015 increased by RUB 1,665 million (by 47.04%), which is due to the reclassification of certain long-term credits as short-term credits.

The financial result as of year-end 2015 — profit of RUB 815 million versus the 2014 loss of RUB 2, 217 million. EBITDA (earnings before interest, taxes, depreciation, and amortization) amounted to RUB 6,892 million, which is higher than the value in 2014 by RUB 2,930 million.

GOVERNANCE SYSTEM

There is an effective and transparent corporate governance system most ensuring the interests of all shareholder groups and directed to increase the Company's investment appeal.

5. GOVERNANCE SYSTEM

5.1. CORPORATE GOVERNANCE

5.1.1. Corporate Governance Principles

Corporate governance in PJSC IDGC of the North-West means a combination of processes aimed at controlling and monitoring of the Company's business activity including relations between shareholders, the Board of Directors and executive bodies of the Company in the interests of shareholders. The Company regards corporate governance as a mean to improve efficiency of the Company's business activity, strengthen its reputation and reduce the cost of its capital.

Corporate governance in the Company is based on the principles of accountability, equity, transparency and responsibility.

Principles and structure of corporate governance in the Company, description of the Company's corporate governance practices and other aspects of the Company's corporate governance are set out in the Corporate Governance Code of PJSC IDGC of the North-West[1].

The system and practice of corporate governance of PJSC IDGC of the North-West ensure reliable means of recording rights to shares, enjoyment of shareholders' right to participate in management of the Company, the right to receive part of the Company's profits and the right to receive material information about the Company.

5.1.2. Corporate Governance Improvement

The Company's management regularly checks the Articles of Association and internal documents of the Company to ensure their compliance with applicable laws of the Russian Federation and to initiate timely changes as necessary.

June 23, 2015, the annual General Meeting of Shareholders of the Company approved new revisions of the Articles of Association, the Regulations for the General Meeting of Shareholders, the Regulations for the Board of Directors, the Regulations for the Management Board, the Regulations for the Auditing Commission, the Regulations for Payment of Remunerations and Compensations to Members of the Board of Directors, the Regulations for Payment of Remunerations and Compensations to Members of the Auditing Commission.

* Full text of the Corporate Governance Code is available on the Company website at www.mrsksevzap.ru.

Most of the amendments introduced into the Articles of Association and the Regulations for the General Meeting of Shareholders were needed to comply with amendments to the Civil Code of the Russian Federation and recommendations of the Corporate Governance Code of the Bank of Russia.

The Regulations for the Board of Directors, the Management Board, and the Auditing Commission were amended following the introduction of concept of public company to the Civil Code of the Russian Federation.

The new revisions of the Regulations for Payment of Remunerations and Compensations to Members of the Board of Directors and the Auditing Commission provided for a unified approach to the determination of the remuneration for members of the Board of Directors and the Auditing Commission in the electricity distribution sector, taking into account the recommendations of the Corporate Governance Code of the Bank of Russia on payment of the annual remuneration.

In pursuance of generally accepted Russian and international corporate governance principles set out in the Corporate Governance Code and to organise methodologically the process of risk management and internal control, the following internal documents were updated and approved by the Board of Directors:

- Internal Control Policy of PJSC IDGC of the North-West, a new revision (dated February 29, 2016; minutes No. 197/12);
- Internal Audit Policy of PJSC IDGC of the North-West, a new revision (dated February 29, 2016; minutes No. 197/12);
- Risk Management Policy of PJSC IDGC of the North-West (dated March 31, 2016; minutes No. 200/15).

In order to establish a risk management system, the following was approved: Register of the key operational risks of the Company, Register of operational risks in the core business processes of the Company with assignment of owners, Register of operational risks in other business processes of the Company with assignment of owners.

In 2015-2016, the Board of Directors approved a new revision of the Regulations for the Reliability Committee, the Regulations for the Audit Committee, the Regulations for the Personnel and Remuneration Committee of the Board of Directors of PJSC IDGC of the North-West.

In December 2014, pursuant to the decision of the rating committee (Minutes No. 5153 dated December 12, 2014), as made on the basis of management quality analysis, Expert RA Rating Agency assigned a governance quality rating of A++.gq 'The Highest Governance Quality' to the PJSC IDGC of the North-West which means that the governance system contributes to the maximum observance and protection of rights of the stakeholders.

Factors having a positive effect on the rating:

- High organisation level of activities of the executive bodies.
- High level of disclosure of information.
- High level of corporate social responsibility.
- High level of organization of committees of the Board of Directors.
- High level of cooperation between the corporate management bodies.
- Moderately high level of organization of the Board of Directors.
- Availability of quality management certificate ISO 9001 (issued by Russian Register Certification Association, valid through June 27, 2016).

In March 2016, Expert RA Rating Agency confirmed the A++.gq 'The Highest Governance Quality' for PJSC IDGC of the North-West.

With the use of a positive experience of other companies, and through monitoring of laws of the Russian Federation and the advanced standards in the field, the Company will continue working on corporate governance improvement, making appropriate adjustments to its corporate governance system.

CORPORATE EVENTS CALENDAR FOR 2015

	AGMS	Meetings of the Board of Directors	Meetings of Committees of the Board of Directors:				
			the Audit Committee	Personnel and Remuneration Committee	Strategy and Development Committee	Grid Connection Committee	Reliability Committee
January	–	1	–	–	–	–	–
February	–	1	1	1	1	–	1
March	–	5	2	1	2	–	2
April	–	2	2	1	2	1	1
May	–	3	1	1	1	–	1
June	1	2	–	1	–	1	–
July	–	1	–	–	–	–	–
August	–	1	1	1	–	–	–
September	–	2	1	–	2	1	1
October	–	1	–	1	1	1	1
November	–	1	1	–	1	–	1
December	–	3	1	1	3	1	1
total	1	23	10	8	13	5	9

5.1.3. Management bodies

The Company's governance system is intended for effective carrying out financial and economic activities to ensure balance of interests of different groups of stakeholders, including shareholders, management etc.

The corporate governance system is a combination of management and control bodies acting in accordance with laws of the Russian Federation, the Articles of Association of the Company*, the Corporate Governance Code and includes:

General Meeting of Shareholders is the supreme management body of the Company.

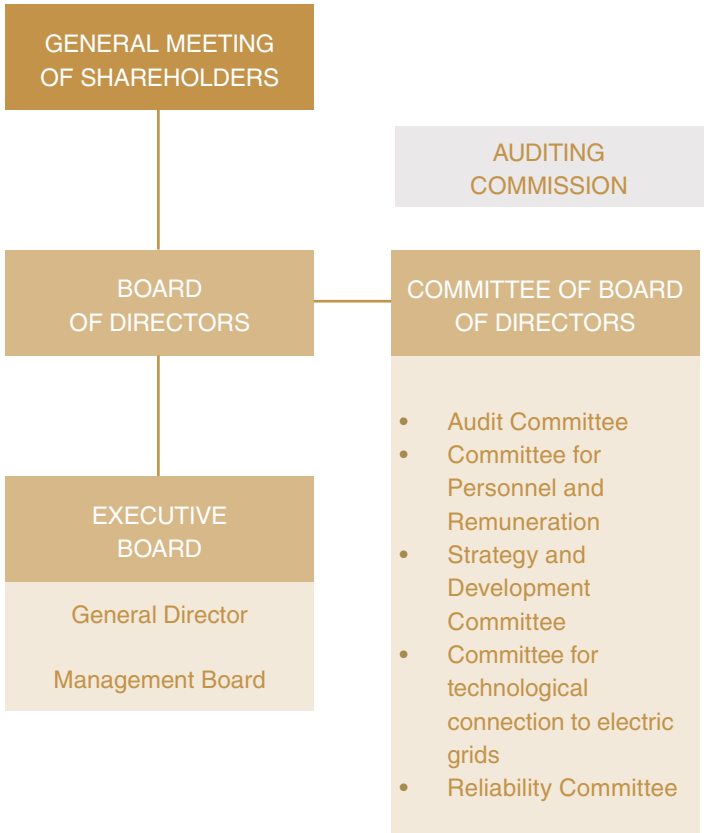
Board of Directors is a management body responsible for strategy development, control over activities of executive bodies and objective assessment of the Company's financial standing.

Management Board is a collegial executive body designated to solve the most difficult issues relating to management of the Company's current activities.

General Director is the sole executive body carrying out the current management of the Company's activities and responsible for the implementation of the Company's strategy designed by the Board of Directors.

Auditing Commission is a body carrying out the regular oversight of Company's financial and business activities.

THE SCHEME OF INTERACTION BETWEEN MANAGEMENT AND CONTROL BODIES



* Full texts of the Articles of Association and internal documents of PJSC IDGC of the North-West are available on the Company's website at www.mrsksevzap.ru.

5.1.3.1. General Meeting of Shareholders

PJSC IDGC of the North-West seeks to maintain a constructive dialogue with shareholders with full respect of their rights and interests, to ensure a high level of trust between the shareholders and the Company in all aspects of corporate governance. For this purpose, the Company adheres to the principle of equitable treatment of all shareholders of the Company, including shareholders with small stocks of shares.

Shareholders' right to receive regularly and timely information on the Company's business activity in amount sufficient for making weighted and informed decision is guaranteed by the compliance with disclosure requirements established by laws of the Russian Federation.

In order to timely inform shareholders of PJSC IDGC of the North-West about the General Meeting of Shareholders in 2015, the Company posted announcement of the General Meeting of Shareholders on the Company website not later than 30 days before the date of the General Meeting of Shareholders. In order to provide free and easy access to the General Meeting of Shareholders materials the Company published all materials related to the agenda of General Meeting of Shareholders on the Company's official website.

In order to ensure effective protection of the Company's shareholders' rights to participate in a General Meeting of Shareholders and accuracy of voting results, the functions of the Accounting Chamber in the General Meeting of Shareholders are performed by a professional securities market participant - the Company's registrar JSC R.O.S.T. Registrar.

In order to provide the most favorable conditions for the participation of shareholders in the General Meeting, PJSC IDGC of the North-West made it possible for shareholders to freely exercise their right to vote in the easiest and most convenient way. The announcement of the General Meeting of Shareholders posted on the Company website contains the venue of the Meeting, the list of addresses where completed voting ballots can be sent to. The materials provided to shareholders in preparation for annual General Meeting of Shareholders contain information on vehicular access to the venue of the meeting.

PJSC IDGC of the North-West invites members of the Board of Directors and Auditing Commission, as well as candidates to the Board of Directors and Auditing Commission and the Auditor for participation in the General Meeting of Shareholders. The procedure for the General Meeting of Shareholders established by the Company provides equal opportunity for all persons present at the General Meeting of Shareholders to express opinions and ask questions before decisions on agenda items are taken.

In 2015, one General Meeting of Shareholders of the Company was held.

The annual General Meeting of Shareholders of PJSC IDGC of the North-West held June 23, 2015 (Minutes No. 10)*, approved the following:

- Company's Annual Report for 2014;
- Annual statutory financial statements of the Company for 2014;
- Distribution of profit (loss) of the Company for 2014 financial year;
- Auditor of the Company;
- New revision of the Articles of Association of the Company;
- New revision of the Regulations for the General Meeting of Shareholders.
- New revision of the Regulations for the Board of Directors of the Company;
- New revision of the Regulations for the Management Board of the Company;
- New revision of the Regulations for the Auditing Commission of the Company;
- New revision of the Regulations for Payment of Remunerations and Compensations to Members of the Board of Directors of the Company;
- New revision of the Regulations for payment of remunerations and compensations to members of the Auditing Commission of the Company.

The following persons were elected:

- Members of the Board of Directors of the Company;
- Members of the Auditing Commission of the Company.

5.1.3.2. Board of Directors

Professional Board of Directors is an important element of effective corporate governance in the Company. Activities of the Board of Directors are regulated by the Regulations for the Board of Directors of PJSC IDGC of the North-West.

The main functions of the Board of Directors include: general strategic management of Company's business activity, prioritisation of Company's business development, overseeing the activities of executive bodies in the interests of the Company and its shareholders, objective assessment of the financial standing of the Company.

Inclusion of independent directors in the composition of the Board of Directors contributes to its balanced state in terms of possibilities for exercising rights and considering interests of all shareholder groups.

The efficient corporate governance calls for an open dialog between the Board of Directors and executive bodies of the Company. To this extent, General Director of PJSC IDGC of the North-West submits to the Board of Directors quarterly reports on the Company's activities, including the report on implementation of decisions of the Board of Directors. The Board of Directors establishes and maintains the necessary controls of the Management Board of the Company, including monitoring and assessment of its activities.

* Information on resolutions passed by General Meetings of Shareholders is available at the website of PJSC IDGC of the North-West at www.mrsksevzap.ru.

5.1.3.2.1. Composition of the Board of Directors

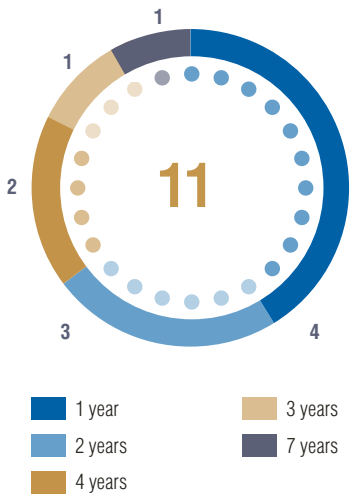
The quantitative composition of the Board of Directors is determined by the Articles of Association and accounts for 11 members.

In 2015, 2 compositions of the Board of Directors were operating*:

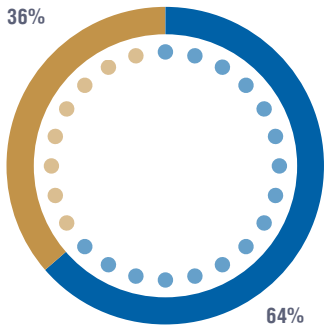
- Elected by the General Meeting of Shareholders on June 25, 2014, as consisted of the following members: S.G. Titov (Chairman as from July 03, 2014), T.P. Dronova, A.N. Zharikov, S.S. Zholnerchik (Chairman as from January 17, 2015), M.A. Lavrova, S.V. Pokrovsky, M.M. Saukh, R.A. Filkin, D.A. Chevkin, A.A. Erdyniev;
- Elected by the General Meeting of Shareholders on June 23, 2015, as consisted of the following members: S.S. Zholnerchik (Chairman), A.V. Letyagin, T.P. Dronova, S.V. Pokrovsky, A.N. Zharikov, R.A. Filkin, M.A. Lavrova, M.A. Bychko, A.A. Erdyniev, M.D. Stepanova, A.K. Mamontov.

Members of the Board of Directors of the Company have significant managerial and industry-specific experience, being recognised specialists in the electricity industry, make valuable contribution to activities of the Board of Directors and its Committees.

MEMBERS OF THE BOARD OF DIRECTORS BY WORK EXPERIENCE, PERSONS



GENDER STRUCTURE OF THE BOARD OF DIRECTORS



The balanced professional composition of the Board of Directors allows for creation of an objective opinion on discussing matters which, in the end, contributes to the strengthening of shareholders' and investors' confidence in the Company.

* Members of the Board of Directors gave their consent to disclosure of the information provided in the Annual Report of PJSC IDGC of the North-West for 2015.

MEMBERS OF THE BOARD OF DIRECTORS ACTIVELY PARTICIPATE IN ACTIVITIES OF THE COMMITTEES OF THE BOARD OF DIRECTORS OF THE COMPANY:

Full name	Group of shareholders who nominated the relevant director	Status in the Board of Directors	Audit Committee	Personnel and Remuneration Committee	Strategy and Development Committee	Committee of Connection to Electric Grids	Reliability Committee
S.S. Zholnerchik	PJSC ROSSETI	Chairman of the Board of Directors		Member of the Committee			The new revision of the Regulations for the Reliability Committee has included the following provision — members of the Board of Directors of the Company may not be members of the Committee
M.A. Bychko	PJSC ROSSETI	Member of the Board of Directors	Member of the Committee	Member of the Committee			
T.P. Dronova	Energosouz Holdings Limited	Member of the Board of Directors	Member of the Committee	Member of the Committee		Chairman of the Committee	
A.N. Zharikov	Energosouz Holdings Limited	Member of the Board of Directors			Member of the Committee		
M.A. Lavrova	PJSC ROSSETI	Member of the Board of Directors	Chairman of the Committee	Chairman of the Committee			
A.V. Letyagin	PJSC ROSSETI	Member of the Board of Directors			Member of the Committee		
A.K. Mamontov	PJSC ROSSETI	Member of the Board of Directors			Member of the Committee		
S.V. Pokrovsky	Lancrenan Investments Limited Energyo Solutions Russia (Cyprus) Limited	Member of the Board of Directors (independent director[1])	Member of the Committee	Member of the Committee	Member of the Committee		
M.D. Stepanova	PJSC ROSSETI	Member of the Board of Directors	Member of the Committee	Member of the Committee	Member of the Committee		
R.A. Filkin	Lancrenan Investments Limited	Member of the Board of Directors	Member of the Committee	Member of the Committee	Member of the Committee		
A.A. Erdyniev	PJSC ROSSETI	Member of the Board of Directors					

* The independence criteria for members of the Board of Directors are determined in accordance with the Listing Rules of MICEX Stock Exchange.

COMPOSITION OF THE BOARD OF DIRECTORS

Svetlana Semenovna Zholnerchik

Date of the first election to the Board of Directors of the Company: June 29, 2007

Date of the last reelection to the Board of Directors of the Company: June 23, 2015.

Born in 1964.

She graduated from the Saint-Petersburg State University of Engineering and Economics

named after P. Togliatti majoring in Mechanical Engineering; she was awarded the qualification of an Engineer Economist. Received a second graduate degree majoring in Law; she was awarded the qualification of a Lawyer in the Saint-Petersburg State University. Candidate of economic sciences.

From 2008 to 2013, she held the position of Deputy Chairman of the Management Board of Non-Commercial Partnership Market Council for the development of an effective system of wholesale and retail trade in electric energy and power; she was a member of the Management Board.

In 2013, she continued working for PJSC ROSSETI as a Deputy General Director; since January 2015, she serves as Chief Adviser for PJSC ROSSETI.

Currently, she is a member of management bodies of the following organisations: PJSC Lenenergo.

Alexander Vyacheslavovich Letyagin

Date of the first election to the Board of Directors of the Company: June 23,2015

Born in 1976.

In 1998, he graduated from the Ivanovo Power Engineering Institute, majoring in Power Plants.

In 2003, he took the managerial training programme for the RF national economy in the Moscow Power Engineering Institute, majoring in Management.

Graduated from the St. Petersburg State University in 2015, professional retraining course of Master of Business Administration.

In the period from 1999 to 2002, he worked as an electrician for repair of relay protection and automation equipment of categories 4 and 5, a 1st class engineer of electrical laboratory of electrical shop, a head of industrial electrical laboratory of electrical shop electric plant in Belgorodskaya CHPP. In the period from 2002 to 2003, he worked as a head of laboratory of the Central Relay Protection and Automation Service in JSC Belgorodenergo of the Regional Dispatching Office branch, in 2003 — he worked for JSC SO UES of Belgorod Regional Dispatching Office as a Senior Specialist of the Relay Protection and Automation Service. From 2003 to 2006, he held the position of Technical Director in JSC Belgorodenergo. From 2006 to 2012, he worked as a Deputy General Director for Engineering — Chief Engineer of Orelenergo branch of PJSC IDGC of Center. From 2012 to 2014 — Adviser to General Director, Director of Vyborg Electric Grids branch of PJSC Lenenergo.

Since 2014, he worked for PJSC IDGC of the North-West as Acting First Deputy General Director. Since July 29, 2014 he was elected General Director of the Company.

As of today, he is not a member of management bodies of any other organisations.

Mikhail Alexandrovich Bychko

Date of the first election to the Board of Directors of the Company: June 23, 2015

Born in 1971.

In 1994, he graduated from the Moscow Power Engineering Institute. From 2003 to

2004, he improved his skills in the Academy of National Economy under the RF Government.

From 2010 to 2013 he worked as a Head of Design Department in PJSC FGC UES.

Since 2013, he has continued working for PJSC IDGC of the North-West as Director of the Capital Construction Department.

Also, he is a member of management bodies of the following organisations: PJSC IDGC of Siberia, JSC REC IDGC, JSC Urals Energy Engineering Centre, JSC North-West Power Engineering Centre.

Tatiana Petrovna Dronova

Date of the first election to the Board of Directors of the Company: June 10, 2009

Date of the last reelection to the Board of Directors of the Company: June 23, 2015

Born in 1954.

She graduated from the Finance Academy under the Government of the Russian Federation, majoring in Finances and Credit, qualified as an economist.

Since 2008 until now, she has been Deputy General Director for Strategy and Development of CJSC Energosoyuz Investment Holding.

Also, she is a member of management bodies of the following organisations: JSC Bank Agroros, PJSC IDGC of the North-West, JSC Elektrocentronaladka.

Alexey Nikolayevich Zharikov

Date of the first election to the Board of Directors of the Company: March 12, 2014

Date of the last reelection to the Board of Directors of the Company: June 23, 2015

Born in 1970.

In 1993, he obtained a diploma of higher education upon graduation from the Moscow Institute of Management named after Sergo Ordzhonikidze majoring in Economics and Management in Fuel & Energy Industries.

From 2007 to 2009, he held the position of Director for Corporate Governance in Mosenergo.

Since 2010, he has worked for JSC Electrocentronaladka as Director of the Corporate Policy and Dealing with Shareholders Department.

As of today, he is not a member of management bodies of any other organisations.

Marina Alexandrovna Lavrova

Date of the first election to the Board of Directors of the Company: March 12, 2014

Date of the last reelection to the Board of Directors of the Company: June 23, 2015

Born in 1982.

She graduated from the State University of Management majoring in Management in Energy Industry; qualified as a Manager. Received a second graduate degree from the Finance Academy under the Government of the Russian Federation.

From 2008 to 2013, she worked as Deputy Head of Business Planning Department in PJSC ROSSETI.

In 2013, she was appointed as the Head of Economy of Subsidiaries and Dependent Entities, Economic Planning and Budgeting Department, PJSC ROSSETI; she continues working in this position.

Also, she is a member of management bodies of the following organisations: PJSC Dagestan Energy Supply Company, JSC Ekaterinburg Electric Network Company , PJSC Kubanenergo.

Andrey Klavdiyevich Mamontov

Date of the first election to the Board of Directors of the Company: June 23, 2015

Born in 1969.

In 1994, he graduated from the St. Petersburg State Institute of Technology (Technical University), majoring in Electric Power Systems and Grids and qualified as an Electrical Engineer; in 1995, he graduated from the Technical University, majoring in Economics of Commercial Entities and Foreign Trade Activities. In 2004, he graduated from the Technical University majoring in Economics and Company Management (Power Engineering), qualified as Economic Manager.

From 2008 to 2012, he worked for PJSC Lenenergo as Director for Operation and Maintenance, and later — as Deputy Chief Engineer for Operation and Maintenance.

In 2012, he continued working for LLC Complex Energy Solutions in the positions as follow: Head of Project Preparation and Implementation, Deputy General Director for Capital Construction, First Deputy Director - Chief Engineer.

From 2013 to 2014, he held the position of Adviser to General Director in JSC Kubanenergo.

From 2014 to 2015, he held the position of Adviser to Deputy General Director for Engineering - Chief Engineer in PJSC Lenenergo.

Since 2015, he has worked as Director for Technical Policy and Engineering in PJSC Federal Test Centre.

As of today, he is not a member of management bodies of any other organisations.

Sergey Vadimovich Pokrovsky

Date of the first election to the Board of Directors of the Company: June 21, 2013

Date of the last reelection to the Board of Directors of the Company: June 23, 2015

Born in 1973.

In 1996, he obtained a diploma of higher education upon graduation from the Gubkin Russian State University of Oil and Gas majoring in Applied Mathematics; he was awarded the qualification of Applied Mathematician.

Since 2004 he has worked in non-profit entity Association for Protection of Investors' Rights (since January 2015 — Association of Institutional Investors) as Deputy Executive Director.

As of today, he is not a member of management bodies of any other organisations.

Maria Dmitrievna Stepanova

Date of the first election to the Board of Directors of the Company: 6/23/2015

Born in 1982.

Graduated from the Lomonosov Moscow State University majoring in Government Control in the Economy.

Since 2008, she has worked as Head of Interaction with Shareholders and Investors Directorate of the Corporate Governance and Interaction with Shareholders and Investors Department, PJSC ROSSETI.

Also, she is a member of management bodies of the following organisations: JSC Berendeyevskoye, JSC Tyvaenergosbyt.

Roman Alexeevich Filkin

Date of the first election to the Board of Directors of the Company: June 16, 2011

Date of the last reelection to the Board of Directors of the Company: June 23, 2015

Born in 1983.

In 2005, he graduated from the Finance Academy under the Government of the Russian Federation, majoring in Finances and Credit, qualified as an economist.

Since 2009 he has worked as Director at the Representative Office of Prosperity Capital Management (RF) Ltd (electricity, machine building).

Also, he is a member of management bodies of the following organisations: JSC Dalenergomontazh, PJSC IDGC of the Centre and Volga Region, PJSC IDGC of the South, JSC Smolensk Energy Repair Company, JSC TGC-2.

Anton Alexandrovich Erdyniev

Date of the first election to the Board of Directors of the Company: June 25, 2014

Date of the last reelection to the Board of Directors of the Company: June 23, 2015

Born in 1984.

In 2006, he obtained a diploma of higher education upon graduation from the Novosibirsk State Technical University, qualified as an engineer majoring in Electric Power Systems and Grids.

From 2010 to 2011, he worked for JSC SibirEnergo as Head of the Trading Group in Commercial Directorate. In 2011, he was appointed Chief Expert of the Wholesale Market Department in JSC Unified Energy Supply Company. In May 2012, he joined NP "Market Council" as Head of Retail Market Support Department.

Since October 2013 has worked as Deputy Director of Electricity Industry Development Department of the Ministry of Energy of the Russian Federation.

As of today, he is not a member of management bodies of any other organisations.

Members of the Board of Directors of PJSC IDGC of the North-West did not hold shares of the Company and did not commit transactions with securities of the Company in 2015.

5.1.3.2.2. Report of the Board of Directors

Pursuant to the Development Strategy of the Electric Grid Complex of Russia (hereinafter — the EGC Strategy) developed for the period till 2030 (as per the RF Government Instruction No 511r dated April 03, 2013), the main priority of the Company's activities is the reliable, high-quality and affordable energy supply to consumers in the Northwestern Federal District of Russia through development of the most efficient infrastructure. However, the fast pace of development of the economy and electric power industry in particular, has led to the setting of additional tasks which can be achieved only by highly efficient companies. The electricity tariff in Russia has almost run out of potential for growth. At the same time, the ongoing ageing of fixed assets necessitates a significant increase in investments in coming years to keep the quality and reliability performance already achieved. In the process of implementation of the goals, the Board of Directors, as a collective management body is a steering adviser and supervisor of the Company's management. The Board of Directors takes decisions in the most important strategic areas, on plans developed by the Company's management subject to the current macroeconomic environment, and monitors the implementation thereof.

As tools to improve the efficiency of the operating and investment activities of the Company, in 2015, the following Company's internal documents were considered and approved by the Board of Directors: new revision of the Standard and Regulation on the Company's Business Planning; Consumer Service Quality Standards; the Regulation on Operational Efficiency Improvement and Cost Reduction; the Regulation on Internal Financing; the Regulation on Payment Processing; the Regulation on the Corporate Identity Management in PJSC IDGC of the North-West; the Regulation on the Implementation of the Unified Communication Policy of PJSC IDGC of the North-West; the Policy for Integrated Security of PJSC IDGC of the North-West; the new revision of the Regulations for Insider Information of PJSC IDGC of the North-West; the Regulations for Insurance Coverage.

The following was approved as internal documents of the Company: the Unified Procurement Standard (Regulations for Procurement) of PJSC ROSSETI; Regulation on Review and Settlement of Disputes and Conflicts of Interest within the Group of PJSC ROSSETI; the Investment Policy of PJSC ROSSETI.

The following documents were updated: The Company's Strategy for Information Technology, Automation and Telecommunications for the period till 2016; the Regulations for Financial Incentives for the General Director of the Company, the Regulations for Payment of the Remuneration and Compensations to members of the Committees of the Board of Directors of the Company.

To ensure sustainable development of the Company, the following long-term plans and programmes were approved: the Company's Activity Plan for Exercise of the Right to Collect Debts of Companies and Organisations that filed for Bankruptcy for 2015-2016, the revised List of Energy Saving and Energy Efficiency Projects Suitable for Implementation Subject to Entering into Energy Service Agreements (Contracts) for the period until 2023, the Target Programme for Improving the Anti-terrorism and Anti-sabotage protection of the Company's Facilities for 2015-2020, Schedule for Removal of Equipment Posing a Risk of Injury for 2015-2016; the draft revised Investment Programme of the Company for 2015 and the period of 2016-2020 was reviewed; the Scheduled Plan of Activities to Reduce Outstanding Receivables for Electricity Transmission Services of PJSC IDGC of the North-West is updated on a quarterly basis. Based on the principles of regularity and operational efficiency, the Board of Directors oversees the implementation of the approved programmes and plans by considering reports on implementation thereof.

The establishment of sanctions against the financial sector and certain industries of the Russian economy while limiting the growth of tariffs, has led in recent years to increase in the level of underfunding of operations and the Investment Programme, and limitation of possibilities of attracting non-tariff sources of development funding such as credits and funds of private investors. Thus, the current macroeconomic situation, namely a drop in power consumption, reduction in financial solvency of consumers, increase in the cost of borrowing — causes the improvement of the Company's performance to be the operating priority.

As part of activities aimed at improving the Company's performance, the Board of Directors reviewed and approved:

- Revised Company's business plan that includes the Investment Programme and information about the key operational risks for 2015 subject to implementation of the RF Government Directive No. 2303p-P13 dated April 16, 2015 on the annual reduction in operating costs of not less than 2-3%;
- The Company's Activity Plan for Improvement of Efficiency and Financial and Economic Performance of the Company for 2015.

The Board of Directors also reviewed the Company's financial economic model for 2015-2019 subject to the implementation of the Activity Plan for Improvement of Efficiency and Financial and Economic Performance of the Company as compared to the approved Business Plan.

The Company Management Incentive System was amended by decision of the Board of Directors to reach the targets and achieve the objectives of the EGC Strategy, and to perform the RF Government instructions to reduce the operating costs. As from January 01, 2015, in accordance with the decision of the Board of Directors a new Methods for Calculation and Evaluation of Implementation of key performance indicators (KPIs) for the General Director of the Company have been in use. Also, in order to increase the efficiency of business processes, to identify bottlenecks and possible opportunities, the Company management (on behalf of the Board of Directors) developed Methods for Comparative Analysis and Performance Assessment of Branches, Operating Divisions and Regional Electric Grids of PJSC IDGC of the North-West.

Based on results of the comparative analysis of performance indicators of the branches in detail to the level of operating divisions and distribution zones (hereinafter — OD and DZ) for 2010-2015, the Company has planned to develop proposals for amendment of the current management system of the Company to increase the efficiency and effectiveness of the Company activities.

In pursuance of the RF Government Instruction No.ИШ-П13-3464 'On establishment of unified treasuries in publicly owned companies and their subsidiaries' dated May 13, 2014, the Board of Directors has determined the implementation of treasury function centralization and automation measures as one of the priority areas of the Company. As part of this priority area, the Board of Directors reviewed and approved the following documents: Scheduled Plan for the Treasury Function Centralisation and Automation Project, Scheduled Plan for the Integration into the Uniform Treasury System of PJSC ROSSETI, Scheduled Plan for the Company’s Transition to the AIS TM with immediate support of processes for planning, agreeing upon, approving and effecting Company’s payments in the AIS TM.

The decline in economic activity in Russia aggravates the poor state of consumer payment discipline. Despite regular monitoring of accounts receivable and updating of activities aimed at reducing outstanding receivables of PJSC IDGC of the North-West, significant amount of accounts receivable is the cause of additional debts. As measures aimed at reducing outstanding receivables and disputable receivables, the Company developed additional activities following

which the Board of Directors approved the Company's Activity Plan for the Exercise of the Right to Collect Debts of Companies and Organizations that filed for Bankruptcy for 2015-2016.

At the initiative of the Board of Directors, the Company carried out the analysis of the claims work in the Company's branches and prepared the Report on results of the analysis, containing opinions and recommendations to improve the claims work. As a result of the implementation of planned activities, in 2015 the Company achieved a reduction of outstanding receivables against the target by RUB 607 million, or 6%.

Along with a shortage of funding sources for the commissioning of new facilities, as well as the timely upgrade, refurbishment and renovation of existing facilities, the Company has a significant amount of costs under the current grid connection contracts which is not covered by a funding source. The result of this activity has a negative impact on the financial standing of the Company. The Board of Directors instructed to analyse the information on income shortfall resulting from grid connection services to "privileged" group of applicants, and to prepare proposals to optimize the entire process of grid connection. The comprehensive analysis of the Company's electric grid connection services for 2009-2015 was reviewed by the Board of Directors; the Committee of Connection for Technological to Electric Grids took part in a detailed examination of the matter. Following the review, the Company's management was given orders on ways to optimize the grid connection process; as part of the report on the Company's Business Plan implementation regular monitoring of the current state of the activity is carried out to assess the impact of this activity on the financial standing of the Company. A Reliable energy supply and a quality of service are the Company's strategic business priorities for a long term. In 2015, the Board of Directors of the Company approved the Consumer Service Quality Standards of IDGC of the North-West. Also, the Board of Directors reviewed the Report on the Achievement of the Established Reliability and Service Quality Level in accordance with the regulatory legal acts of 2014.

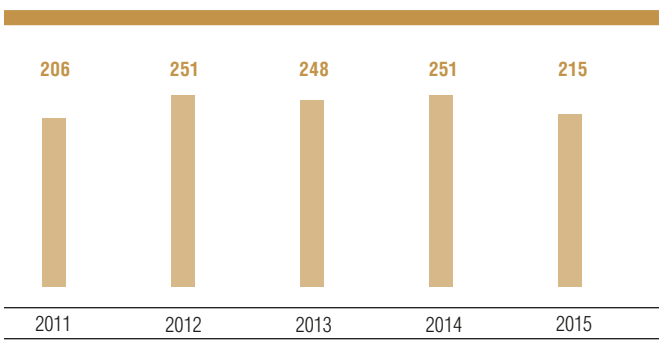
5.1.3.2.3. Activities of the Board of Directors

In 2015, 23 meetings of the Board of Directors of the Company were held, 5 of them were implemented in person and in absentia.

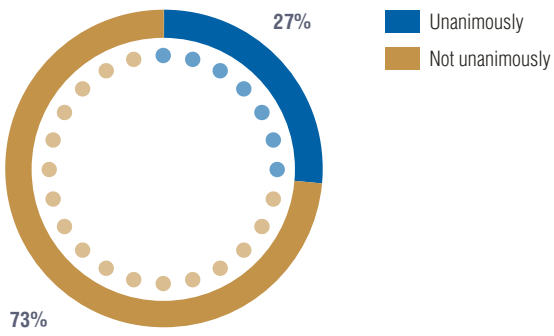
INFORMATION ON PARTICIPATION OF MEMBERS OF THE BOARD OF DIRECTORS IN MEETINGS

Full name	January 01, 2015 through June 23, 2015 (total number of meetings – 13)		June 24, 2015 through December 31, 2015 (total number of meetings – 10)	
	in praesentia/ in absentia	% of attendance	in praesentia/ in absentia	% of attendance
S.S. Zholnerchik (Chairman)	3/10	100	2/8	100
M.A. Bychko	-	-	1 + 1*/8	100
T.P. Dronova	2/8	76.92	2/6	80
A.N. Zharikov	2/10	92.31	2/8	100
M.A. Lavrova	2*/10	92.31	1 + 1*/8	100
A.V. Letyagin	-	-	2/8	100
A.K. Mamontov	-	-	2/8	100
S.V. Pokrovsky	3/10	100	2/8	100
M.M. Saukh	3/10	100	-	-
V.V. Sofiyn	3/10	100	-	-
M.D. Stepanova	-	-	1 + 1*/8	100
S.G. Titov	3/10	100	-	-
R.A. Filkin	1 + 1*/10	92.31	2*/7	90
D.A. Chevkin	1 + 2*/10	100	-	-
A.A. Erdyniev	1*/8	69.23	2*/3	50

MATTERS ADDRESSED BY THE BOARD OF DIRECTORS

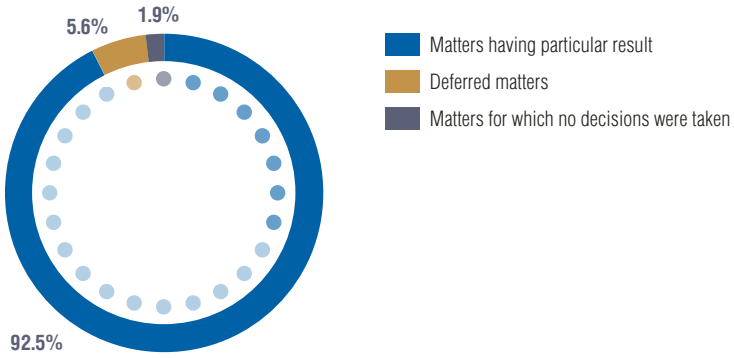


VOTING AT THE MEETINGS OF THE BOARD OF DIRECTORS

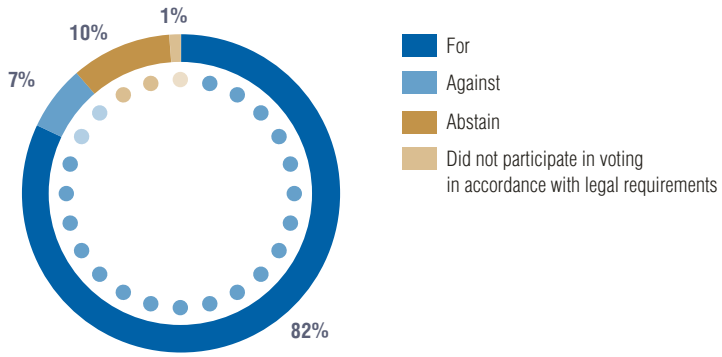


* at the meeting of the Board of Directors held in person and in absentia, the member of the Board of Directors presented a written opinion (questionnaire) on the agenda of the meeting.

STRUCTURE OF MATTERS ADDRESSED BY THE BOARD OF DIRECTORS BY NATURE OF DECISION TAKEN



TYPES OF VOTE IN MEETINGS OF THE BOARD OF DIRECTORS



STRUCTURE OF MATTERS ADDRESSED BY THE BOARD OF DIRECTORS

5.1.3.2.4. Corporate Secretary

Corporate Secretary is an officer of the Company who ensures the Company's compliance with the applicable laws of the Russian Federation, the Company's Articles of Association and internal documents guaranteeing rights and legitimate interests of shareholders of the Company.

The Corporate Secretary's functions include:

- the organisational support for the Board of Directors of the Company
- participation in the preparation activities and holding of General Meetings of Shareholders
- participation in the implementation of the Company's Policy for information disclosure
- participation in the improvement of the corporate governance system and practices.

Lyudmila Yuryevna Nazarenko.

Date of election as Company's Corporate Secretary: June 27, 2008

Date of the last reelection as Company's Corporate Secretary: June 30, 2015

Born in 1971.

In 1993, she graduated from the Odessa Technological Institute of Food Industry; in 2011, she obtained a law degree upon graduation from the St. Petersburg State University of Economics majoring in Law.

From 2006 till now, she has been the Head of Corporate Governance in the Department for Corporate Governance and Interaction with Shareholders of PJSC IDGC of the North-West.

She earned the following industry awards: in 2002 – Certificate of honour of JSC AEK Komienergo; in 2002 – Certificate of honour of RAO UES of Russia; 2006 – Certificate of honour of JSC IDGC of the North-West; 2013 – Certificate of honour of the RF Ministry of Energy.

Currently she is a member of management bodies of the following organisations: Member of the Board of Directors of JSC Pskovenergosbyt

Stake in the authorised capital of PJSC IDGC of the North-West – 0.0026% (2,463,495 shares). She did not perform any transactions with securities of the Company during 2015.

5.1.3.2.5. Committees of the Board of Directors

In order to implement the principles provided for in the Corporate Governance Code, and to effect preliminary consideration of the most important aspects of the Company's business activities, advisory and consultative bodies — the Committees of the Board of Directors were created: Audit Committee, Personnel and Remuneration Committee, Strategy and Development Committee, Reliability Committee and Committee for Technological Connection to Electric Grids (hereinafter — the Committees).

The Committees play an active part in the process of making decisions by the Board of Directors of the Company, increasing the efficiency of the Board of Directors activities. They provide preliminary examination of and give the Board of Directors recommendations on the most important matters within its competence. For the Board of Directors, Committees' decisions serve as recommendations.

Committees' activities are governed by the Regulations on Committees that define their competence, procedures for the formation of the Committees and their functions, and rights and obligations of Members of the Committees*.

Quantitative and individual compositions of each Committee are determined by resolution of the Board of Directors of the Company. Activities of the Committees are carried out in accordance with the plans of the Committees' work annually approved at the meeting of the Committees.

In 2015, each of the Committees of the Board of Directors was operating in 2 compositions, excluding the Reliability Committee which, pursuant to the approval of the new revision of Regulations on the Committee and the change in requirements to manning of the Committee, was operating in 3 compositions.

Current compositions of the Audit Committee, Strategy and Development Committee, Personnel and Remuneration Committee, and Committee of Connection to Electric Grids the Board of Directors were elected by decision of the Company's Board of Directors as of August 13, 2015 (Minutes No. 188/3). The current composition of the Reliability Committee was elected by the Board of Directors on December 12, 2015 (Minutes No. 193/8).

* Full text of the Provisions on the Committees of the Board of Directors of PJSC IDGC of the North-West is available on the website of PJSC IDGC of the North-West at http://www.mrsksevzap.ru/charterandinternaldocuments.

PARTICIPATION OF MEMBERS OF THE CURRENT COMMITTEES OF THE BOARD OF DIRECTORS IN THE WORK OF THE COMMITTEES.

Full name	Title/position	Participation	Participation %
Audit Committee (only Members of the Board of Directors can join)			
Marina Alexandrovna Lavrova (Chairman)	Head of Economy of Subsidiaries and Dependent Entities, Economic Planning and Budgeting Department, PJSC Russian Grids.	4	100
Mikhail Alexandrovich Bychko	Director of Capital Construction Department, PJSC Russian Grids	4	100
Tatiana Petrovna Dronova	Deputy General Director for Strategy and Development of CJSC Energosoyuz Investment Holding	3	75
Sergey Vadimovich Pokrovsky	Deputy Executive Director of the Association of Institutional Investors	3	75
Maria Dmitrievna Stepanova	Head of Interaction with Shareholders and Investors, Department for Corporate Governance and Interaction with Shareholders and Investors, PJSC Russian Grids	4	100
Roman Alexeevich Filkin	Director for Electric Energy and Machine Building at the Representative Office of Prosperity Capital Management (RF) Ltd.	4	100
Personnel and Remuneration Committee (only Members of the Board of Directors can join)			
Marina Alexandrovna Lavrova (Chairman)	Head of Economy of Subsidiaries and Dependent Entities, Economic Planning and Budgeting Department, PJSC Russian Grids.	3	100
Mikhail Alexandrovich Bychko	Director of Capital Construction Department, PJSC Russian Grids	3	100
Tatiana Petrovna Dronova	Deputy General Director for Strategy and Development of CJSC Energosoyuz Investment Holding	3	100
Svetlana Semenovna Zholnerchik	Chief Adviser at PJSC Russian Grids	3	100
Sergey Vadimovich Pokrovsky	Deputy Executive Director of the Association of Institutional Investors	3	100
Maria Dmitrievna Stepanova	Head of Interaction with Shareholders and Investors, Department for Corporate Governance and Interaction with Shareholders and Investors, PJSC Russian Grids	3	100
Roman Alexeevich Filkin	Director for Electric Energy and Machine Building at the Representative Office of Prosperity Capital Management (RF) Ltd.	3	100
Reliability Committee			
Sergey Mikhailovich Yaitsky (Chairman)	Director of Production Asset Management Department, PJSC Russian Grids	1	100
Alexander Vasilyevich Korotenko	Deputy Head of Electric Power Industry Prospective Development Department, Electric Power Industry Development Department of the RF Ministry of Energy	1	100
Alexander Yuryevich Matyushin	Head of Core Equipment, Electric Equipment Operation Management Office, Production Asset Management Department, PJSC Russian Grids	1	100
Vladimir Sergeevich Motin	Head of Development Department at the Moscow Branch of JSC Bank Agroros	1	100
Dmitry Ivanovich Nikonov	First Deputy General Director — Chief Engineer at PJSC IDGC of the North-West	1	100
Vadim Nikolayevich Fedorov	Deputy General Director for Services Development and Selling at PJSC IDGC of the North-West	1	100
Pavel Vyacheslavovich Shiryaev	Deputy General Director for Economy and Finance at PJSC IDGC of the North-West	1	100
Andrey Klavdiyevich Mamontov*	Director for Technical Policy and Engineering, PJSC Federal Test Centre	3	100
Igor Georgievich Polovnev*	Finance Director of the Association of Institutional Investors	3	100

Full name	Title/position	Participation	Participation %
Strategy and Development Committee			
Vladimir Vladimirovich Sofyin (Chairman)	Director of Technology Development and Innovation Department, PJSC Russian Grids	7	100
Irina Vladimirovna Bogachova	Head of the Division of Analysis and Assessment of Efficiency of Investment Projects PJSC Russian Grids	6	86
Alexander Evgenievich Bogashov	Head of the Department of Corporate Governance, Pricing Structure and Control and Auditing Work in Industries of the Fuel and Energy Complex of the RF Ministry of Energy	2	29
Alexey Nikolayevich Goncharov	Head of Interaction with Electricity Wholesale and Retail Market Entities, PJSC Russian Grids	7	100
Alexey Nikolayevich Zharikov	Director of the Corporate Policy and Dealing with Shareholders Department, JSC Electrocentronaladka	7	100
Konstantin Vladimirovich Zavizenov	Deputy Director of Electric Power Industry Development Department of the RF Ministry of Energy	6	86
Vitaly Vasilyevich Kuzmin	Independent Expert	7	100
Alexander Vyacheslavovich Letyagin	General Director of PJSC IDGC of the North-West	7	100
Andrey Klavdiyevich Mamontov	Director for Technical Policy and Engineering, PJSC Federal Test Centre	7	100
Alexey Igorevich Pavlov**	Head of Financial Management, PJSC Russian Grids	2	29
Yury Nikolaevich Pankstiyanov	Head of Tariff Policy Department, PJSC Russian Grids	7	100
Sergey Vadimovich Pokrovsky	Deputy Executive Director of the Association of Institutional Investors	4	57
Maria Dmitrievna Stepanova	Head of Interaction with Shareholders and Investors, Department for Corporate Governance and Interaction with Shareholders and Investors, PJSC Russian Grids	7	100
Olga Nikolayevna Troinina	Chief Expert of the Strategic Project Department, PJSC Russian Grids	7	100
Roman Alexeevich Filkin	Director for Electric Energy and Machine Building at the Representative Office of Prosperity Capital Management (RF) Ltd.	7	100
Valery Nikolayevich Krasnikov*	Director of Corporate Finance Department, PJSC Russian Grids	4	80
Committee of Connection to Electric Grids			
Tatiana Petrovna Dronova (Chairman)	Deputy General Director for Strategy and Development of CJSC Energosoyuz Investment Holding	2	67
Timur Olegovich Boitsov	Chief Expert of Grid Connection Regulation, Department for Grid Prospective Development and Grid Connection PJSC Russian Grids	3	100
Marat Nikolayevich Dinmukhametov	Head of Technology Development and Innovation Department, PJSC IDGC of the North-West	3	100
Irina Borisovna Masaleva	Director of Department for Grid Prospective Developmentand Grid Connection, PJSC Russian Grids	3	100
Alexander Valeryevich Pavlov	Senior Adviser of Electric Power Industry Prospective Development Department, Electric Power Industry Development Department of the RF Ministry of Energy	3	100
Igor Georgievich Polovnev	Finance Director of the Association of Institutional Investors	3	100
Vadim Nikolayevich Fedorov	Deputy General Director for Services Development and Selling at PJSC IDGC of the North-West	3	100

* powers terminated as of December 11, 2015
** elected to the Committee as of December 11, 2015

5.1.3.2.5.1. Audit Committee

The main purpose of the Audit Committee is to assist the effective performance of functions of the Board of Directors relating to the preliminary consideration of matters associated with the oversight of Company's financial and business activities.

The main objectives of the Audit Committee:

- Review of accounting (financial) statements of the Company and oversight of the process of its preparation;
- Supervision over the risk management*, internal control and corporate governance systems;
- Oversight over the conduct of external audit and the selection of External Auditor;
- Organising and ensuring the independence and objectivity of the Internal Audit function;
- Monitoring the performance of the system of counteracting unethical practices by Company employees and third parties.

Decision of the Board of Directors of the Company dated August 13, 2015 (Minutes No. 188/3) determined the number of members of the Audit Committee — 6 people; the same determined the personal composition of the Committee which consists only of members of the Board of Directors.

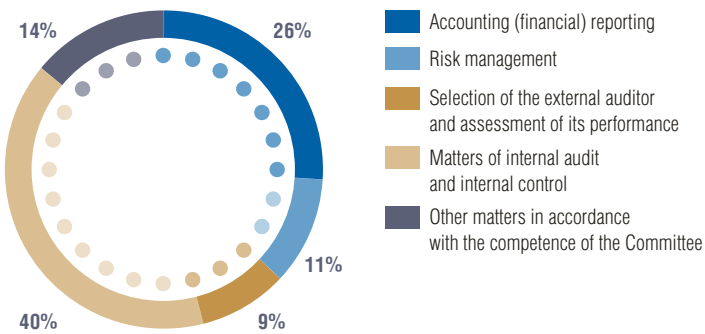
Members of the Audit Committee have the necessary expertise in the field of finance, accounting, economics, internal audit and control; they have significant experience necessary for work and analysis of business activity and financial management.

The Audit Committee has an independent director, Sergey Vadimovich Pokrovsky who is also Deputy Executive Director of the Association of Institutional Investors.

In 2015, the Audit Committee of the Board of Directors held 10 meetings, including 4 meetings in the form of joint attendance. 35 agenda items were considered.

In 2015 the Board of Directors approved the report on the Company's internal control system performance in 2014. In pursuance of the decision, the Company implemented a set of measures aimed at developing and improving the internal control and risk management system in 2015, including improving the quality of internal audit function with a purpose to increase the maturity level of the internal control and management system. Information on the assessment of efficiency of the Company internal control system during the reporting year is presented in the section 'Internal Control System' of this report.

MATTERS ADDRESSED BY THE AUDIT COMMITTEE IN 2015



* Decision of the Board of Directors of the Company dated March 31, 2016 (Minutes No. 200/15) approved amendments to the Regulations on the Strategy and Development Committee pursuant to which the function of control of organisation and functioning of the risk management system is referred to the competence of the Strategy and Development Committee of the Board of Directors of the Company.

5.1.3.2.5.2. Personnel and Remuneration Committee

The main purpose of the Committee is the development and presentation of recommendations (opinions) in the following areas of activities:

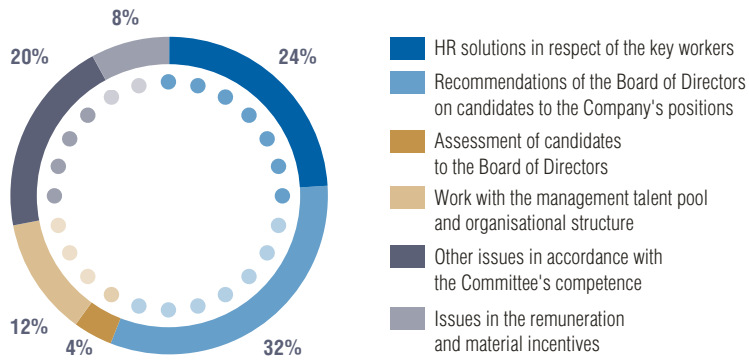
- Development of recommendations on remuneration of members of the Board of Directors;
- Development of principles and criteria for determining the remuneration of members of the Board of Directors, members of the corporate executive body and a person performing the functions of the sole executive body of the Company;
- Development of proposals for determining the fundamental terms of contracts of members of the Board of Directors, members of the corporate executive body and a person performing the functions of the sole executive body of the Company;
- Determination of criteria for selecting candidates to the Board of Directors, members of the collegial executive body and to the position of sole executive body of the Company, as well as a preliminary assessment of such candidates;
- Periodic performance assessment of a person performing the functions of the sole executive body of the Company, and members of the corporate executive body; preparation of proposals for re-appointment of these persons to be submitted to the Board of Directors.

Decision of the Board of Directors of the Company dated August 13, 2015 determined the number of members of the Personnel and Remuneration Committee — 7 people; the same determined the personal composition of the Committee which consists only of members of the Board of Directors. Members of the Personnel and Remuneration Committee have the professional experience and knowledge of the Company' business activity, as necessary for exercise of their powers.

The Personnel and Remuneration Committee has an independent director, Sergey Vadimovich Pokrovsky who is also Deputy Executive Director of the Association of Institutional Investors.

In 2015, the Personnel and Remuneration Committee held 8 meetings and considered 25 agenda items.

MATTERS ADDRESSED BY THE PERSONNEL AND REMUNERATION COMMITTEE IN 2015



5.1.3.2.5.3. Reliability Committee

At the meeting of October 21, 2015, the Board of Directors approved the new revision of Regulations on the Reliability Committee of the Board of Directors of PJSC IDGC of the North-West.

The new revision of Regulations on the Reliability Committee amended the procedure for formation of the Committee: it has now provisions to the effect that the Reliability Committee must include the Company's chief technology officer, head of economy and finance, head of services development and selling.

Decision of the Board of Directors dated December 11, 2015, members of the Reliability Committee were reelected pursuant to the requirements of the new revision of the Regulations. The same decision determined the personal composition of the Committee — 7 persons.

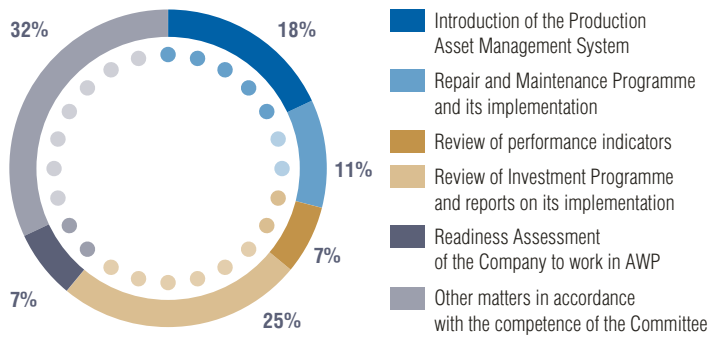
Reliability Committee includes technical experts having expertise and a vast experience in the field of power engineering.

Main purposes of the Committee are as follow:

- Review of production programs, plans for refurbishment, renovation, new construction and repair of power grid facilities; analysis of their development and implementation as relates to requirements for functional reliability and technical state of electric grids;
- Assessment of completeness and adequacy of measures following the results of investigation of accidents in accordance with the Procedure for Investigation of Causes of Accidents in the Electric Power Industry approved by the Regulation of the Government of the Russian Federation, and monitoring of their performance;
- Review of quality of investigation of the causes of process upsets (accidents);
- Review of the Company's activities in the field of accident-prevention work (ensuring preparedness, organisation and conduct of rescue and restoration operations at the power grid facilities);
- Review of programs for the prevention and reduction of risk of injury to the Company personnel and third parties in electric installations of the Company, as well as monitoring of their implementation;
- Monitoring and assessment of activities of the Company technical services in terms of ensuring reliable operation of electrical grids and industrial safety;
- Review of the internal technical supervision system of the Company;
- Review of the safety management system of the Company;
- Review of the Environmental Policy Implementation Programme;
- Review of the fire and industrial safety system.

In 2015, the Reliability Committee of the Board of Directors held 9 meetings, including 1 meeting in the form of joint attendance.

MATTERS ADDRESSED BY THE RELIABILITY COMMITTEE IN 2015



5.1.3.2.5.4. Strategy and Development Committee

The Strategy and Development Committee develops and provides recommendations to the Board of Directors of the Company on priorities, strategic objectives and core principles for the strategic development of the Company, as well as on performance evaluation, improvement of investment opportunities and financial planning of the Company.

The activities of the Strategy and Development Committee are governed by the Regulations

on the Strategy and Development Committee of PJSC IDGC of the North-West, approved by decision of the Board of Directors as of August 22, 2008.

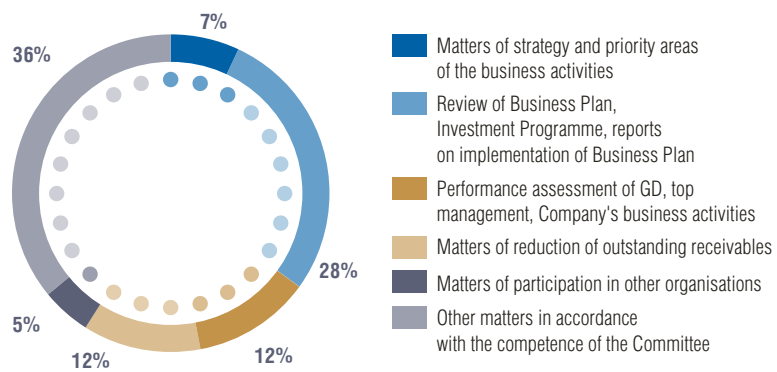
Starting from January 01, 2015, the Strategy and Development Committee consisted of 13 people (the number of members is determined by the Board of Directors as of July 18, 2014, Minutes No. 160/2). Pursuant to the decision of the Board of Directors dated August 13, 2015 (Minutes № 188/3), the Strategy and Development Committee was elected with 15 members.

Members of the Strategy and Development Committee have knowledge of the Company' business activity, as necessary for exercise of their powers.

The Strategy and Development Committee has an independent director, Sergey Vadimovich Pokrovsky who is also Deputy Executive Director of the Association of Institutional Investors.

In 2015, the Strategy and Development Committee addressed 42 agenda items and held 13 meetings, including 2 meetings in the form of joint attendance

MATTERS ADDRESSED BY THE STRATEGY AND DEVELOPMENT COMMITTEE IN 2015



5.1.3.2.5.5. Committee of Connection to Electric Grids

The main purpose of the Committee of Connection to Electric Grids is to ensure transparency of activities and nondiscriminatory access to grid connection of consumers to the electric grids of the Company.

In its activities, the Committee of Connection to Electric Grids shall be governed by the Regulations of the Committee approved by the Board of Directors of the Company as of February 10, 2009.

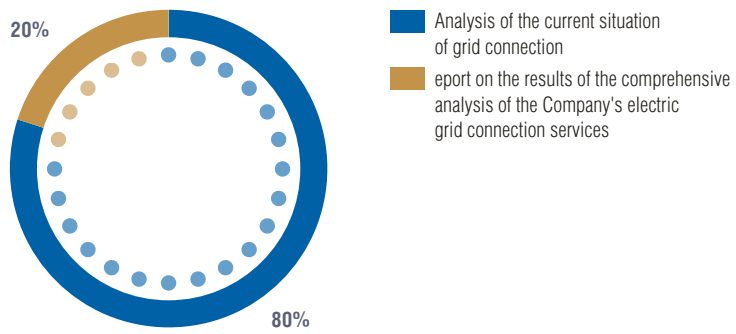
In the first half 2015, the number of the Committee of Connection to Electric Grids was 8.

In accordance with the decision of the Board of Directors dated August 13, 2015, the Committee of Connection to Electric Grids shall be elected with 7 people.

Members of the Committee of Connection to Electric Grids have knowledge of the Company' business activity, as necessary for exercise of their powers.

In 2015, the Committee of Connection to Electric Grids held 5 meetings

MATTERS ADDRESSED BY THE COMMITTEE OF CONNECTION TO ELECTRIC GRIDS IN 2015



5.1.3.3. Executive Bodies

5.1.3.3.1. General Director

The competence of General Director covers all matters relating to the current activities of the Company. According to the Company's Articles of Association, General Director has wide powers in such key spheres as property management, transactions making on behalf of the Company, issue of orders, approval of guidelines, and internal documents in all important areas of the Company's business activity.

Since April 25, 2014, Alexander Vyacheslavovich Letyagin had been the acting General Director of the Company, since July 29, 2014, he then assumed the office of the General Director of PJSC IDGC of the North-West.

ALEXANDER VYACHESLAVOVICH LETYAGIN

General Director, Chairman of the Management Board

Born in 1976.

In 1998, he graduated from the Ivanovo Power Engineering Institute, majoring in Power Plants. In 2003, he took the managerial training programme for the RF national economy in the Moscow Power Engineering Institute, majoring in Management.

Graduated from the St. Petersburg State University in 2015, professional retraining course of Master of Business Administration.

In the period from 1999 to 2002, he worked as an electrician for repair of relay protection and automation equipment of categories 4 and 5, a 1st class engineer of electrical laboratory of electrical shop, a head of industrial electrical laboratory of electrical shop electric plant in Belgorodskaya CHPP. From 2002 to 2003, he worked as a head of laboratory of the Central Relay Protection and Automation Service in JSC Belgorodenergo of the Regional Dispatching Office branch, in 2003 — he worked for JSC SO UES of Belgorod Regional Dispatching Office as Senior Specialist of the Relay Protection and Automation Service. From 2003 to 2006, he held the position of Technical Director in JSC Belgorodenergo. From 2006 to 2012, he worked as Deputy General Director for Engineering — Chief Engineer of Orelenergo branch of PJSC IDGC of the North-West. From 2012 to 2014, he was Advisor to General Director and Director of the Vyborg Electric Grids branch of PJSC "Lenenergo".

In 2014, he was appointed Acting First Deputy General Director of PJSC IDGC of the North-West; since July 29, 2014, he has been General Director of the Company.

Competence: coordination and control of tariff setting processes, implementation of tariff policy and prediction of tariffs in the regions, control over the organisation of business planning and budgeting processes; control and coordination of the accounting, enforcement of economic and legal interests of the Company in the management of capital and property relations.

As of today, he is not a member of management bodies of any other organisations.

He did not hold any shares of PJSC IDGC of the North-West in 2015.

5.1.3.3.2. Management Board

Management Board is a collegial executive body of JSC IDGC of the North-West. In accordance with the Articles of Association, the Management Board's competence covers the following matters:

- Development of proposals for the Company's development strategy;
- Implementation of the financial and business policy of the Company and its subsidiaries and dependent entities: Development of decisions on the most important issues of the current business activities and coordination of subdivisions' activities;
- Increase of efficiency of internal control and risk monitoring systems;
- Making decisions on other matters referred to the Management Board for review by General Director of the Company.

Activities of the Company's Management Board are regulated by the Federal Law on Joint-Stock Companies, Articles of Association of the Company, and Regulations on the Management Board.

In accordance with the Articles of Association, members of the Management Board are elected by the Board of Directors of the Company, and the number of members is to be determined by resolution of the Board of Directors based on the General Director's proposal.

The initial structure of the Management Board of 7 people was approved by the Board of Directors as of April 10, 2008. By decision of the Board of Directors as of August 25, 2009, the composition of the Management Board was increased from 7 to 10 members.

During 2015, in connection with appointments in the Management Board, the following changes took place in the composition of the Company's Management Board:

- By decision of the Company's Board of Directors as of March 25, 2015, the following people were elected members of the Management Board: D.I. Nikonov – First Deputy General Director – Chief Engineer, V.V. Nesterenko – Deputy General Director for Investment Activities, I.V. Medvedev – Deputy General Director – Director of the Komienergo Branch. Powers of A.A. Mizgin-Somov, member of the Management Board were terminated.
- By the decision of the Company's Board of Directors dated April 21, 2015, V.S. Gusev – Deputy General Director for Security, was elected Member of the Management Board. Powers of A.D. Nikonov. member of the Management Board were terminated.
- By decision of the Company's Board of Directors as of December 11, 2015, the following people were elected members of the Management Board: V.N. Fedorov – Deputy General Director for Services Development and Selling, P.V. Shiryaev – Deputy General Director for Economy and Finance Powers of members of the Management Board V.E. Lutskovich, A.V. Mikhalkov, D.S. Nikiforov were terminated.

In accordance with the Articles of Association of PJSC IDGC of the North-West the functions of the Chairman of the Management Board of the Company are performed by General Director of the Company.

Information about the Company's General Director, Alexander Vyacheslavovich Letyagin, is presented below in section 'General Director'.

As of the end of 2015, Management Board of the Company operated in the following composition: A.V. Letyagin, V.S. Gusev, D.I. Medvedev, V.V. Nesterenko, D.I. Nikonov, D.A. Orlov, V.N. Fedorov, P.V. Shiryaev.

CURRENT COMPOSITION OF THE MANAGEMENT BOARD

VLADIMIR SERGEEVICH GUSEV

Member of the Management Board, Deputy General Director for Security (date of election to the Management Board - April 21, 2015)

Born in 1950.

In 1973, he graduated from the St. Petersburg State Institute of Technology majoring in Chemistry and Technology of Sorbents.

Candidate of economic sciences.

From 2005 to 2015 – Vice President, Adviser, Member of the Management Board of JSC IBSP.

In March 2015, he was appointed Deputy General Director for Security of PJSC IDGC of the North-West.

Competence: ensuring the organisation of economic and information security regime in the Company.

As of today, he is not a member of management bodies of any other organisations.

He did not hold any shares of PJSC IDGC of the North-West in 2015.

IVAN VLADIMIROVICH MEDVEDEV

Member of the Management Board, Deputy General Director – Director of the Komienergo branch of PJSC IDGC of the North-West (date of election to the Management Board – March 25, 2015).

Born in 1955.

In 1977, he graduated from the Ukhta Industrial Institute majoring in

Machinery in Forestry and Woodworking Industry, in 1992 – from the St. Petersburg State University of Economics majoring in Industrial Planning. Received additional education in the Russian Presidential Academy of National Economy and Public Administration under the Presidential programme.

From 2008 to 2011, he held the position of Director Komienergo branch of PJSC IDGC of the North-West. As from 2011 – he has been Deputy General Director - Director of the Komienergo branch.

Competence: Operational management of current activities of the Company branch in accordance with the plans approved by PJSC IDGC of the North-West, ensuring of compliance with decisions adopted by the Company's management bodies.

As of today, he is not a member of management bodies of any other organisations.

Stake in the authorised capital of PJSC IDGC of the North-West – 0.01013% (9,704,615 shares). He did not perform any transactions with securities of the Company during 2015.

VLADIMIR VALERYEVICH NESTERENKO

Member of the Management Board, Deputy General Director for Investment Activities (date of election to the Management Board – March 25, 2015).

Born in 1972.

In 1995, he graduated from the Volgograd State Technical University

majoring in Impulse Heat Machines.

From 2007 to 2012, he held the position of Head of Capital Construction Department of PJSC IDGC of the North-West.

From 2012 to 2014 – Deputy Head of Department – Head of Electricity Balance and Metering, Department of Interaction with Customers and Market, PJSC UES.

In December 2014 – Acting Deputy General Director for Investment Activities of PJSC IDGC of the North-West. In February 2015 – he was appointed Deputy General Director for Investment Activities of the Company.

Competence: organisation of preparation and implementation of the long-term investment programme. Ensuring the implementation of the investment programme of PJSC IDGC of the North-West with the aim of upgrading fixet assets of the Company through the implementation of investment projects.

Currently he is a member of management bodies of the following organisations: Member of the Board of Directors of JSC Energoservice of the North-West.

He did not hold any shares of PJSC IDGC of the North-West in 2015.

DMITRY IVANOVICH NIKONOV

Member of the Management Board, First Deputy General Director – Chief Engineer (date of election to the Management Board – March 25, 2015).

Born in 1972.

In 1994, he graduated from the Ivanovo Power Engineering Institute, majoring in Power Plants; in 2010 - from the All-Russian Correspondence Finance and Economy Institute, majoring in Finance and Credit.

From 2008 to 2014 – First Deputy Director of the Kalugaenergo branch.

Since 2014, he has been employed by PJSC IDGC of the North-West as follow: Since October 2014 – Adviser in Maintenance and Repair Department, since November 2015 – Acting Deputy General Director – Chief Engineer, in February 2015 – appointed First Deputy General Director – Chief Engineer.

Competence: Organisation of the operation of equipment to provide electricity supply to consumers over grids with minimal losses, maximum reliability and quality, while ensuring the safety of the equipment, preventing process upsets and minimising the relevant damage. Effective management of the process of organisation and coordination of grid development planning.

As of today, he is not a member of management bodies of any other organisations.

He did not hold any shares of PJSC IDGC of the North-West in 2015.

DENIS ALEXANDROVICH ORLOV

Member of the Management Board, Deputy General Director for Corporate Governance (date of election to the Management Board - September 01, 2014)

Born in 1975.

In 1996, he graduated from the Russian Economics Academy named after G.V. Plekhanov, majoring in Finance and Credit.

Candidate of economic sciences. He speaks English and German.

From 2009 to 2012, he worked as Deputy Chairman of the Government of Oryol Oblast - Head of Infrastructure.

In 2012 – Adviser to the General Director of JSC Oryol Social Bank.

From 2012 to 2014 – Deputy Chairman of the Committee for Economic Development and Investment Activities of the Government of Leningrad Oblast.

In July 2014, he was employed by PJSC IDGC of the North-West as Acting Deputy General Director for Corporate Governance. In August 2014, he was appointed Deputy General Director for Corporate Governance of the Company.

Competence: Organisation of systems for corporate governance for PJSC IDGC of the North-West and its subsidiaries, management of Company assets and equity, interaction with shareholders and investors. Ensuring the compliance with laws in the Company's business activities, and the protection of its rights and interests.

Currently he is a member of management bodies of the following organisations: Chairman of the Board of Directors of JSC Lesnaya Skazka.

He did not hold any shares of PJSC IDGC of the North-West in 2015.

VADIM NIKOLAYEVICH FEDOROV

Member of the Management Board, Deputy General Director for Services Development and Selling (date of election to the Management Board - December 11, 2015).

Born in 1972.

In 1994, he graduated from State Polytechnic University majoring in Automated Control of Electrical Power Systems, in 2004 — Saratov State University majoring in Enterprise Management.

From 2011 to 2013 – Chairman of the Management Board of Non-profit Partnership "Association of Persons Carrying Out Activities in the Field of Energy Surveying "EnergoProfAudit".

From 2013 to 2014, he held the following positions in PJSC ROSSETI: Head of innovation, engineering policy and energy efficiency of the Technological Development Department, head of the Department of Technical Development and Innovation. Since 2014, he has been employed by PJSC IDGC of the North-West as follow: Since December 2014 – Adviser in Administrative Department, in July 2015 – transferred to the position of Acting Deputy General Director for Services Development and Selling, in September 2015 – appointed to the Deputy General Director for Services Development and Selling of the Company position.

Competence: organisational management of timely and high-quality grid connection of consumers to distribution grids of PJSC IDGC of the North-West with the aim of providing consumers with the required quality of electricity in a given volume, while minimising damage (losses) and the improving efficiency constantly to reach the specified financial result of the Company.

Also, she is a member of management bodies of the following organisations: Member of the Board of Directors of JSC Energoservice of the North-West, Chairman of the Board of Directors of JSC Pskovenergosbyt.

He did not hold any shares of PJSC IDGC of the North-West in 2015.

PAVEL VYACHESLAVOVICH SHIRYAEV

Member of the Management Board, Deputy General Director for Economics and Finance (date of election to the Management Board - December 11, 2015).

Born in 1965.

In 1988, he graduated from the Moscow State Technological University of Steel and Alloys majoring in Physical and Chemical Studies of Metallurgical Processes; in 2005 – from the Moscow Power Engineering Institute majoring in Power Supply.

He speaks English.

From 2002 to 2015 — he was employed as a Deputy General Director by the PJSC Federal Grid Company of Unified Energy System.

He joined PJSC IDGC of the North-West in 2014: Since December 2014 – Adviser in Administrative Department, in July 2015 – transferred to the position of Acting Deputy General Director for Economy and Finance, in September 2015 – appointed to the position of General Director for Economics and Finance of the Company.

Competence: Effective management of the enterprise economy, optimisation of cash flows of the Company, effective implementation of the credit policy, ensuring of timely settlement in all areas of the Company's activities. Establishing the level of tariffs for services provided by PJSC IDGC of the North-West, sufficient to ensure its core business and profit generation.

As of today, he is not a member of management bodies of any other organisations.

He did not hold any shares of PJSC IDGC of the North-West in 2015.

ATTENDANCE OF MEETINGS BY MANAGEMENT BOARD MEMBERS IN 2015

Full name	Number of meetings attended by the Management Board's member	Total number of meetings	Share of the total number of meetings, %
A.V. Letyagin	46	46	100
V.S. Gusev ***	25	31	81
I.V. Medvedev **	34	37	92
V.V. Nesterenko **	35	37	95
D.I. Nikonov **	36	37	97
D.A. Orlov	43	46	93
V.V. Fyodorov ****	5	5	100
P.V. Shiryaev ****	5	5	100
V.E. Lutskovich*	41	41	100
A.A. Mizgin-Somov*	9	9	100
A.V. Mikhalkov*	37	41	90
D.S. Nikiforov*	36	41	88
A.D. Nikonov*	7	16	44

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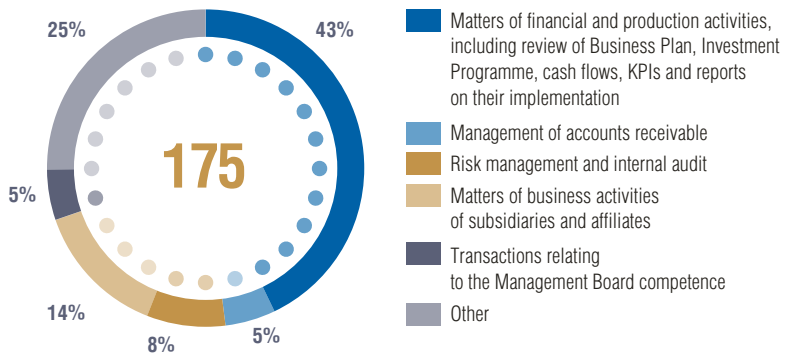
MEETINGS
OF THE COMPANY'S
MANAGEMENT BOARD IN 2015

While managing the Company's current activities in accordance with the competence determined in the Articles of Association and the Provision on the Management Board of PJSC IDGC of the North-West, the Company's Management Board held 46 meetings (7 of them - in the form of joint presence) and addressed 175 matters in 2015.

STRUCTURE OF ADDRESSED KEY MATTERS BY THE COMPANY'S MANAGEMENT BOARD IN 2015



* powers terminated.
** elected March 25, 2015.
** elected April 21, 2015.
**** elected December 11, 2015.

5.1.4. Control

5.1.4.1. Internal Control and Risk Management System

The Company's Internal Control System (hereinafter, ICS) is an element of the Company's general management system. ICS covers all areas in the Company, control procedures are ongoing in all processes (businesses), at all management levels and are aimed at providing reasonable guarantees that goals will be achieved in the following areas:

- ffective, cost-efficient, and productive operation management;
- statutory compliance as applicable to the Company's business and the requirements outlined in the Company's internal documents;
- prevention of unlawful actions of Company employees and third parties with regards to the Company's assets;
- data reliability, full scope and timeliness of all types of reports.

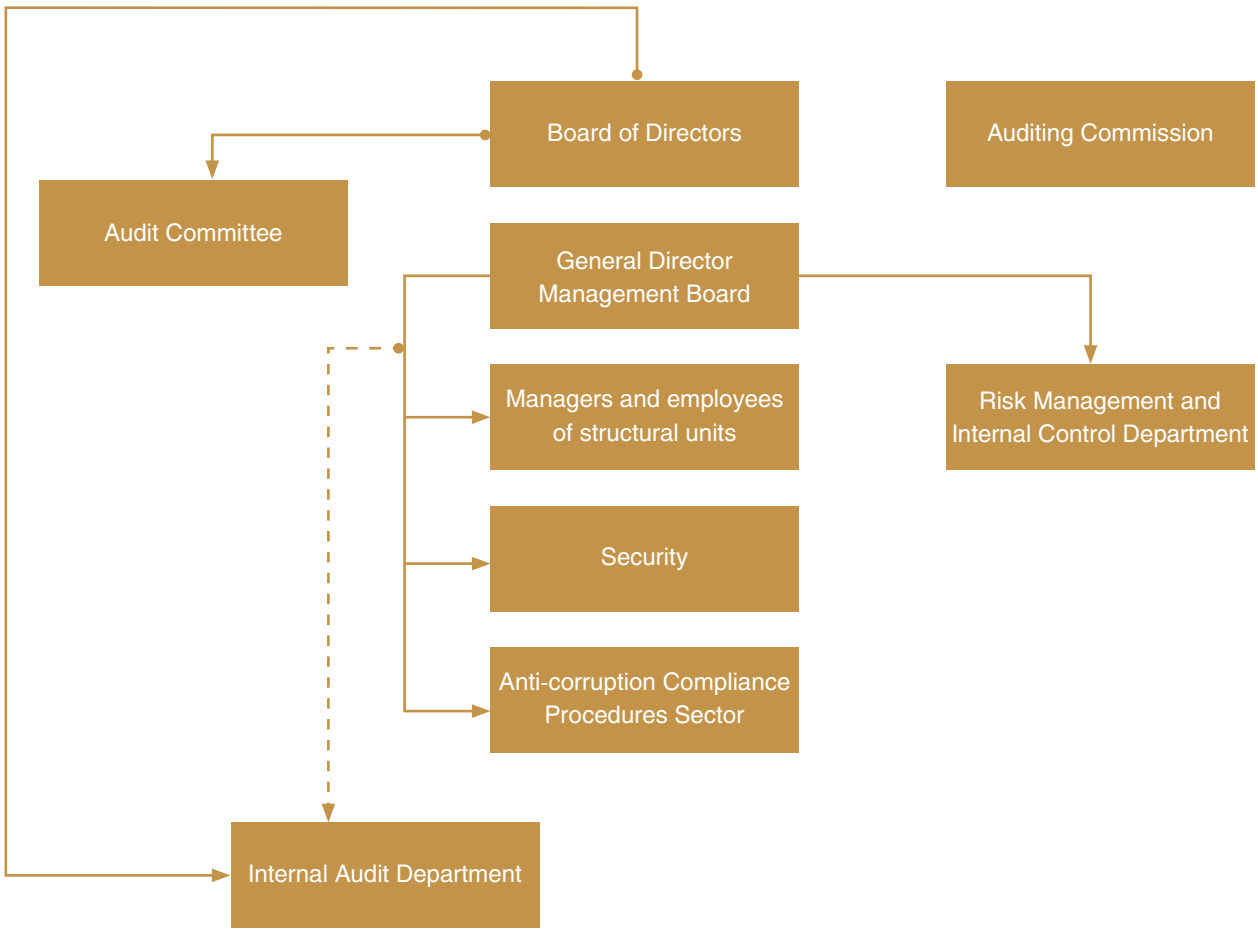
For the purpose of the implementation of the ICS development and improvement strategy, ROSSETI approved the Internal Control Policy of PJSC IDGC of the North-West in 2014. The Internal Control Policy defines the goals, principles, and elements of the Company's ICS, key functions, and responsibility of ICS parties, as well as procedure for ICS efficiency assessment.

INTERNAL CONTROL SYSTEM

IMPROVEMENT OF IAS AND RM IS AT ALL COMPANY MANAGEMENT LEVELS IN THE FOLLOWING AREAS

Preliminary (preventive) control	Current control	Follow-up control
Preventive control procedures are part of the Risk Management System (RMS) and include monitoring, identification, and assessment of risks, development and implementation of risk management actions	Control procedures aimed at the achievement of business process goals integrated in business processes	Internal audit, audit of reporting reliability, asset security, compliance control, external audit, and self-assessment

INTERNAL CONTROL SYSTEM PARTICIPANTS



Board of Directors

- Defining strategy for ICS development in the Company;
- Approval of main internal regulations of the Company pertaining to internal control, risk management, and internal audit;
- Creating efficient internal control processes, including consideration of reports and decision-making on system, key, and problematic internal control issues.

Auditing Commission

- Control over the Company's business;
- Independent assessment of the reliability of data in the Company's annual report and annual statutory financial statements.

Audit Committee of the Board of Directors

- Preliminary review of the Company's internal documents before their approval by the Company's Board of Directors that define the Company's ICS strategy, processes, and development;
- Control over completeness, accuracy, and reliability of the issuer's financial statements;
- Control over reliability and effectiveness of ICS, including development of improvement proposals;
- Ensuring independence and objectivity of internal and external audit functions;
- Control over the selection of an external auditor, its independence, and overall effectiveness of the external audit;
- Control over regulatory compliance and reporting to the executive bodies on any violations.

Company's Management Board

- Review and analysis of the Company's ICS performance reports, including ICS status reports.

General Director

- Ensuring creation and ongoing functioning of an effective and reliable ICS in the company;
- Submission of Company's and subsidiaries' ICS improvement proposals to the Board of Directors in the Company.

Managers of blocks and structural units

- Ensuring implementation of the ICS principles;
- Organizing an efficient control environment for coordinated processes (businesses);
- Ensuring regulation of coordinated processes (businesses);
- Assessment of coordinated processes (businesses) to be in line with their optimization to improve the performance and conformance to the changing external and internal environment, and development of improvement proposals on control procedures;
- Ensuring elimination of any identified defects in control procedures and the control process environment;
- Managing risks of coordinated processes (businesses) and implementation of control procedures;
- Responsibility for efficient achievement of operating goals under coordinated processes (businesses).

Employees of the Company's structural units implementing control procedures as part of their job responsibilities

- Control as part of ICS function in accordance with job descriptions and approved regulations;
- Controls monitoring;
- Self-assessment of the effectiveness of control procedures and involvement in ICS improvement efforts.

Risk Management and Internal Control Department

- Developing and supporting implementation of major and methodology documents on ICS formation and improvement of risk management and internal control;
- Coordination of ICS and risk management support and monitoring;
- Developing information on ICS status for all stakeholders;
- Supporting management support with building a control environment, developing recommendations to the description and implementation of controls in business processes and assigning responsibility among employees;
- Government and regulator relations on internal control;
- Relations with the Company's and subsidiaries' external auditor on ICS and risk management performance.

Internal Audit Department

- Developing recommendations on controls improvement and improvement of individual internal control and ICS components (elements) based on internal audit results;
- Internal independent assessment of ICS performance and provision of recommendations on improving ICS efficiency and effectiveness.

To guarantee ICS efficiency and conformance to the changing requirements and conditions, the Company assessment ICS effectiveness: its compliance with goals and maturity level.

The Company faces the challenge of implementing a range of measures aimed at the development and improvement of the internal control system and risk management, proposed Performance Report on the Company's internal control for 2014, including improvement of the internal audit function, thus securing higher internal control and risk management system maturity.

In the reporting year, the Company took the following key measures aimed at improving ICS:

- The Company approved the new version of its Articles of Association with amendments introduced in accordance with the Corporate Governance Code recommended by the Letter from the Central Bank of the Russian Federation dated April 10, 2014. These amendments pertain to the need for the Board of Directors to determine risk management and internal control principles and approaches in the Company, assess key operational risks (financial and non-financial) and determine an acceptable risk value for the Company, have the risk management and internal control system reviewed at least once a year, annually consider any matters

related to the risk management and internal control system in the Company, control and organize internal audit performance, including approval of an internal audit activity plan and budget, approval of appointment and release from responsibilities and determination of a remuneration to the head of internal audit.

- The new version of the Audit Committee Regulations was approved.
- Regulations and methodology documents on the internal control system and risk management were updated.
- The risk management process and planning guidelines were approved.
- Business planning and risk management system was integrated, key risks were compared with the key performance indicators in the business plan.
- IA&C Department provided consultations to key operational risk owners.
- Risk owners in the Company included in risk profiles quarterly assess resources required to implement risk management activities, including financial, human, and other resources (with a focus on the cost of activity), and resources spent to carry out the activity.
- Heads of IA&C Department have access to internal control automation software AuditModern.
- Vacant positions in IA&C Department are filled.
- Internal independent assessment of ICS performance is carried out by the Company's internal auditor. The ICS maturity level in 2014 was assessed by IA&C Department as moderate. No external independent assessment was carried out.

Internal independent assessment of ICS performance is carried out by the Company's internal auditor. The ICS maturity level in 2014 was assessed by IA&C Department as moderate. No external independent assessment was carried out.

In order to further implement the ICS Development Strategy in 2016 and based on the results of the ICS assessment by the Company's auditor in 2015, activities will be planned to improve ICS and increase its maturity level.

Internal Audit Division of the Internal Audit and Control Department will be responsible for internal control in the Company. Internal audit functionally reports to the Company's Board of Directors which means that the Board of Directors exercises control and aligns internal audit, including approval of the internal audit activity plan, report on implementation of internal audit activity plan and budget audit, approval of appointment and release from responsibility resolutions, and determination of a remuneration to the head of Internal Audit.

Key goals of internal audit:

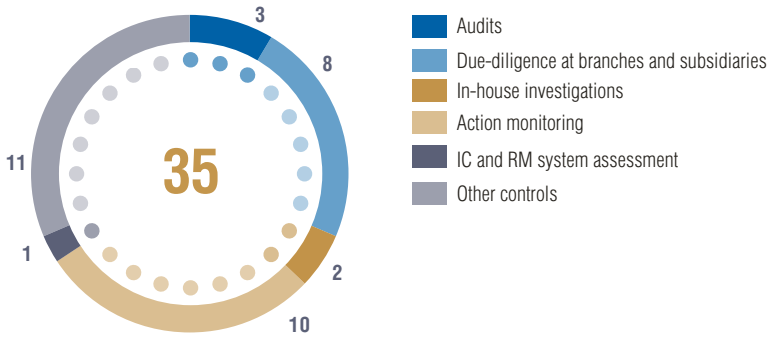
- provide the Company's Board of Directors / Board of Directors' Audit Committee and executive bodies with independent and unbiased guarantees certifying that the Company has adequate internal control, risk management, and corporate governance systems;

- assist Company management in building efficient internal control, risk management, corporate governance systems by providing consultations.

In 2015, there were six people in internal audit and actual internal audit headcount varied between 3 and 5 employees.

In accordance with the 2015 Action Plan, IA&C Department carried out eight audits of the executive body and branch of the Company. They also audited implementation of corrective actions based on business audit results at Karelenergo branch for the nine months of 2014 conducted in Q4 2014.

INTERNAL AUDITORS COMPLETED 35 CONTROL ACTIVITIES IN 2015.



Control activities carried out by the internal auditor in 2015 resulted in 269 corrective actions needed to eliminate or prevent further violations and deficiencies identified by the internal auditor. All of the 222 corrective actions with the deadline in the reporting year were taken. The due date is pending for 47 corrective actions.

Corrective measures are followed up by the Board of Directors' Audit Committee by reviewing periodical reports of Company management on corrective actions taken to eliminate any deficiencies identified by the Company's Auditing Commission, internal auditor, and external regulator.

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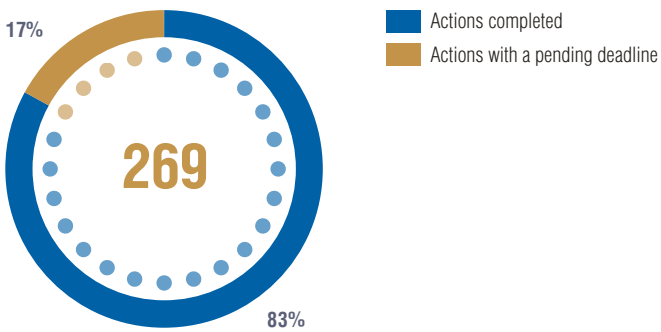
AUDITS OF THE EXECUTIVE BODY AND BRANCH OF THE COMPANY IN 2015

CORRECTIVE ACTION STRUCTURE



5.1.4.2. External auditor

The auditor of the RAS statutory financial statements and IFRS consolidated financial statements for 2015 is RSM RUS LLC. The auditor was elected in the open bidding procedure.

The auditor's fee was approved by the Resolution of the General Shareholders' Meeting of IDGC of the North-West as RUB 2.98 million. RSM RUS did not carry out any special auditing assignments.

5.1.4.3. Internal Control

The Internal Audit and Control Department has functioned since July 01, 2015 (previously, Internal Audit and Control Office).

Employees of the Internal Audit and Control Department:

- Elena Batanina (Head of the Internal Audit and Control Department)
- Gennady Grishin
- Lyubov Brushnevskaya
- Elena Glodya
- Anastasia Efremova
- Maxim Kozlov
- Ekaterina Chirkova.

5.1.4.4. Auditing Commission

Control and assessment of business management quality at PJSC IDGC of the North-West is performed by the Board of Directors (including the Audit Committee), Auditing Commission, internal control audit and external auditor of the Company.

The Auditing Commission is a controlling body responsible for the Company's business by its shareholders. The indisputable benefits of the Auditing Commission is definition of the Auditing Commission at the state level and right to convene the General Shareholders' Meeting. An important right for the Auditing Commission is the right to request documents on the Company's business from its officers.

The tasks and procedure for the Auditing Commission are governed by the Auditing Commission Regulations of PJSC IDGC of the North-West*.

The number of the Auditing Commission members is determined by the Articles of Association as five. In 2015, the Auditing Commission was elected twice and held eight meetings. From January 01, 2015 through June 22, 2015, the membership of the Company's Auditing Commission was as follows: M.A. Lelekova, A.N. Kirillov, E.Yu. Guseva, S.V. Malyshev, and S.I. Ochikov

The following members were elected to the Company' Auditing Commission elected by the Company's General Shareholders Meeting on June 23, 2015:

- Marina Lelekova (Chairperson of the Company's Auditing Commission)
- Elena Kabizskina
- Artyom Kirillov
- Sergey Malyshev
- Oksana Medvedeva.

* See the full text of the Auditing Commission Regulations on the website of PJSC IDGC of the North-West at www.mrsksevzap.ru/charterandinternaldocuments.

5.1.5. Remuneration to Management Bodies

5.1.5.1. Remuneration to Members of the Board of Directors

Types, amount, and procedure for the payment of remunerations and compensations to the members of the Board of Directors are governed by the Regulations on Remuneration and Compensation to the Members of the Board of Directors of PJSC IDGC of the North-West at http://www.mrsksevzap.ru/charterandinternaldocuments.

Two versions of the Regulations applied in the reporting year.

Before the Annual General Shareholders' Meeting on June 23, 2015, the Regulations on Remuneration and Compensation to the Members of the Board of Directors approved by the resolution of the Annual General Shareholders' Meeting on May 29, 2008 applied:

1. For each meeting a Board of Directors' member attends. For attended in absentia Board of Directors' meetings, a Board of Directors' member received a remuneration in the amount equivalent to eight minimum monthly tariffs of a grade 1 worker established by the Tariff Agreement in the Power Sector of the Russian Federation (hereinafter, the Agreement) applicable on the date of the meeting with indexation stipulated by the Agreement during a month following the Company's Board of Directors' meeting. The remuneration to a Board of Directors' member for the attendance of a joint presence meeting was ten minimum monthly tariffs of a grade 1 worker. The remuneration paid to the Chairman (Deputy Chairman) for each meeting where he/she acted as the Board of Directors' Chairman increases by 50%.
2. Additional remuneration for the net profit indicator of the Company according to the annual statutory financial statements (according to RAS) approved by the General Shareholders' Meeting.
3. Additional remuneration in case of an increase in the market capitalization of the Company while the Board of Directors remained active in an amount of 0.0175% of an increase in the Company's market value calculated for the period from member election to the Board of Directors to the election of new members of the Board of Director.
4. Members of the Board of Directors' received a compensation of all their incurred expenses in relation to their functions as Board of Directors' members.

Remunerations and compensations were not paid to the members of the Company's Board of Directors that are government officials.

The resolution of the Annual General Shareholders' Meeting held on June 23, 2015* approved the new version of the Regulations on Remuneration and Compensation to the Members of the Board of Directors:

1. Remuneration for involvement in the activity of the Company's Board of Directors. Remuneration to each member of the Company's Board of Directors depends on the number of Board of Directors' meetings meetings (any format) attended by a Board of Directors' member between the Annual General Shareholders' Meetings and the base part of the remuneration. The base part of the remuneration is established

*See the full text of the Regulations on Remuneration and Compensation to the Members of the Board of Directors on the website of IDGC of the North-West at www.mrsksevzap.ru/charterandinternaldocuments.

depending on the Company's RAS-based revenue for the previous fiscal year. In accordance with the Regulations for IDGC of the North-West, the base remuneration was RUB 900,000. Additionally to the remuneration, the following extra pays are stipulated:

- 30% to the Chairman of the Company's Board of Directors;
- 20% to the Chairman of the specialized Committee of the Company's Board of Directors;
- 10% to members of the specialized Committee of the Company's Board of Directors;

2. Additional remuneration from the net profit in case of an increase in the market capitalization of the Company while the Board of Directors remained active in an amount of 0.0175% of an increase in the Company's market value calculated in accordance with the procedure outlined in the Regulations for the period from member election to the Board of Directors to the election of new members of the Board of Director. Remuneration is paid out to the Board of Directors' members at the end of the corporate year. For the purpose of the Regulations, a corporate year is a period from election of members to the Board of Directors by the Company's Annual General Shareholders' Meeting and until the next Company's Annual General Shareholders' Meeting.

3. Members of the Board of Directors' received a compensation of all expenses in relation to their attendance of Board of Directors' meetings.

Remunerations and compensations are not paid to members of the Company's Board of Directors who are sole executive body of the Company, members of the Company's Management Board, or government officials.

The Company's Board of Directors' members with the Company since 2015, received a compensation of their expenses related to the performance of their functions on the Board of Directors of RUB 530,797.

REMUNERATION PAID TO THE BOARD OF DIRECTORS' MEMBERS IN 2015 (RUB)*

Full name	For attendance of the Board of Directors' meetings**	For net profit in the Company for 2014	For an increase in market capitalization of the Company	Total
Members of the Board of Directors elected by AGSM on June 25, 2014, incuding:	7,986,132	–	–	7,986,132
T.P. Dronova	592,272	–	–	592,272
A.N. Zharikov	745,200	–	–	745,200
S.S. Zholnerchik	1,157,520	–	–	1,157,520
M.A. Lavronova	707,712	–	–	707,712
S.V. Pokrovsky	808,920	–	–	808,920
M.M. Saukh	808,920	–	–	808,920
V.V. Sofiyn	808,920	–	–	808,920
S.G. Titov	852,780	–	–	852,780
R.A. Filkin	732,456	–	–	732,456
D.A. Chevkin	771,432	–	–	771,432
A.A. Erdyniev	–	–	–	–

* Hereinafter, all remuneration to management and control bodies are specified before personal income tax.
** in 2015, the following minimum monthly tariff rates applied to the remuneration for the participation in the Company's Board of Directors' meetings: RUB 6,372 from January 01, 2015 and RUB 6,914 from December 01, 2015

5.1.5.2. Remuneration to Members of the Board of Directors' Committees

Types, amount, and procedure for the payment of remunerations and compensations to the members of the Board of Directors are governed by the Regulations on Remuneration and Compensation to the Members of the Board of Directors' Committees approved by the Company's Board of Directors' resolution dated August 25, 2009[1].

The Regulations stipulate remuneration for every meeting a Board of Directors' member attends.

- For attended in absentia Board of Directors' Committee's meeting, a Board of Directors' member receives a remuneration in the amount equivalent to one minimum monthly tariff of a grade 1 worker established by the Tariff Agreement in the Power Sector of the Russian Federation applicable on the date of the meeting with indexation stipulated by the Agreement.
- For attended Board of Directors' Committee's meeting in the form of joint attendance, a Board of Directors' member receives a remuneration in the amount equivalent to two minimum monthly tariffs of a grade 1 worker established by the Agreement applicable on the date of the meeting with indexation stipulated by the Agreement.

The remuneration paid to the Chairman (Deputy Chairman) of the Committee for each meeting where he/she acted as the Board of Directors' Chairman is increased by 50%.

Furthermore, the Regulations on Remuneration and Compensation to the Members of the Board of Directors' Committees stipulate compensation of almost all expenses incurred in relation to the functions of a member of the Board of Directors' Committee.

Remunerations and compensations are not paid to members of the Committees who are sole executive body of the Company, members of the Company's Management Board, or government officials.

The total remuneration paid out in 2015 for the attendance of the Board of Directors' Committee's meetings is RUB 1,304,844. Remuneration was paid out to the members of the Board of Directors' Committee elected on July 18, 2014.

The Company's Board of Directors resolved on December 29, 2015 to amend the Company's Regulations on Remuneration and Compensation to the Members of the Board of Directors' Committees which stipulate that remunerations to the Chairman or members of the Board of Directors' Committees who are simultaneously members of the Company's Board of Directors is governed by the Regulations on Remuneration and Compensation to the Members of the Board of Directors.

Remuneration to the members of the Board of Directors' Committees elected to the Committees in 2015 for attendance of meetings in 2015 was paid in the first quarter of 2016 after the Company's Board of Directors resolved to amend the Regulations on Remuneration and Compensation to the Members of the Board of Directors' Committees due to the introduction of a new remuneration payout system for the members of the Company's Board of Directors.

1.3 RUB million

THE TOTAL REMUNERATION PAID OUT IN 2015 FOR THE ATTENDANCE OF THE BOARD OF DIRECTORS' COMMITTEE'S MEETINGS

* See the full text of the Regulations on Remuneration and Compensation to the Members of the Board of Directors' Committees on the website of IDGC of the North-West at www.mrsksevzap.ru/charterandinternaldocuments.

REMUNERATION PAID TO THE BOARD OF DIRECTOR'S COMMITTEE MEMBERS IN 2015 (RUB)*

Full name	Remuneration for participation in the Board of Directors' Committee's meetings**
Audit Committee	
Members of the Committee elected on July 18, 2014	344,856
Members of the Committee elected on August 13, 2015	0
Total in 2015	344,856
Personnel and Remuneration Committee	
Members of the Committee elected on July 18, 2014	258,066
Members of the Committee elected on August 13, 2015	0
Total in 2015	258,066
Strategy and Development Committee	
Members of the Committee elected on July 18, 2014	437,484
Members of the Committee elected on August 13, 2015	0
Total in 2015	437,484
Reliability Committee	
Members of the Committee elected on July 18, 2014 (with amendments dated December 30, 2014)	181,602
Members of the Committee elected on August 13, 2015	0
Members of the Committee elected on December 11, 2015	0
Total in 2015	181,602
Committee for Technical Connection to Electric Power Grids	
Members of the Committee elected on July 18, 2014	82,836
Members of the Committee elected on August 13, 2015	0
Total in 2015	82,836

* Personal remuneration paid out to members of the Board of Director's Committee is described in Appendix 23.
** In 2015, the following minimum monthly tariff rates applied to the remuneration for the participation in the Board of Directors' Comittee's meetings: RUB 6,372 from January 01, 2015 and RUB 6,914 from December 01, 2015.

5.1.5.3. Components of the Remuneration to Members of the Management Board and General Director

- **Salary.**

The main principle for calculation of the salary to the General Director and members of the Company's Management Board is a fair and competitive remuneration. A salary level is set at the arms' length which ensures the stability of the Management Board. Employment contracts with the General Director and members of the Management Board do not provide for any guaranteed payments in case of early termination of their authority ("golden handshake"), except for the guarantees stipulated by labor laws.

- **Remuneration for being a Management Board member.**

The Company's Regulations on Financial Incentives and Social Benefits for the senior managers stipulates a personal extra pay of up to 15% of their salary to senior managers for acting as a member of the Management Board (worked time pro rata).

- **Bonuses as part of the incentives system.**

Annual and quarterly bonuses are aimed to motive the General Director and members of the Management Board to achieve key performance indicators. Compliance with the determined KPI list is analyzed and approved to set an annual/quarterly bonusThe KPI list for comprehensive assessment of the Company's performance includes business, financial, operating, and individual performance indicators set for areas of activity and implying accountability.

The General Director's targets and performance in the reporting period are considered at the Board of Director's Personnel and Remuneration Committee and approved by the Board of Directors.

The targets and performance of the Management Board members for the reporting period are approved by the General Director.

56.8 RUB million

REMUNERATION PAID OUT TO THE MEMBERS OF THE COMPANY'S MANAGEMENT BOARD IN 2015

REMUNERATION PAID OUT TO THE MEMBERS OF THE COMPANY'S MANAGEMENT BOARD IN 2015, INCLUDING THE GENERAL DIRECTOR

Remuneration	Amount (RUB)
Salary	32,878,748
Remuneration for being a Management Board member.	2,915,009
Bonus for achievement of quarterly KPIs	9,488,591
Bonuses for achievement of annual KPIs for 2014	0
Other bonuses (including those for performance of critical tasks)	9,024,443
Other payments under an employment contract	2,471,438
Total	56,778,229

5.1.5.5. Remuneration of the Auditing Commission

Types, amount, and procedure for the payment of remunerations and compensations to the members of the Auditing Commission are governed by the Regulations on Remuneration and Compensation to the Members of the Auditing Commission of PJSC IDGC of the North-West at www.mrsksevzap.ru/charterandinternaldocuments.

Two versions of the Regulations applied in the reporting year.

Before the Annual General Shareholders' Meeting on June 23, 2015, the Regulations on Remuneration and Compensation to the Members of the Auditing Commission approved by the resolution of the Annual General Shareholders' Meeting on May 29, 2008 applied. They stipulate the payout of: Pursuant to the Regulations, a member of the Company's Auditing Commission received for involvement in business audit (inspection) a lumpsum amount equivalent to twenty five minimum monthly tariff rates of a grade 1 workers established by the industry-wide tariff agreement in the Russian power sector (the Agreement) for the period of the audit (inspection) taking into account indexation documented in the Agreement. Remuneration payable to the Chairman of the Company's Auditing Commission is increased by 50%. Furthermore, pursuant to the Regulations, an Auditing Commission member received a compensation of the expenses related to the participation in the meeting of the Auditing Commission and inspection at the traveling expense reimbursement standards applicable at the time of the meeting or inspection.

In 2015, members of the Auditing Commission elected before the General Shareholders' Meeting held on June 23, 2015 received a remuneration of RUB 876,150 for the participation in Company audits.

The members of the Company's Auditing Commission with the Company since 2015, received a compensation of their expenses related to the performance of their functions in the Auditing Commission of RUB 68,355.

The resolution of the Annual General Shareholders' Meeting held on June 23, 2015* approved the new version of the Regulations on Remuneration and Compensation to the Members of the Auditing Commission stipulating the following payments: Pursuant to the Regulations, a member of the Company's Auditing Commission receives a remuneration depending on the degree of involvement in the Auditing Commission for the past corporate year and a base part of the remuneration. The base part of the remuneration is established depending on the Company's RAS-based revenue for the previous fiscal year. The degree of involvement of the members of the Auditing Commission in its activities is determined based on the number of calendar days in the corporate year when this member acted in the Auditing Commission and an individual contribution. The individual contribution is determined by the Chairman of the Auditing Commission for each member of the Auditing Commission and reflects its involvement in the Auditing Commission's meetings and performance of additional responsibilities as the Chairman or Secretary of the Auditing Commission. A remuneration is paid based on the performance in the corporate year. For the purpose of the Regulations, a corporate year is a period from election of members to the Auditing Commission by the Company's Annual General Shareholders' Meeting and until the next Company's Annual General Shareholders' Meeting. A member of the Auditing Commission who failed to attend more than half of all meetings held during his/her membership in the Auditing Commission is not entitled to a remuneration. If a member of the Auditing Commission actively participated in additional audits or individual follow-up inspections conducted by the Auditing Commission in the corporate year as resolved by the Company's General Shareholders' Meeting or the Board of Directors or as requested by a shareholder(s) of the Company holding an aggregate of at least 10% of voting shares in the Company, the Chairman of the Auditing Commission is entitled to request the General Shareholders' Meeting to increase actual remuneration. Furthermore, pursuant to the Regulations, members of the Auditing Commission receive a compensation of their actual expenses incurred in relation to visits to the Company's site, involvement in the meetings of the Auditing Commission at the Company's location, and performance of other tasks of the Auditing Commission. Remunerations and compensations are not paid to the members of the Auditing Commission who are government officials.

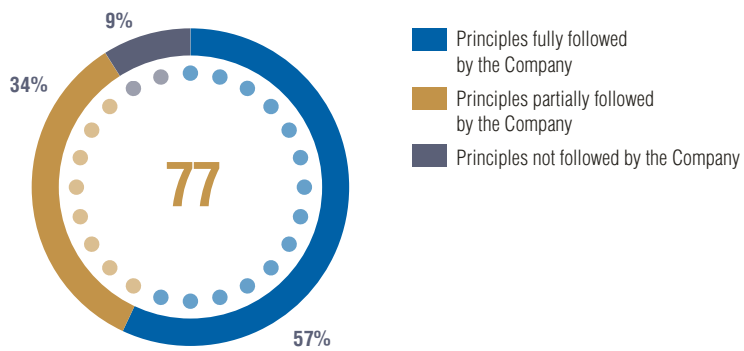
* See the full text of the Regulations on Remuneration and Compensation to the Members of the Auditing Commission on the website of IDGC of the North-West at www.mrsksevzap.ru/charterandinternaldocuments.

5.1.6. Corporate Governance Compliance

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Section	Principles recommended by the Code	Principles fully followed by the Company	Principles partially followed by the Company	Principles not followed by the Company
Rights of shareholders and equal conditions for the shareholders to exercise their rights	13	11	1	1
Company's Board of Directors	34	11	18	5
Company's Corporate Secretary	2	2	–	–
Remuneration to the members of the Board of Directors, executive bodies, and other key managers of the Company	10	6	4	–
Risk management and internal control system	6	6	–	–
Disclosure of information on the Company and corporate information policy	7	5	2	–
Material corporate actions	5	2	2	1
Total	77	43	27	7

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE



5.2. RISK MANAGEMENT

The Company has a Risk Management System (hereinafter, RMS) which purpose is to ensure sustainable continuous functioning and development of the Company by timely identification, assessment, and efficient management of risks that present a threat to efficient business and to the Company's reputation, employee health, environment, and property interests of its shareholders and investors.

For the purpose of RMS development in the Company, the Board of Directors approved the new version of the Risk Management Policy (Minutes of the Board of Directors No. 164/6 dated September 01, 2014).

5.2.1. Participants of the risk management system

Main parties to the risk management process:

- Board of Directors of the Company;
- Board of Directors' Audit Committee;
- General Director of the Company (Company's Management Board);
- Risk owners;
- employees responsible for control procedures and risk management;
- unit responsible for coordination and methodology support of risk management;
- unit responsible for internal audit.

5.2.2. Risk Management Goals

- Reduce the probability and/or consequences of events affecting achievement of the Company's goals;
- Set priorities in the Company's activities based on the concept of the existing risks, including financial ones;
- Security of assets and efficient use of available resources;
- Achievement of target indicators;
- Continuous improvement of operations in all areas by analyzing and assessing the existing risks;
- Ensuring a reliable function of electricity grids in the Russian Federation;
- Achievement of the highest performance for the risk management system at the Company and subsidiaries;
- Timely and complete information and analytical support of managerial decisions and planning of the Company's and subsidiaries' activities.

A systems-based approach is used for risk identification and management. Activities aimed at prevention and minimization of risks are developed and analyzed on a quarterly basis.

5.2.3. Key Risks and Controls

Sector risks

1. The risk of a significant increase in receivables for electricity transmission, related low payment discipline of end consumers, and a risk of growing bad debts for electricity transmission related to disputes with consumers regarding the application of industry legislation pertaining to payment for electricity transmission services.

The risk is related to non-payment for transmitted electricity (disputable or indisputable Overdue receivablesby consumers. The main debtors are guaranteed suppliers , supply companies, and territorial grid companies. The risk is caused both by an imperfect failure retail energy market and lack of effective mechanisms to encourage timely payments for electricity transmission and impact of macroeconomic factors.

Imperfect retail energy market entails disputes between electricity grid and supply companies with regard to consumed electricity and power. The result is disputable and overdue debts for electricity transmission which causes lower liquidity and financial stability of the Company.

- More active cooperation with court enforcement officers at the execution stage and signing of cooperation agreements.
- Initiation of the review of issues regarding unsatisfactory payment discipline at the meetings of the regional inter-departmental commissions responsible for monitoring of electricity and transmission payments.
- Implementation of measures against debtors subject to bankruptcy, including sale of receivables due from bankrupts.
- Activities to fully or partially limit electricity consumption by "direct" consumers.
- Counter-injunction for immediate enforcement of the first instance court's decision to reduce the period until receipt of enforcement orders.
- In order to minimize the risk of non-payment, the Company developed and approved Rules for handling receivables for electricity transmission in the Company's books stipulating measures to impact non-paying parties.

2. Risk of a reduction in the electricity transmission scope impacted by:
a) Overall reduction of electricity demand.
b) Optimization of external power supply systems, reduction of electricity consumption from the uniform energy system of Russia and development by consumers of own generating facilities.

Industrial growth stopped in the North-West of Russia in 2015. The main causes included reduced investment activity of Russia and unfavorable changes in the commodity markets.

Industrial development in 2015 was driven by: Stagnation of production volumes, low productivity growth, slowed down investment activity, weakened national currency, slowed domestic demand, external political pressure, and mutual sanctions.

In 2014, some industrial companies in the Republic of Karelia and Vologda Region initiated the removal of nearby power plants from the WEM and their conversion to isolated generating plant to support direct supplies of electricity for own needs without paying an electricity transmission tariff.

In order to minimize this risk, the Company is guided by the macroeconomic statistics and the behavior of major consumers when taking measures to improve forecasting reliability with regard to electricity transmission for pricing and business planning purposes.

In accordance with the Resolutions of the Government of the Russian Federation and with active support of ROSSETI and the Company, statutory measures are developed to reduce the number of grid companies and optimize consumers' costs of electricity transmission. Amendments to legislation in force since 2014 stipulate that the costs of "monogrids", grid companies serviced mainly one consumer and established at its assets should be excluded from the common revenue to the extent covered by such "mono-consumers".

Another legislation improvement area in the Russian Federation is a change in the procedure for determination of the scope of and fee for electricity transmission stipulating a transition to determining the consumers' responsibilities based on the maximum power using the electricity transmission price (tariff). The relevant proposals were submitted to the Government of the Russian Federation.

3. The risk of a part of the Company's expenses, included in the electricity transmission tariff being unrecognized which may be caused by limited growth of maximum electricity tariff rates established at the federal level.*

This risk makes full compensation for feasible expenses incurred by the Company impossible and limits investment in the development of electricity facilities.

- Interaction with regional authorities responsible for the regulation of tariffs to establish more feasible tariffs that would compensate all costs of the Company and support implementation of the investment programme to a required extent.
- Well-balanced costing policy is implemented.

4. The risk of an increase in the number of consumers enjoying reduced rates and the value of connected power as compared to business plan targets.

The risk of an increase in the number of consumers enjoying reduced rates and the value of connected power as compared to business plan targets which in turn results in a growth of costs of connecting such consumers and attracting additional funds through borrowings or re-allocation of funds between sites.

- Interaction with regional administrations to developed integrated infrastructure development plans in line with the region development plans.
- Selection of the most cost-effective system for connecting consumers enjoying reduced rates.
- Works carried out in-house.

5. Risks of violation the timeframe for regulated purchasing procedures in the reporting period in the current year (violation of official timeframe for purchasing procedure announcement stipulated in the Purchasing Plan and resolutions of the Company's CTC (for unscheduled purchasing); timeframe for completion of purchasing procedures established by the Company's orders and purchasing documentation); and timeframe for completion of supply and work scope.

The causes for this risk are untimely provision of terms of references and draft agreements, long approval period for the Purchasing Plan and adjustments, and a long period of approval of unscheduled purchases.

- Control over the timeframe for provision of statements of work, data sheets, and draft agreements for timely drafting of a Purchasing Plan to survey the market value of necessary products.
- Control over conformance of the number of procedures implemented in different ways to the target values in the Purchasing Plan.
- Drafting statements of work for engineering and construction and installation scopes, operations and repairs based on standard statements of work.
- Control over the timeframes for purchasing documentation development determined by the Company's orders.

* value did not change.

6. Risk of exceeding the purchasing value above the Purchasing Plan.

Caused by inadequate verification of the substantiation of maximum (initial) estimation of purchases when drafting a Purchasing Plan, generation and adjustment of a Purchasing Plan without a business plan approved by the Board of Directors (with scenario conditions for the forthcoming and current year).

- Control over lots in the Purchasing Plan to prevent limiting competition between bidders.
- Control over conformance of the number of procedures implemented in different ways to the target values in the Purchasing Plan.
- Control of conformance of the Purchasing Plan to the Company's approved production programs for the current calendar year.
- Control over drafting statements of work for operations, repair, and investment based on standard statements of work.
- Control over the timeframes for purchasing documentation development determined by the Company's orders.

7. Risk of decreased transparency of purchasing

A change in the ratio between the number and methods (open bidding, open request for proposal, purchasing from a single source, etc.) of purchasing versus the approved Purchasing Plan.

- Control over unconditional implementation of the Regulations on Procurement of Goods, Works, and Services for the Company.
- Control over substantiation of purchasing from a single source.

8. Risk of no rebuild (development) activities at the electricity grid in the Company's investment programme.

Higher risk of rebuild (development) of grid facilities of the Company being left out from the Company's investment programme results in untimely rebuild of the grids and therefore, reduced reliability of power supply to consumers and untimely fulfillment of grid connection agreements.

- Relations with regional administrations to approve the investment programs that take into account a necessary work scope required to maintain system reliability and complete the rebuild scope for connection of new applicants.
- Relations with competent executive authorities responsible for state regulation of tariffs to include in the electricity transmission tariffs expenses that cannot be compensated with grid connection payments.

Country and regional risks

9. Risks related to political and economical situation in the country and regions

Country and regional risks of the Company are primarily attributable to macroeconomic factors at the global, national, and regional levels. Crises in global economy affect industrial electricity generation and consumption which entails a reduction in the Company's revenue.

The impact of macroeconomic risks on the scope of electricity transmission services at the Company aimed at the minimization of their effects are detailed in the Industry-Wide Risks section.

10. Risks related to potential military conflicts, emergency conditions, and strikes in the country (-ies) and regions.

The Northwestern Federal District includes regions with a similar social and economic development level but some regions border with other countries, including NATO countries, and internal conflicts, also with the mobilization of military forces, cannot be fully ruled out. The Company cannot fully rule out the risks related to potential introduction of emergency conditions in the regions where the Company's facilities are located.

The probability of military conflicts and emergency conditions in the regions where the Company operates is insignificant. In case of potential military conflicts or acts of terrorism, the Company may bear risks of a breakdown of its fixed assets.

11. Risks related to the country and region geography: higher hazards of disasters, potential disruption of transport due to remote and/or hard-to-access areas, etc.

The Company's geography is wide and the Company operates in two climatic belts (subarctic and moderate). There is a probability of emergencies due to disasters (hurricanes, storm rains, floods, ice rain, etc.) which may result in power and transport failures in regions.

Risks related to increased hazards of disasters are assumed by the Company to be minor.

Financial risks

12. Interest risks.

Interest risk implies unfavorable changes in the interest rate in financial markets. A growth of interest rates related to liquidity shortage in the banking system can have a significant impact on the Company's business as the company uses borrowings in its operations.

The average weighted rate under new loans in 2015 increased year-over-year.

The average weighted rate in the Company's loan portfolio since 2015 has increased due to a unilateral increase by lending banks of interest rates on the current loan debt in the first quarterand in the second quarter of2015. In order to reduce loan service expenses in the second quarterQ2 2015, the Company refinanced the loan debt by placing a bond issue.

13. Currency risks.

An increase in the FX rate of main global currencies does not affect the Company's financial condition. The Company has payments with its contractors both during revenue-earning and expense-related activities in national currency only. The Company does not enter into direct contracts with its contractors with FX settlements. However, some projects as part of repair and investment programs provide for purchase of international products.

An increase in the FX rate of the main global currencies results in the appreciation of this equipment and the entire project. In order to reduce the risk of the global currency appreciation impact, the Company considers replacement of the foreign equipment used under these projects with similar national equipment.

Legal risks

14. Risks related to a change in tax laws.

Tax law application is sometimes unclear and contradictory which results in significant tax risks. Changes in tax laws pertaining to an increase in the tax burden (changing tax rates, procedure, and timeframe for tax payment, and new types of taxes) may result in a decrease in the Company's net profits which will in turn reduce dividends to be paid out. Reduction of the tax rates or cancellation by the Government of the Russian Federation of some taxes and duties benefits the Company's performance.

In case of changes in the tax laws, the Company intends to plan its operations taking these changes into account.

15. The risk of the Company's shareholders disputing major related-party transactions (when such transactions are carried out without the approval of the Board of Directors or the General Shareholders' Meeting of the Company) in accordance with the procedure stipulated by applicable legislation and approved with violation of the established procedure).

The risk of the Company's shareholders disputing major related-party transactions is not currently observed except when such transactions carried out without the approval of the Board of Directors or the General Shareholders' Meeting of the Company in accordance with the procedure stipulated by applicable legislation and approved with violation of the established procedure).

Legal due diligence shall precede a transaction to check for compliance with the relevant corporate procedures stipulated by Russian legislation and/or the Articles of Association of the Company.

16. Risks related to a change in requirements for licensing the Company's core operations or licensing rights to the use of property with limited circulation (including natural resources).

Risks related to changes in the requirements for licensing the Company's core operations or licensing rights to the use of property with limited circulation (including natural resources) is not currently observed except when extension of a license or activities to be licensed stipulates requirements the Company cannot meet.

In case of a change in licensing requirements, the Company will take necessary measures to obtain relevant licenses and permits.

17. Risks related to a change in court practice related to the matters pertaining to the Company's activities which may affect the performance or current court proceedings where the Company participates.

Since legal sources do not include the cases established by court acts in the Russian Federation, the court practice re some cases will not have a significant effect on the Company's performance. A change in court procedures is mainly related to law changes. It is not possible to assess risks related to a change in law.

In case of a significant change in court proceedings related to the Company's operations, the Company intends to plan its business taking into account changes.

Risk of loss of goodwill (reputational risk)

18. Risk of loss of goodwill (reputational risk)

The Company's operations aims at complete fulfillment of obligations to customers and contractors. The Company maintains efforts to ensure reliable and uninterrupted power supply, improve quality of services and increase customer focus, by achieving the goals determined by the Electricity Generation Sector Development Strategy.

The Company is a natural monopoly, therefore a significant customer and contractor outflow is highly improbable due to an impact of adverse reputational factors.

Strategic risk

19. Strategic risk.

Long-term development of the electricity sector in general as a key industry is determined by the government. The Government of the Russian Federation issued Decree No. 511-r dated April 03, 2013 which approved the Power Grids Development Strategy of the Russian Federation.

PJSC ROSSETI strategy is outlined in its Long-term Development Plan (approved by the Resolution of the Board of Directors of PJSC ROSSETI dated December 19, 2014, Minutes No. 174 dated December 22, 2014).

Risks related to the Company's operations

20. Risks related to potential court processes resulting from the failure of third parties to perform their obligations to the Company in relation to core operations (electricity transmission and grid connections).

There are potential risks related to court processes regarding the obligations of third parties in relation to the Company's core operations (electricity transmission and grid connections), also due to the current economic environment. However, the Company takes necessary efforts (pre-court settlement of disputes and negotiations) to minimize these risks and property damage to the Company.

If relevant risks are submitted to court, the legal position on the court cases which are significant for the Company will be developed and approved by related structural units of the Company's relevant branch and executive body. At the approval stage, a necessary supporting base is also developed. Determination of a legal position includes the court practice applicable to disputed issues.

21. Risk of fines resulting from recognizing the Company to have violated the anti-monopoly laws of the Russian Federation during grid connection of electricity consumers.

These fines do not relieve the Company from its obligations related to grid connection of applicants.

The Company may perform its obligations by reducing its investment programme to improve reliability as a result of re-allocated funds to grid connections or increase in borrowings to connect applicants to grids.

- monitoring of issue-related agreements and complaints of consumers followed by pre-court settlement of disputes;
- follow-up of compliance with applicable laws governing grid connection, inn particular:
  a) development and submission of draft agreements to applicants;
  b) follow-up of the Company's obligations of grid connection;
- monitoring of applicable legislation and court practice of the Russian Federation;
- submission of proposals to amend applicable legislation of the Russian Federation that governs grid connection.

22. Risk of emergencies at power generating units

Risk of emergencies at power generating units as a result of natural disasters (hurricanes, snowstorms, black frost, low air temperatures) related to the geography and climate in the Northwest of Russia.

- designing power generating units taking into account the characteristics of the regional climate and geography;
- insurance coverage of electricity distributing facilities in case of disasters.

23. Risk of an increase in loss purchase costs.

Imperfect legislation, lack of direct power supply agreements between the Company and its consumers, inadequate financing, and impossibility to significantly increase staff headcount controlling electricity consumption limit for the Company the possibilities of identifying and eliminating the causes of commercial electricity loss.

The risk of growing loss purchase costs depends on two factors which are growth of loss volumes and price of loss purchase. The Company cannot impact the risk of an increase in the price of loss.

In order to minimize electricity loss and loss purchase costs, the Company adopted an Electricity Loss Reduction Plan for 2015 and to 2020 (approved by Company Order No. 337 dated June 29, 2015). The Plan includes the following activities:

- installation of anti-magnetic seals by electricity consumers;
- identification of off-meter consumption;
- identification of off-contract consumption;
- installation of meters for estimation of a grid balance;
- automated electricity metering at Kolenergo and Komienergo;
- implementation of OMNIS-US automated metering system at Kolenergo and Novgorodenergo;
- acquisition of readings for legal entities with 100% readings once every six months;
- acquisition of readings for individuals with 100% readings once every six months;
- examination of metering units at captive substations.

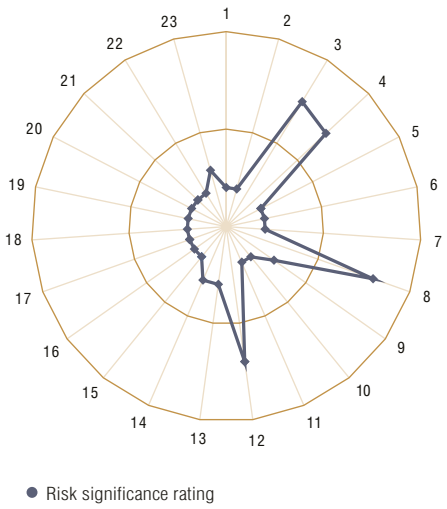
Level of significance

Critical

Significant

Moderate

RISK SIGNIFICANCE



1	Risk of a significant increase in overdue receivables due for electricity transmission and growth of bad debts for electricity transmission
2	Risk of a reduction in the electricity transmission scope
3	Risk of regional authorities failing to fully recognize the Company's expenses included in the electricity transmission tariff
4	The risk of increasing number of consumers enjoying reduced rates and the value of connected power as compared to business plan targets.
5	Risks of non-compliance with the regulated purchasing periods
6	Risk of exceeding the purchasing value above the target value
7	Risk of decreased transparency of purchasing
8	Risk of no rebuild (development) activities at the electricity grid in the Company's investment programme.
9	Risks related to political and economical situation in the country and regions
10	Risks related to potential military conflicts, emergency conditions, and strikes in the country (-ies) and regions
11	Risks related to the country and region geography
12	Interest risks
13	Currency risks
14	Risks related to a change in tax laws
15	Risk of the Company's shareholders challenging major and related-party transactions
16	Risks related to a change in licensing requirements
17	Risks related to a change in court practices
18	Reputational risk
19	Strategic risk
20	Risks related to potential court processes resulting from the failure of third parties to perform their obligations to the Company in relation to core operations
21	Risk of fines resulting from recognizing the Company to have violated the anti-monopoly laws of the Russian Federation during grid connection
22	Risk of emergencies at power generating units
23	Risk of an increase in loss purchase costs

5.4. SECURITIES AND SHARE CAPITAL

5.4.1. Share Capital

As at December 31, 2015, the authorized capital of the Company was:
RUB 9,578,592,313.80 (nine bnfive hundred seventy eight million five hundred ninety two thousand three hundred thirteen rubles and 80 kopecks).

Ordinary shares in the Company's authorized capital: 100%

DETAILS OF EACH SHARE CATEGORY (TYPE)

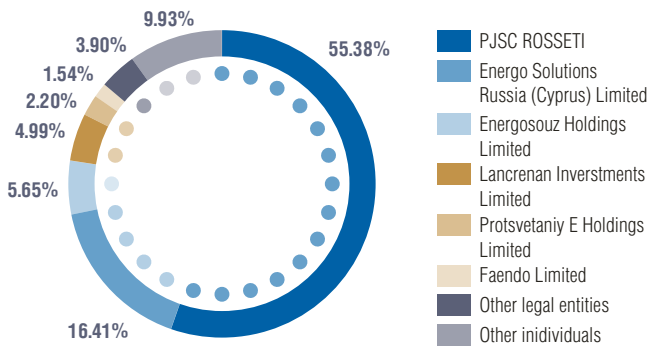
Type and category of shares	Ordinary registered
Form of issue	uncertificated
Authorized capital, RUB	9,578,592,313.8
Par value of one (1) security, RUB	0.10
Details of the state registration of a securities issue	No. 1-01-03347-D (23.03.2005)

Additionally to placed shares, the Company announces an issue of 1,076,862 (one million seventy six thousand eight hundred sixty two) ordinary registered shares with a par value of ten (10) kopecks each totally worth at a par value RUB 107,686.10 (one hundred seven thousand six hundred eighty six rubles and 10 kopecks).

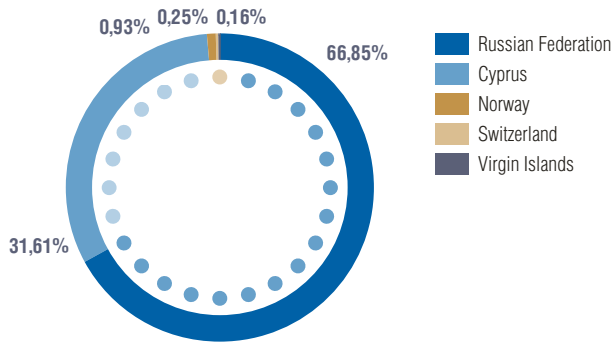
1.08 million

ORDINARY REGISTERED SHARES WERE ADDITIONALLY PLACED

THE STRUCTURE OF THE COMPANY'S SHARE CAPITAL AS AT 5/19/2015*



SHAREHOLDERS' GEOGRAPHY IN THE COMPANY AS AT DECEMBER 31, 2015



* Record date for the Annual General Shareholders' Meeting taking into account nominee holders' details.

STATISTICS ON THE SHARE CAPITAL STRUCTURE

Type of shareholder	December 31, 2014		December 31, 2015	
	Number of shareholders	% of AC	Number of shareholders	% of AC
Owners that are individuals	12,231	5.0139	12,214	4.9656
Owners that are legal entities	121	0.301	118	0.2917
Federal property (RF, RF constituent entities)	5	0.0046	5	0.0046
Municipal property	2	0.0093	2	0.0093
Nominee holders	12	94.6712	12	94.7289
Trustees	–	–	–	–
Total	12,371	100.00	12,351	100.00

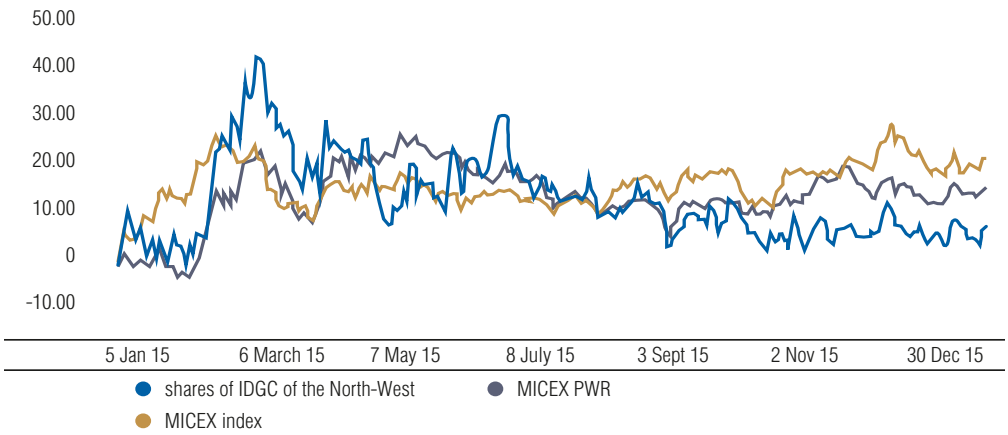
5.4.1.1. Shares in the Stock Exchange

Shares of PJSC IDGC of the North-West are traded in the Russian Stock Exchange (MICEX) in the First Tier Quotation List.

The Company's shares included by the MICEX in MICEX PWR, MICEX SC, and MOEX RegCo Index.

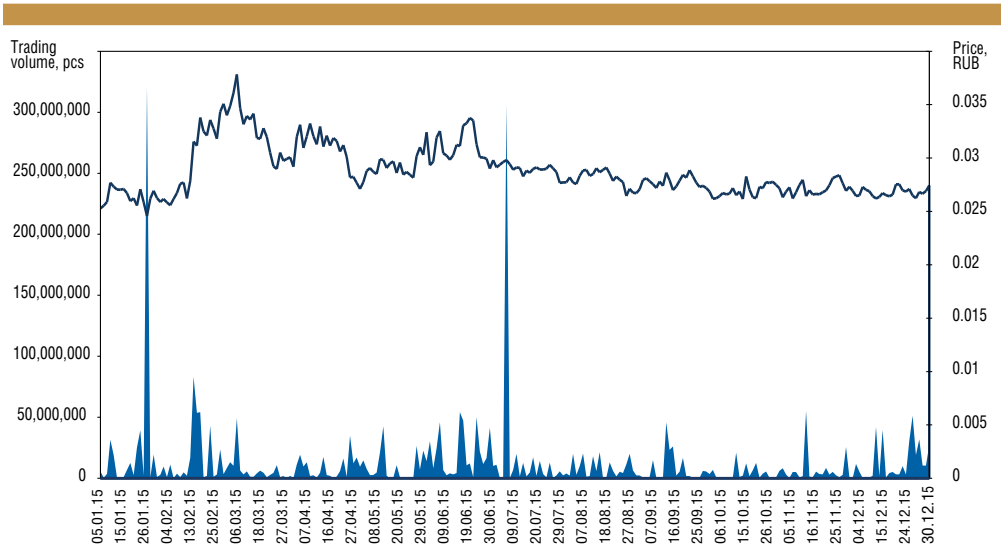
Platform	Ticker	Trading start date without listing procedure	Date of the start of trading in the B Quotation List	Date of the start of trading in the Second Tier a Quotation List	Date when included in the First Tier Quotation List based on the listing reform
MICEX	MRKZ	–	May 29, 2008	May 24, 2011	June 06, 2014

TRENDS IN STOCK PRICES IN 2015 VERSUS MICEX AND MICEX PWR*



* based on average weighted price.

TRENDS IN THE AVERAGE WEIGHTED PRICE AND TRADING AMOUNTS IN 2015



MARKET SPECIFICATIONS

Indicator	UOM	December 30, 2014	December 30, 2015	2015/2014 (variance), %
Average weighted price	RUB	0.0254	0.0274	7.9
Capitalization	RUB million	2,433.0	2,624.5	7.9
Trading amount (year to date)	RUB million	158.35	88.55	-78.8
	million shares	5,769.95	3,067.55	-88.1

The Russian stock market in 2015 was highly volatile and fluctuating due to geopolitical and macroeconomic challenges affecting the national economy. The major market indicators, including MICEX and MICEX PWR indices, varied at +26.1% and +18,4%, respectively, in the reporting period. A growth of the Company's stock quotes amounted to 7.9%.

5.4.2. Dividend Policy

The net profit distribution policy at PJSC IDGC of the North-West is based on a balance between the interests of its shareholders, improvement of the investment potential and capitalization of the Company, and respect of the shareholders' rights stipulated by applicable law, the Company's Articles of Association and internal regulations.

Key principles of the Company's Dividend Policy:

- dividends are calculated based on profit use without the effect of investment revaluation;
- need in maintaining a required level of the Company's financial and technical condition (fulfillment of the investment programme) and securing the Company's long-term development;
- conformance of the dividend accrual and payout policy at the Company with Russian legislation and the best corporate conduct standards;
- the best combination of the Company's and shareholders' interests;
- need in improving the Company's investment potential and capitalization;
- ensuring the transparency of a dividend calculation and payout structure;
- dividends on ordinary shares are paid out only fully as stipulated by the Company's Articles of Association on preference shares (if the Company's preference shares are placed).

A recommended dividend amount is determined by the Board of Directors based on the Company's financial performance, and the Board of Directors will strive to secure positive dividends to its shareholders every year.

NET PROFIT DISTRIBUTION AT THE COMPANY, RUB K

Indicator	2011	2012	2013	2014
Net profit (loss) in the reporting period	407,651	61,831	300,338	–620,027
Net profit distribution				
including:				
Surplus fund	20,383	3,092	15,017	0
Profit allocated to development	387,268	43,279	208,692	0
Dividends	0	15,460	76,629	0
Redemption of previous years' loss	0	0	0	0

DIVIDEND HISTORY

Indicator	2011	2012	2013	2014	Increment 2013 vs 2012, %
Dividend per ordinary share, RUB	–	0.0001614	0.0008	–	396
Total dividends, RUB, k.	–	15,460	76,629	–	396
Share of net profit allocated to dividend payout, %	–	25	25.5	–	–
Total dividend payout, RUB, k.	–	15,237	75,501	–	–
Dividend yield per share	–	0.41	2.9	–	–

The share of paid out dividends of all declared dividends was 98.56% for 2012 and 98.53% for 2013. Dividends were paid out to all persons included in the dividend list, except for those failing to provide true and complete details necessary for dividend payout.

5.4.3 Company's Registrar

Open Joint Stock Company Registrar R.O.S.T was approved as the Company's Registrar. The Company also approved the conditions of the agreement for maintaining the list of registered security holders between PJSC IDGC of the North-West and JSC Registrar R.O.S.T.

Full company name:	Registrar R.O.S.T. Joint Stock Company
Abbreviated company name:	JSC Registrar R.O.S.T.
LOCATION:	18 Bldg. 13 Stromynka Str., 107996 Moscow
Postal address:	P.O. Box 9, 18 Stromynka Str., 107996 Moscow
Telephones:	(495) 771-73-38, 771-73-39
E-mail:	rost@rrost.ru
Website:	www.rrost.com/

PJSC IDGC of the North-West is entitled to generate requests in order to get information from the register, generate and deliver to the Registrar any electronic documents with the details of registered persons building a basis for transactions with the Shareholder's Register.

The shareholders' rights are secured in a reliable and efficient way by selecting a registrar with high reputation, well-functioning and reliable technologies for the most efficient recording and exercise of the shareholders' rights.

In its relations with its shareholders and investors, the Company respected its shareholders' rights and abode by the principle of information transparency which additionally ensures free access to a wide range of information products at the Company, including interactive informers on the price trends for securities, main derivatives, and financial indicators, information bulletins, electricity market overviews, etc.

CORPORATE RESPONSIBILITY

14,801 ▽ 2.59% people

Average headcount in 2015

584 △ 8.35% RUB million

Expenses for social policy implementation in 2015

△ Reliability indicators are improved

- Unit accident is reduced
- Total time of power interruption is reduced

6. CORPORATE RESPONSIBILITY

6.1. HUMAN RESOURCES POLICY

The key goals of the Company's HR Policy are:

- *planning HR demand by ensuring reliable information on actual and forecasted headcount and demand for specific labor resources required and adequate to achieve the objectives of the Company;*
- *timely satisfaction of the Company's demands in specific competencies and expertise;*
- *labour efficiency and labour productivity growth.*

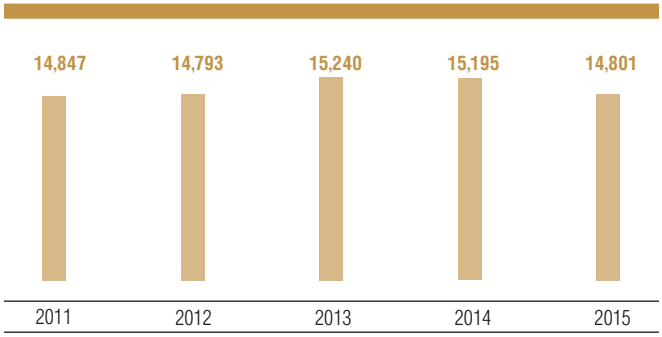
6.1.1. Personnel

The average headcount in 2015 was 14,801 people, which was 2.6% less than in 2014. The main cause for the reduction in the average headcount was the termination of PJSC IDGC of the North-West's last resort supplier functions in the Novgorod and Murmansk Oblasts. Additionally, the Company made efforts to optimize administrative and management headcount while recruiting people to vacant positions in operating divisions (OD) and distribution zones (DZ).

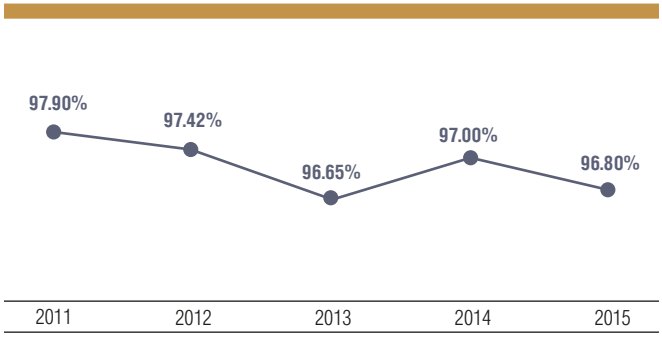
Company's manning level in 2015 was 96.8%, 0.2% below the previous year's level. The manning level of PJSC IDGC of the North-West remained stable over the last five years and maintained at a fairly high level of at least 96%.

The structure of personnel at PJSC IDGC of the North-West by category is typical for power grid companies with a majority of workers (over 50%) followed by specialists/office staff (31%) and managers (16%). The structure of personnel by category is stable and changed in the last five years insignificantly.

AVERAGE HEADCOUNT, PEOPLE



COMPANY'S MANNING LEVELS

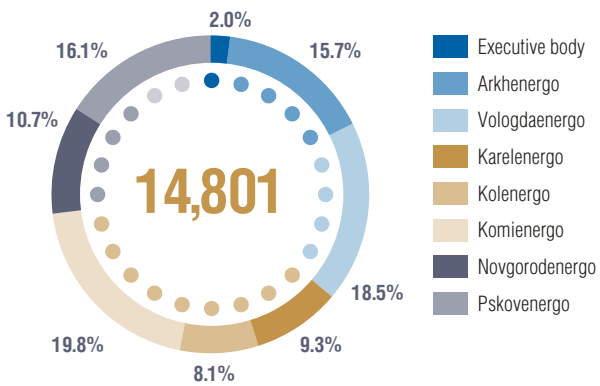


Age structure of personnel analysis shows that the HR potential at PJSC IDGC of the North-West is represented by employees aged from 25 to 50 years old (66%). However there is a minor reduction in the share of young specialists (2% versus 2011), and a growth of the share of employees above 50 years old (+1%). The average age of Company employees in 2015 remained flat at the level recorded in 2013 and 2014 as 42 years old.

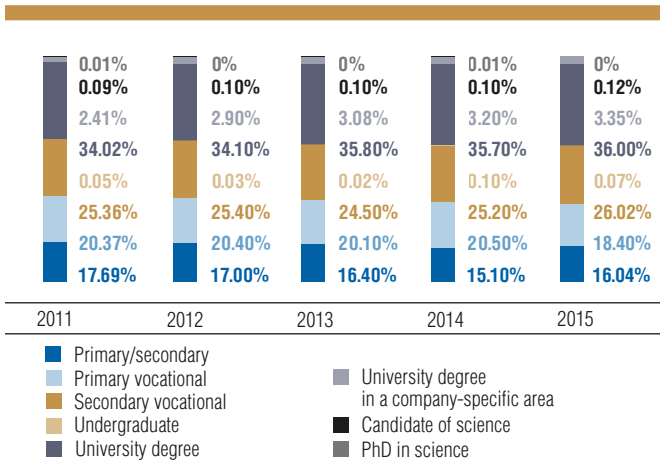
Company employees are very skilled with about 84% having vocational education.

The analysis of the personnel structure of the Company by education over the last five years shows a consistent reduction of employees without vocational education from 17.69% in 2011 to 16.04% in 2015.

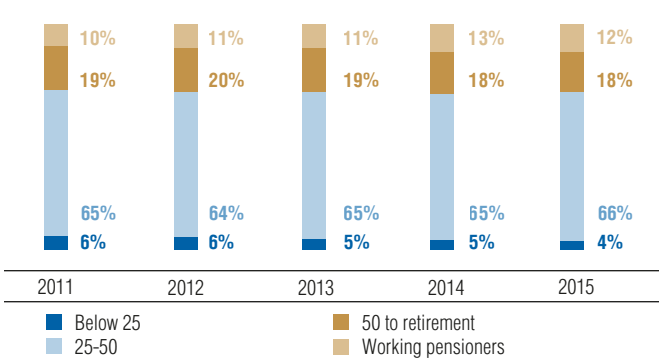
AVERAGE HEADCOUNT DISTRIBUTION IN 2015



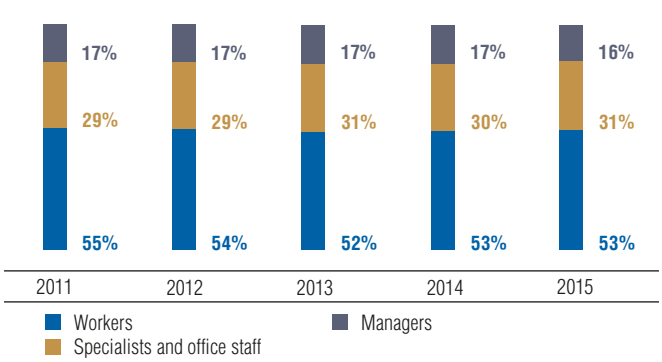
PERSONNEL BREAKDOWN BY EDUCATION



PERSONNEL STRUCTURE BY AGE



PERSONNEL STRUCTURE BY CATEGORY



6.1.2. Talent pool

Management and young employee development continued in 2015 in order to develop the talent pool and satisfy the Company's demands for employees with relevant education to be appointed to vacant and new positions at PJSC IDGC of the North-West. A total of 378 succession candidates took part in trainings in 2015.

A total of 78 employees were promoted to senior positions in 2015 with 50 succession candidates appointed to their targeted positions.

NUMBER OF SUCCESSION CANDIDATES APPOINTED TO SENIOR POSITIONS

Type of talent pool	Number of succession candidates appointed to senior positions, employees									
	2011		2012		2013		2014		2015	
	targeted positions	other positions	targeted positions	other positions	targeted positions	other positions	targeted positions	other positions	targeted positions	other positions
Management bench strength	58	25	42	15	37	15	54	27	45	20
Young talents	7	0	10	7	3	0	2	6	5	8
Total	65	25	52	22	40	15	56	33	50	28

6.1.2.1. Management bench strength

The management bench strength at PJSC IDGC of the North-West is formed for fast and professional manning of the Company with trained and skilled employees and to ensure management succession.

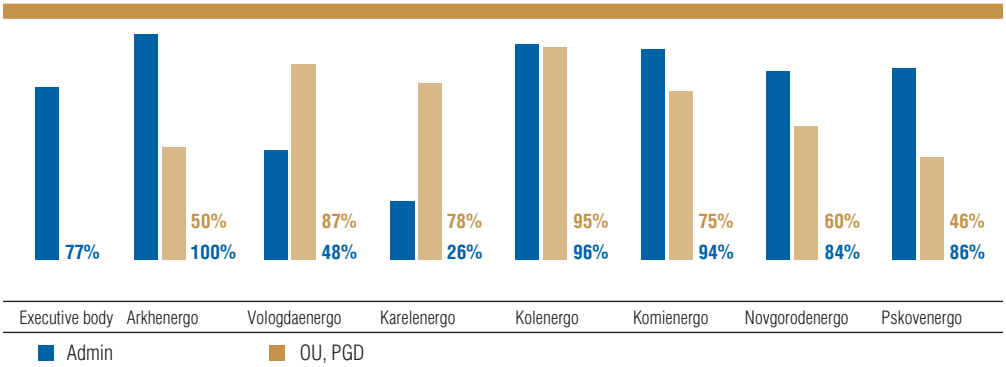
As at the end of the reporting year, Company had 1,082 managers. The Company had 71.9% of necessary management positions filled.

The positions of heads of distribution zones, technical services of administration and operating divisions as well as positions of foremen are not fully filled.

The main reasons for understaffing of the Company:

- no universities preparing specialists of a necessary qualification in the territories serviced by branches;
- inadequate employees motivation for promotion to the bench strength due to low salary;
- no candidates with satisfactory experience and expertise, especially at remote REG.

SUFFICIENCY OF MANAGERS IN THE COMPANY



6.1.2.2. Young talents

The Company has worked with young talents since 2011. The talent pool is formed to:

- create opportunities for professional and personal development of Company's young employees;
- support and improve their professional and leadership development.

In 2015, the young talent pool at the Company included 149 employees.

All young talents successfully completed assessment and demonstrated high growth potential of professional and leadership competencies. Individual development plans (IDPs) were developed for new employees in the talent pool (29 people) and the employees already in the talent pool (13 people) received recommendations on amendments to their IDPs.

17 talents in Bench strength for Management Positions in Administration and Operating Divisions had the following trainings:

- Effective use of human resources in HR management to comply with the occupational health and safety rules and improve professional competencies;
- Relay protection and automatic equipment in substations;
- Metrology support of the process.

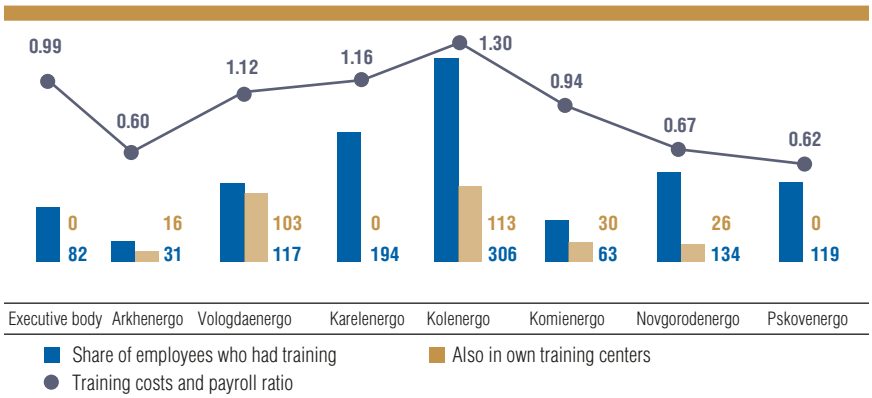
149 employees

THE YOUNG TALENT POOL AT THE COMPANY

6.1.3. Personnel training and development

Training, re-training, and professional development courses for Company employees are held in accordance with the Employee Professional Development Regulations of PJSC IDGC of the North-West, Employee Management Procedure at PJSC IDGC of the North-West, HR and Social Policy of PJSC IDGC of the North-West which involves continuous professional development.

THE SHARE OF EMPLOYEES TAKING PART IN TRAINING ACTIVITIES AND THE RATIO OF COSTS FOR EMPLOYEE TRAINING AND PAYROLL IN THE REPORTING YEAR,%



Professional development and qualification improvement costs amounted to RUB 54.0 million, being 0.9% of the payroll (vs 0.75% in 2014).

The number of employees educated in educational institutions was 13,009 people, or 87.9% of the average headcount (vs 7,244 people, or 47.13% of the average headcount in 2014).

A significant increase in the number of employees who had training in 2015 is due to the enactment of a number of statutory and local regulations that stipulate mandatory staff training.

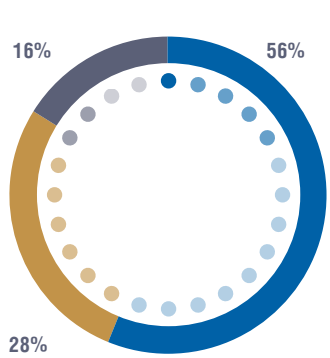
Taking into account the specific nature of the Company and HR training objectives, the structure of employees covered by educational activities differs by a prevailing share of workers and operations staff.

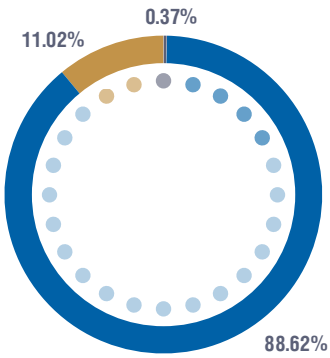
Most employees take courses in corporate training centers: 7,046 people, or 54.2% of the employees who had training in educational institutions and 47.6% of the average headcount respectively.

54 RUB million

PROFESSIONAL DEVELOPMENT AND QUALIFICATION IMPROVEMENT COSTS

EMPLOYEES WHO TOOK PART IN EDUCATIONAL ACTIVITIES BY EMPLOYEE CATEGORY





- Workers
- Managers
- Specialists/office staff

- Operations (Ops)
- Administrative and management (A&M)
- Auxiliary staff (AS)

Energetik Corporate Training Center in Vologda, key educational services provider for the Company, provided training for 6,005 people, or 46.2% of all employees taking off-job courses. The Company's corporate training centers in Kolenergo and Novgorodenergo Branches trained 1,041 people.

6.2. OCCUPATIONAL HEALTH AND SAFETY

In its operations, the Company is guided by the ROSSETI Group Occupational Health and Safety Policy which is based on the following principles:

- striving towards zero fatalities by preventing and predicting accidents;
- preventing any unsafe operations that violate the established occupational health and safety requirements and complying with statutory requirements of the Russian Federation, constituent entities of the Russian Federation, and other occupational health and safety regulations.

6.2.1. Key company actions aimed at occupational health and safety improvement

- Activities aimed at occupational health and safety conditions improvement and occupational risks reduction.
- Prevention of occupational injuries.
- Training and professional development of personnel.
- Ensuring personnel safety in the workplace.
- Adequate sanitary and hygiene workplace conditions.
- Timely provisions of special clothes, shoes, and other PPE, means of communication, first aid kits, medications, milk, or other equivalent food, cleansing and disinfecting products.

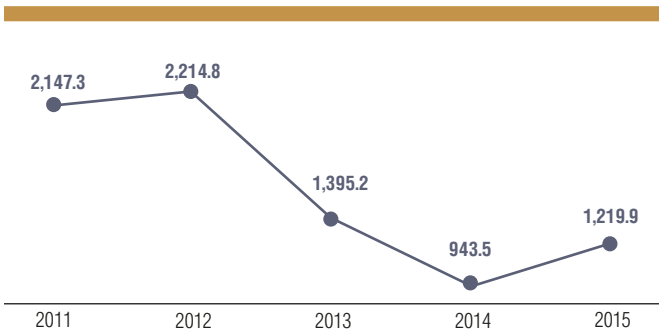
Control (audit) of compliance with the occupational health and safety requirements in operations and prevention of injuries to contractor employees and third parties at the power grid facilities.

6.2.2. Occupational health and safety costs

A total damage resulting from occupational injuries includes costs of different expert examinations, transport charges, creation of conditions for investigation committees and court judgments on previous years' accidents.

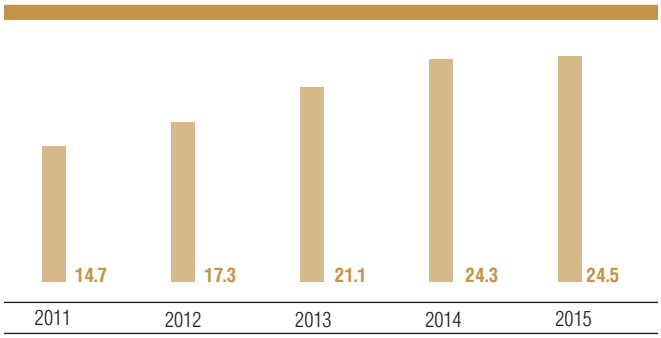
Generally, the structure of occupational health and safety costs and amounts remain stable. The reason is that occupational health and safety costs are properly budgeted. A slight increase in occupational health and safety costs in 2015 was due to special workplace labour conditions assessment of 4,516 work stations.

THE TOTAL DAMAGE RESULTING FROM OCCUPATIONAL INJURIES, RUB



A slight reduction of accident prevention costs and overall workplace labour conditions improvement costs was caused by more activities completed in 2013 (equipment of meal rooms, purchase of metal lockers for special clothes, and purchase of RCS) to fulfill the workplace labour conditions improvement action plans.

PER UNIT OCCUPATIONAL HEALTH AND SAFETY COSTS PER EMPLOYEE, 2011–2015, RUB THOUSAND



OCCUPATIONAL HEALTH AND SAFETY COSTS IN THE COMPANY, RUB MILLION

	2011	2012	2013	2014	2015
Amounts spent on occupational health and safety activities, total, including:	241.1	289.2	323.0	335.1	339.4
accident prevention	21.3	21.9	24.3	18.0	25.5
sanitary and hygiene activities aimed at preventing occupational diseases	41.3	56.0	61.8	67.5	66.8
overall improvement of workplace conditions	17.0	13.2	15.9	13.3	10.4
provision of PPE to employees	161.5	198.1	221.0	236.3	236.7

6.2.3. Occupational injuries

Working process and control over compliance with workplace safety and occupational health and safety, and prevention of occupational injuries at PJSC IDGC of the North-West are in line with the Occupational Health and Safety Regulations. The requirements of the Regulations are aimed at ensuring work safety for employees at all process stages and creation of conditions ensuring prevention of injury risks.

Major causes of occupational injuries:

- violation of labor and production discipline;
- unsatisfactory maintenance and deficiencies at workplaces;
- other reasons.

OCCUPATIONAL INJURIES, 2011–2015

Indicator	2011	2012	2013	2014	2015
Total number of the injured in accidents, people	16	14	15	8	6
Total number of fatalities, people	0	1	3	3	1
Accident frequency rate (per 1,000 employees)	1.086	0.94	1.0	0.54	0.40
Fatality frequency rate (per 1,000 employees)	0.00	0.07	0.2	0.2	0.07

There was one fatality in 2015 when working in electrical installations (fall from height). An action plan was developed based on the incident investigation to prevent similar occurrences in the future.

In order to improve the efficiency of injury prevention measures, PJSC IDGC of the North-West adopted an Integrated Programme aimed at reducing injury risks for employees and third parties at the Company's power grid facilities for 2014 to 2017.

The Integrated Programme includes the following activities:

- improvement of the safety of scheduled and emergency work in electrical installations;
- on-the-job training for employees;
- provision of high quality PPE and tools;
- government, regulators and public relations;
- prevention of injuries during scheduled work in electrical installations;
- reduction of third party injuries, especially those to children, at the Company's power grid facilities;
- assessment and alignment of the electrical installations condition with safe operation requirements.

In order to reinforce the liability of management of PJSC IDGC of the North-West for accidents, the incentives scheme for the Company's General Director and senior managers was complemented with the quarterly indicator of Prevention of Growth of Injuries Resulting from Accidents.

In 2015 occupational injury rate reduced (number of the injured decreased by 25%). A reduction in severity of injuries and zero occupational diseases were recorded.

6.2.4. Occupational health and safety efforts

6.2.4.1. Psychological and physiological health of personnel

THE RESULTS OF ACTIONS AIMED AT PROMOTING PSYCHOLOGICAL AND PHYSIOLOGICAL HEALTH OF PERSONNEL BY MAIN ACTIVITY IN 2015

Area	Results
Medical check-ups	• Pre-trip and pre-shift examinations of employees which resulted in suspension of 245 employees for health reasons in 2015. The main problem was high blood pressure. • Pre-employment medical examinations (100%). • Centralized periodical medical examination of employees by the common medical board chaired by an occupational therapist with visits to the Company's structural units. In 2015, a total of 10,393 employees (100%) had periodical medical examinations as appropriate. Based on final reports of the periodical medical examination, – eight employees were found to be unfitted to carry out their job responsibilities; – 16 employees were transferred to other jobs without exposure to industrial harms; – 409 employees were allowed to carry out work without harms and/or hazards, including 150 employees after additional examinations.
Vaccination	In order to prevent diseases of Company employees in 2015 vaccination was performed, which covered: • 1,114 employees: flu and ARVI vaccination; • 2,955: tick-borne encephalitis vaccination . The structural units which are regionally located in viral encephalitis endemic areas have lists of jobs (professions) in place for professional risk groups subject to tick-borne encephalitis vaccination.
Training in first aid methods for new hires, methodology and practical work with resuscitators	In order to fulfill the requirements outlined in the HR Management Procedure, 100% of new hires at PJSC IDGC of the North-West had first aid trainings to be skipped in rendering first aid in case of occupational accidents. Employees also receive accident-related first aid training and training in resuscitation skills using simulators. Training is conducted by properly certified employees permitted to provide first aid training to the injured in occupational accidents.
Timely replenishment, label checks, and checks of correct medical product use and first aid kits	In order to fulfill Company Order no. 380 dated August 23, 2011 on the Contents of a First Aid Kit and ensure a common approach to first aid kit handling, the structural divisions have Lists of First Aid Kit Locations in place (including vehicles) and lists of persons responsible for timely replenishment, label checks and checks of correct medical products use in first aid kits. As requested by responsible persons, medical products and first aid kits are replenished on a timely basis.
Unscheduled checks of employee health during a working shift	The main scope of psychological and physiological health assessment: checking current health condition of employees, welfare, provision, and use of special clothes and shoes
Participation in technical and economic studies to ensure psychological and physiological health of employees for a healthy life style, disease prevention, health maintenance and promotion	In 2015, branch employees responsible for psychological and physiological health in teams had the following technical and economic trainings: Psychological and Physiological Reasons of Accidents, Prevention of Acute Respiratory Viral Diseases, First Aid Methods, Prevention of Fatigue and Tiredness, Accountability for Own Health, Telephone Negotiations with an Aggressive Client, Nature of Stress and Stress Management, etc.

PSYCHOLOGICAL AND PHYSIOLOGICAL SUPPORT AT WORK IN 2015

Activity	Purpose	Surveyed employee categories, professional groups	Number of employees surveyed	Action by*
I. Psychological and diagnostics activities				
Pre-employment psychological diagnostics	Identification of important professional qualities	All new hires	1,527	1
Scheduled psychological diagnostics	Identification of personnel in a group risk	Drivers and electricians combining driver job	2,124	1
Diagnostics and personal consultations for employees, including those in the talent pool	Development of important professional qualities	Specialists and managers	626	1
Diagnostics of personnel based on managers' requests, also when transferred to another position	Identification of individual psychological qualities	Specialists, drivers	850	1
II. Psychological corrective measures (none)				
Personal consultations	Prevention of occupational incidents and accidents	Operations, repair staff, and drivers	1,017	1
Restoration using rehabilitation equipment	Correction of the physiological condition	All categories	238	1
III. Psychological preventive measures				
Business games and trainings	Management skill development	Managers, specialists, including those in talent pool, workers	945	1
Monitoring, onboarding, and psychological support, adaptation trainings for new hires and employees promoted to management or operations positions	Development of recommendations for the best use of human capabilities taking into account the prospects of developing its abilities, determination of a labor satisfaction level	All categories	384	1

*1 – Company employees,
2 – Employees working under a civil contract,
3 – Third party.

6.2.4.2. Special workplace assessment

Special workplace assessment is performed as required by the regulations governing workplace conditions.

The results of workplace labour conditions assessment /special labour conditions assessment were used to develop Workplace labour conditions and Occupational Health and Safety Improvement Plans/Lists and responsibility was assigned.

Organizational measures were developed to mitigate exposure to industrial harms in the work place where efficient actions cannot be taken:

- Compliance with scheduled breaks to be protected against hypothermia when working in the open air in the cold season;
- Use of hearing personal protective equipment to mitigate harmful noise exposures;
- Use of damping flooring and shoes to reduce overall vibration;
- Compliance with the work and rest conditions to mitigate unfavorable impacts from working stress and hardship;
- Use of portable lamps to create normal lighting conditions in the equipment service area.

Compensation for harmful working conditions is paid at the work places where industrial harms cannot be eliminated or mitigated (transformer oil when handling oil-filled equipment; labor intensity (coupled with harmful or hazardous industrial factors)), additional vacation days are granted, and milk (or other equivalent food) is provided.

6.2.4.3. Occupational health and safety training

In accordance with the Employee Management Rules for Energy Companies in the Russian Federation, the Company conducts occupational health and safety trainings and information campaigns. The Occupational Health and Safety Day is celebrated in all units.

The branch divisions have occupational health and safety rooms (used for induction trainings, pre-examination trainings, education, technical courses, and occupational health and safety meetings) equipped with visual materials, video equipment, simulators for resuscitation activities, PPE samples, benches with occupational health and safety posters, and safe practices video materials. Remote districts have occupational health and safety places/boards with posted occupational health and safety information and applicable regulations and materials on the Occupational Health and Safety Days.

In order to prevent injuries and improve operating practices before autumn-winter period and spring repair campaign, the Company's branches have special preparations: employees have additional training and briefings, practice their skills at practice grounds/with out of service equipment, and simulators.

6.3. SOCIAL POLICY

Company management focuses on social aspects that have a significant impact on employee performance, help to increase productivity, optimize work processes, contribute to the Company long-term stability and sustainable development, improved quality of life of the Company's employees and the positive image of the Company.

An efficient social protection system implemented in the Company attracts highly skilled employees to the Company, reduces personnel turnover, and is one of bases for successful operations.

By investing in HR development and actively using incentives tools, the Company stabilizes the team, improves social security of its current and retired employees, builds a positive social image, and supports a reasonable combination of renewal and retention of highly skilled employees.

In 2014, PJSC IDGC of the North-West adopted an Integrated HR and Social Policy. The list of areas included in the Company's social policy is wide and includes non-government pension support, voluntary medical insurance, voluntary accident and health insurance, recreation and vacation of employees, care of retired employees with a long service record in the Company and young talents, actions aimed at forming and developing corporate culture.

The social policy of PJSC IDGC of the North-West in 2015 focused on:

- Support of social stability and development of social partnership;
- Social guarantees to personnel, their family members, and employees with long service record in the energy sector;
- Development of corporate culture to motivate employees to implement the corporate mission and solve current tasks;
- Formation of a favorable sustainable social and psychological climate in the team;
- Positive public image of the Company.

The Company's social policy in 2015 was developed in all areas to support social benefits, i.e. benefits, compensations, and privileges for own personnel, their family members, and employees with long service record in the Company being part of the Collective bargaining Agreement of PJSC IDGC of the North-West in several targeted areas.

6.3.1. Social policy implementation

6.3.1.1. Personnel costs

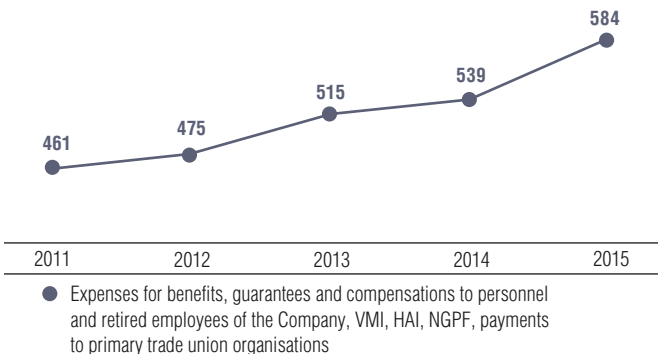
During the reporting year, the Company was efficiently building its relations with Primary Trade Unions (TDU) and TDU Representatives' Council, including actions aimed to complete join tasks: personnel information support, cultural-educational and sporting events management, impl ementation of the Collective Bargaining Agreement and Company Employees Remuneration Regulations. No violations of the Collective Bargaining Agreement were reported.

65% of Company employees (9,748 people) are members of primary trade unions.

In accordance with the norms outlined in the Industry-Wide Tariff Agreement in the Energy Sector of the Russian Federation and applicable Collective Bargaining Agreement, a total of RUB 27.6 million was transferred for cultural and sports activities to the accounts of primary trade unions of the Company's branches and head office in the reporting year.

Growth of social expenses in 2015 versus 2014 was driven by an increase in the maximum monthly tariff rate (MMTR) for grade 1 workers.

GROWTH OF THE EMPLOYER'S SOCIAL EXPENSES, RUB MILLION



Targeted social payments, befits, and compensations to company employees

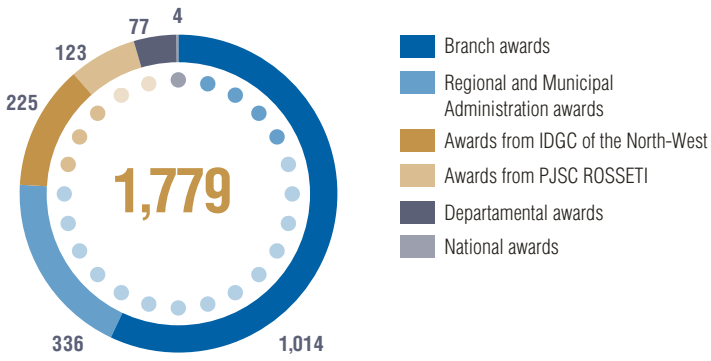
This component of the social benefits for the employees of PJSC IDGC of the North-West under the Collective Bargaining Agreement provides for a number of targeted payments and compensations to employees with the following being the most important elements:

- lumpsum financial aid for vacation;
- compensation for travel expenses of employees and their dependents working in the Extreme North and equivalent areas and traveling to/from their vacation destinations within the territory of the Russian Federation;
- 50% discount for consumed electricity;
- payments to employees after the birth of a child, registration of marriage, death of relatives;
- lumpsum amount to the employees whose employment was terminated after assignment of a pension pay.

The Company has a merit-based incentives system in place providing for rewards for the highest performance, implementation of innovative projects, many years of conscientious work, high workmanship, and contribution to the development of the energy sector in the Northwest of Russia.

A total of 1,779 awards were distributed during 2015 among the Company's employees who had the largest contribution to energy sector development.

AWARD DISTRIBUTION IN THE COMPANY IN 2015



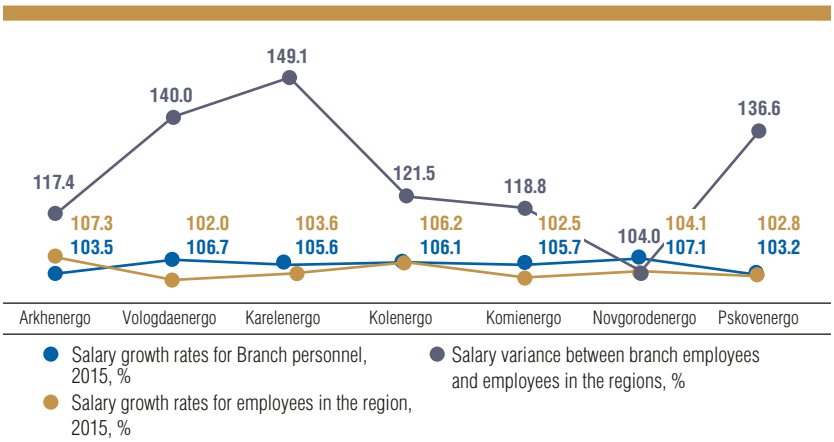
Remuneration in the Company's branch

The remuneration system at PJSC IDGC of the North-West is based on social partnership stipulated by the Collective Bargaining Agreement and the Company Employees Remuneration Regulations enacted on May 01, 2009 (as amended and restated). The remuneration system currently in effect at the Company meets the Uniform Wage Rate Recommendations for the Russian electricity sector approved by the PJSC ROSSETI and All-Russia Electrical Industry Trade Union Association.

Generally, the average salary at PJSC IDGC of the North-West in 2015 amounted to RUB 44,337. However, the leading growth of the average salary of workers is observed in the reporting year at a rate of 8.4%.

Efficiency of the HR and social policy is closely related to timely payment and indexation of salary and its competitiveness in regional labor markets. Therefore, the salary of the employees of all of the Company's branches is traditionally above the market of the relevant region.

The average salary growth rate at the Company totaled 4.8%, which is 7.7% below the 2015 CPI in the Russian Fe deration (12.9%). However, the growth rate of the minimum monthly tariff rate (MMTR) in average yearly indicators for 2015 and 2014 was 12.6% (RUB 6,417 vs RUB 5,700, respectively).



The Company's remuneration policy aims at providing employees with a fair remuneration which is not below the industry average of RUB 38,341 and the average in the Company's region (NWFD) of RUB 37,616 taking into account competency and responsibility. It should be noted that regional coefficients and northern extra pays play an important role in salary differentiation between the branches (no such extra pays in Novgorodenergo and Pskovenergo only).

The Company employee incentives system encourages employees by additional and extra payments as well as bonuses based on the performance of the Company's divisions, bonuses for identified unmetered and out of contract electricity consumption, grid connections, and bonuses for completion of critical tasks.

Employee medical insurance

Voluntary medical insurance (hereinafter, VMI) and health and accident insurance (hereinafter, HAI) for Company employees are provided in accordance with the Insurance Coverage Regulations of PJSC IDGC of the North-West for 2013 to 2015 approved by the Board of Directors' resolutions dated September 30, 2013 (Minutes No. 135/6) with amendments approved on December 17, 2014 (Minutes No. 170/12) and the Company's Insurance Coverage Plan for 2015 approved by the Board of Directors' resolution dated December 30, 2014 (Minutes No. 172/14).

VMI and HAI services in 2015 were provided by JSC SOGAZ. Expenses under insurance agreements in 2015 amounted to: RUB 62.5 million for VMI and RUB 0.7 million for HAI.

In 2015, the Company made efforts to compensate employees the costs of their children health improvement which is especially important in view of climate conditions in the Extreme North where most Company's branches are located. Throughout the reporting year, children of the Company's employees aged 7 through 15 years old visited country resorts, resort health centers, including those in the Krasnodar Territory with all costs fully or partially compensated by the Company. It was for the first time, that the Company partially compensated its employees the price of travel vouchers to resorts and resort health centers in the Republic of Crimea.

One of the critical elements of the Company's employees health improvement, promotion of a healthy lifestyle and prevention of diseases is to provide the Company employees with sports opportunities, carrying out competitions, sports celebrations, employees involvement in Spartakiads, friendly matches, shows, and contests.

In 2015, the Company held for its employees about 150 sporting events hosing over 2,500 people .

PJSC IDGC of the North-West team took part in the mini football tournament and took the fourth place in the Golden League.

As part of the Company's action plan dedicated to the 70th anniversary of the victory in the Great Patriotic War of 1941–1945, the Northwest Energy Specialists' Spartakiad took place on May 30, 2015 in Petrodvorets jointly with Red Star, inter-regional youth military patriotic organization. Over 200 people competed in martial arts.

150

SPORTING EVENTS

6.3.1.2. Non-Government Pension Plan

The Non-Government Pension Plan for PJSC IDGC of the North-West employees (hereinafter, the Plan) for 2015 was approved by the resolution of the Company's Board of Directors on December 17, 2014.
The main goal of the Plan is to ensure decent life for Company's employees after their retirement and to provide conditions for efficient decision-making on different HR matters including optimization of administrative and management headcount, reduction of personnel turnover, and retention of employees in the energy sector. During 2015, the Company continued to cooperate with the Non-Government Electricity Pension Fund (hereinafter, the Electricity NGF) on the implementation of non-government pension plans for its employees in the following three areas:

- Corporate Plan (financed by the Company), including the "Maintenance" Programme;
- Parity Plan (financed by the Company and Employee);
- Co-Financing Plan (financed by Company, Employee, and government).

The Company implemented its Co-Financing Programme under the 2015 Plan in accordance with Federal Law No. 56-FZ dated April 30, 2008 on Additional insurance contributions to the funded component of retirement pension and state support of pension accumulation covering 407 employees.

During 2015, a total of 3,582 retired employees received non-government pension. The amount payable primarily depends on the employee's base salary, service record in the energy sector, and any national, industry-wide and corporate awards. Understanding the importance of financial support of its employees after retirement, Company management finds different opportunities to finance non-government support plans every year although these costs are not included in power network tariffs by regional tariff regulation authorities.

6.3.1.3. Support of retired employees

The Company's social responsibility outlined in the Collective Bargaining Agreement stipulates financial support for former employees of PJSC IDGC of the North-West. In the reporting year, they received a lumpsum amount before the Victory Day, Day for Older Persons, and personal anniversaries, in situations of extreme need. The relatives of former employees with a long service record also received a compensation of funeral costs.

Additionally to financial support for unemployed retired people, every Company branch held different cultural events. In order to activate social and public support for the veterans of the energy sector, based on the General Director's order, corporate Days for Older Persons – long-service employees of PJSC IDGC of the North-West were held in the Company every 30th day of the last month of a quarter. The Company has a Coordination Veterans' Council of PJSC IDGC of the North-West. Long-service employees eagerly meet young people, take part in different events hosted by the Company (historical and memorial campaigns, corporate mentorship movement, development of professional dynasty succession, creation of corporate museums

and history rooms, maintenance of historical chronicles and information, etc.).

Company employees took part in the official events dedicated to the celebration of the 70th anniversary of the victory in the Great Patriotic War and 71st anniversary of lifting the Siege of Leningrad. All branches held themed night - meetings between war veterans and students.

6.3.2. University relations

The Company interacts with key higher and secondary vocational educational institutions regarding research cooperation, internships for students majoring in energy-related fields, placing the Company managers as mentors and research leaders for students and on examination boards.

Given the priority of education for the Company employees in the regions where the Company's branches are situated, regular cooperation with universities and colleges was in progress to train human resources and improve their qualifications under the courses specifically customized for the electric grid sector.

The Company regularly cooperates with about 40 higher, secondary, and additional vocation education institutions , including the St. Petersburg Polytechnical University, St. Petersburg State Agricultural University, Lomonosov Northern (Arctic) Federal University, Pskov Agrotechnical College, and Petersburg Energy Institute of Professional Development. The main areas of cooperation for Kolenergo Branch are internships, professional onboarding, and targeted HR training projects.

In 2015, Vologdaenergo, Komienergo, Novgorodenergo, and Pskoenergo branches organized five Student construction gangs, including 109 students studying at profession-oriented educational institutions of the Northwest region. Members of student construction gangs were engaged in civil construction at the Company's branches and paperwork.

In 2015, cooperation agreements with colleges and universities resulted in:

- internship of six postgraduate students and faculty staff;
- targeted training of 77 people;
- work experience trainings (educational, practical, pre-graduation) at the branches for 228 students;
- employment of 16 graduates.

228 students

PAST WORK EXPERIENCE TRAININGS (EDUCATIONAL, PRACTICAL, PRE-GRADUATION) AT THE BRANCHES

6.3.3. Other projects

In the reporting year, the Company held 135 themed social functions and over 40 tours for its employees covering over 14,000 people, as well as 32 exhibitions of energy specialists' and their children's art works.

Over 300 events were held to recruit and retain young talents in the electric grids sector. These events were attended by more than 2,000 students in the region and young employees of the Company.

About 90 events were held for the members of the Veterans' Council of the Company's head office and branches joining over 4,000 people, including veterans of war.

The Company organized 60 themed events dedicated to important national dates. These included participation of thousands of the Company's employees in official events celebrating the 70th anniversary of the victory in the Great Patriotic War in 7 PJSC IDGC of the North-West operations regions. Commemoration events and veteran victory parades were held in major regional centers and remote settlements where energy specialists work.

The veterans of the Great Patriotic War were honored guests of the Immortal Regiment hosted by the Kolenergo Branch. The branch veterans also visited the memorial sites in the hero city of Murmansk, such as Memorial to Defenders of the Soviet Arctic, the 6th Heroic Troop monument, and the monument to the Soviet Hero Anatoly Bredov. An official jubilee medal award ceremony (70th Anniversary of the Victory to the Great Patriotic war of 1941–1945) took place in Murmashi. The medals were distributed among former Kolenergo employees who were GPW veterans, war workers, and residents of the besieged Leningrad.

A total of 805 events were held in 2015 to further develop the Company's corporate culture. The outreach was over 37,000 people.

The Company's Youth Council initiated and was actively involved in electrical safety lessons in foster homes and council members held New Year parties for children in foster care.

Being a socially responsible company, PJSC IDGC of the North-West also implemented charity projects aimed to support and develop cultural-educational and sports activities for the community in Company's operations regions.

6.4. ENVIRONMENT PROTECTION

Goals of the Environmental Policy of PJSC IDGC of the North-West are:

- *to reduce charges for adverse environmental impacts;*
- *to improve corporate social responsibility.*

In order to be more environmentally sustainable, by preserving, restoring, and ensuring sustainable use of natural resources, in 2015, the Company approved the Environmental Policy of PJSC IDGC of the North-West for 2016 to 2018 and developed, updated, and enacted the following documents:

1. Environmental action plans for 2016.
2. Waste of hazard class 1 to 4 handling rules.
3. Administrative regulatory documents (orders and official instructions) pertaining to environmental safety.

The environmental priorities of PJSC IDGC of the North-West under the approved Environmental Policy Implementation Plan include the reduction of adverse environmental impact and assessment of environmental efforts for improvement.

The main environmental objectives of PJSC IDGC of the North-West are:

- prevention of land pollution with transformer oil through timely repairs and rebuild of oil headers, oil pipes, and emergency oil traps;
- development and approval of sanitary protection zone designs for artesian wells used for water supply to branch facilities;
- arrangement of temporary waste accumulation sites;
- implementation of the replacement and utilization plan for the equipment containing polychlorinated biphenls (PBCs);
- control over contractor compliance with the environmental requirements at the Company's facilities.

The Company’s strategic environmental objectives for a period of up to 2016 is improvement of the environmental management system, environmental audits for integrated assessment of environmental efforts, and development of related improvement actions.

6.4.1. Environmental impact

ENVIRONMENTAL RESULTS

	UOM.	2011	2012	2013	2014	2015
Gross pollutant emissions, including:	tons	358.60	377.34	352.98	350.85	371.77
solids, including:	tons	10.66	15.17	15.01	15.74	16.17
furnace bottom ash	tons	0.37	–	–	–	–
gases and liquids, including:	tons	347.94	357.17	337.97	335.11	355.60
sulfur dioxide	tons	21.87	22.27	27.81	28.92	29.93
carbon oxide	tons	127.22	131.97	113.86	121.36	122.65
nitrogen oxides (as NO2)	tons	145.88	144.26	142.09	138.35	151.46
hydrocarbons (without VOC)	tons	4.41	5.02	3.40	1.15	0.68
volatile organic compounds (VOC)	tons	43.94	47.23	45.27	45.31	50.86
benzapyrene	tons	0.00003	–	0.000012	0.000012	0.000002
Amount of pollutants trapped and decontaminated, including:	tons	5.32	4.54	4.54	11.13	11.13
solids	tons	5.32	4.54	4.54	11.13	11.13
Water intake and making, including:	thousand m^3	245.50	206.31	212.93	197.31	185.10
from surface sources	thousand m^3	65.74	23.19	22.55	23.07	19.91
from ground sources	thousand m^3	48.32	43.81	41.91	45.70	42.56
from other sources	thousand m^3	131.43	139.31	148.46	128.53	122.62

CHANGES IN INDUSTRIAL WASTE GENERATION, TONS

Waste hazard class	2011	2012	2013	2014	2015
Class 1	8.15	6.89	6.28	7.97	5.66
Class 2	17.79	19.57	8.16	12.21	12.20
Class 3	163.41	624.30	189.49	260.57	149.23
Class 4	6,363.14	7,386.39	4,948.99	4,718.40	4,427.47
Class 5	2,789.16	3,117.90	2,863.85	3,347.55	3,160.08
Total	9,341.65	11,155.05	8,016.77	8,346.70	7,754.65

Major emissions are from diesel power plants.

Major water consumption was for household and drinking needs (65%), industrial needs - 35%.

Waste generation was observed to decrease in 2015 as compared to the previous years, mainly for the waste of hazard classes 4 and 5.

The branches of PJSC IDGC of the North-West develop environmental projects on an annual basis. A focus is on collection and transfer waste of hazard class 1 to 4 to specialized companies licensed for waste decontamination and disposal. Completed activities are monitored on an ongoing basis.

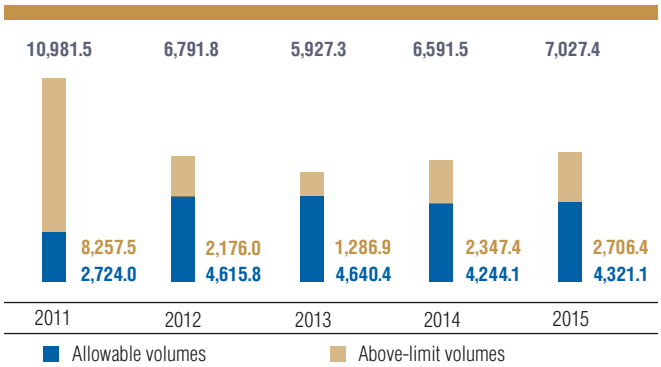
6.4.2. Charges for adverse environmental impact

Charges for adverse environmental impacts were observed to increase in 2015 by RUB 435.93 thousand as compared to 2014 due to an increase in above-limit payments.

Above-limit payments for negative environmental impacts were caused by:

- Exceeded air pollutant limits at Mezenskaya Diesel Power Plant (MDPP) due to nitrogen dioxide emissions being many times above the allowable limits. An increase in established emissions limits stipulates a twenty-five-fold increase in adverse environmental charges;
- Exceeded waste disposal limits. Changes in legislation involve difficulties with obtaining waste disposal limits. If they are not received, a five-fold adverse environmental impact fee (for waste disposal) is charged. Furthermore, developed draft waste generation standards are not approved if industrial sites have no agreements for waste disposal at the facilities included in the State Register of Waste Disposal Facilities (SRWDF).

CHANGES IN PAYMENTS FOR NEGATIVE ENVIRONMENTAL IMPACTS, RUB THOUSAND



6.4.3. Environment activities

ENVIRONMENTAL COSTS, RUB THOUSAND

	2011	2012	2013	2014	2015
Current environmental expenses, including:	11,151.10	12,862.25	13,169.96	13,535.40	11,096.97
protection and sustainable use of water resources	5,721.80	6,598.06	5,320.47	5,042.74	3,758.72
air protection	593.50	1,010.96	1,355.32	1,358.03	1,651.75
environmental (land) protection against industrial and consumer waste	4,710.80	5,253.23	5,945.17	6,883.83	5,686.49
land reclamation	125.00	–	549.00	250.80	–

6.5. ENERGY SAVING AND ENERGY EFFICIENCY

PJSC IDGC of the North-West has an Energy Saving and Energy Efficiency Improvement Programme for 2015 to 2019 in place.

To ensure Programme implementation, Order of PJSC IDGC of the North-West No. 147 dated March 31, 2015 on Energy Saving and Energy Efficiency Improvement Efforts in PJSC IDGC of the North-West assigned responsibility for control over Programme implementation and set task force teams for progress review. The Company's Order No. 527 dated October 08, 2013 on Energy Saving and Energy Efficiency Improvement Efforts in PJSC IDGC of the North-West set an energy saving and energy efficiency improvement team at PJSC IDGC of the North-West.

TARGETS OF THE ENERGY SAVING AND ENERGY EFFICIENCY IMPROVEMENT PROGRAMME

Indicator	UOM	2011	2012	2013	2014	2015	
						Target	Actual
Electricity losses, including:	million kWh	2,747.1	2,771.6	2,568.8	2,547.1	2,649.9	2,520.3
	% vs FA	6.4	6.4	6.3	6.4	6.8	6.4
spending to satisfy substation needs	million kWh	90.6	95.7	89.9	82.5	100.1	74.6
Consumption of resources for process needs, including by type of resources	RUB million	323.7	312.4	323.3	317.9	760.7	650.7
fuel and energy, including:	thousand fte	20.2	20.4	19.9	19.5	19.5	18.1
	RUB million	323.7	307.5	318.4	313.3	368.9	263.5
	fet per m2 of area	0.04	0.04	0.04	0.04	0.04	0.03
electricity	million kWh	90.4	92.0	91.3	88.9	86.3	81.6
	RUB million	247.8	234.9	242.7	232.5	271.8	182.6
heat	Gcal	60,469.5	59,859.3	57,523.5	56,793.9	58,490.0	53,432.5
	RUB million	68.9	70.2	73.4	78.2	93.9	78.4
gas	thousand m^3	604.8	701.6	596.7	570.6	666.4	560.2
	RUB million	1.9	2.4	2.4	2.6	3.2	2.5
motor fuel	thousand fte	–	–	15.3	15.4	15.4	15.4
	RUB million	–	–	357.1	374.9	385.3	382.7
hot water	thousand m^3	20.8	143.0	14.2	13.5	13.1	12.0
	Gcal	551.3	558.5	501.2	479.1	–	–
	RUB million	1.4	1.1	0.9	0.8	0.8	0.2
cold water	thousand m^3	223.0	223.5	185.1	152.5	197.7	141.2
	RUB million	3.8	3.8	4.0	3.8	5.7	4.3
Up-to-date meters for REM	%	27.3	26.0	26.9	27.1	–	–

The Programme consists of sections, targeted sub-programmes (actions) and auxiliary actions which are subdivided into actions aimed at reducing electricity losses in transmission and distribution and reducing energy consumption at industrial and domestic sites and subdivided into organizational and technical actions.

PROCESS AND ECONOMIC EFFECT FROM THE IMPLEMENTATION OF ENERGY SAVING ACTIONS

Action	UOM	2011		2012		2013		2014		2015	
		physical units	RUB mln	physical units.	RUB mln	physical units	RUB mln	physical units	RUB mln	physical units.	RUB mln
Programme, total	million kWh	69.5	130.3	61.0	127.	107.1	290.4	72.1	245.6	66.5	252.9
Targeted programmes / actions (financed under the Programme)	million kWh	58.4	111.2	44.1	94.7	47.2	139.4	49.4	169.3	56.9	224.3
Targeted energy losses reduction actions	million kWh	58.4	108.4	44.1	89.5	47.2	136.5	49.5	168.8	57.0	213.0
Organizational actions	million kWh	55.9	104.8	43.9	89.2	46.8	135.9	49.2	168.4	54.7	208.1
Technical actions	million kWh	2.5	3.6	0.2	0.3	0.4	0.6	0.26	0.4	2.3	4.9
Targeted actions aimed at reducing energy resources consumption by businesses	tfe	453.4	2.7	642.6	5.2	401.7	2.8	88.6	0.5	214.2	5.0
Actions aimed at reducing motor fuel consumption by vehicles and special machinery	thousand L	–	–	–	–	–	–	–	–	158.5	6.3
Non-targeted programmes / actions (that have direct or indirect impacts on targets and are financed under programmes)	million kWh	11.1	19.1	16.9	32.4	59.9	151.0	22.7	76.3	9.6	28.6
Accounting development	million kWh	5.9	12.5	11.3	26.1	50.7	134.0	19.0	69.3	8.2	25.3
Retrofitting and upgrading Programme	million kWh	5.2	6.6	5.0	5.4	8.0	14.6	3.3	6.3	0.5	1.3
Repair Programme	million kWh	–	–	0.6	0.9	0.6	1.2	0.4	0.7	0.9	2.0
Programme of long-term development of the distribution grid	million kWh	0.001	0.002	–	–	0.6	1.2	–	–	–	–
Non-targeted process needs	tfe	–	–	3.8	0.03	1.6	0.2	2.6	0.02	–	–

The targeted actions aimed at reducing energy (including electricity) and/or water consumption by at least 15% of the annual consumption of the resource with a 80% return on investment over five years for energy and/or water consumption for business and domestic needs and a payback period of no more than ten years for the actions aimed at reducing electricity losses in transmission and distribution.

Auxiliary actions aimed at optimizing consumption of resources for business and domestic needs and actions aimed at reducing electricity losses include any efforts with positive energy efficiency that do not meet the targeted actions criteria. The annual actions aimed at identifying consumption out of contracts are considered "supporting" actions and do not impact the Company's electricity balance indicators.

Costs of implementation under the Programme amounted to: RUB 22.3 million for direct cost activities (financed through product cost); RUB 19.5 million (repair campaign); RUB 462.9 million for activities with an associated effect (investment Programme).

The overall Programme effect planned for 2015 was RUB 37.2 million kW•h and RUB 134.8 million. Based on 2015 results, the effect totalled 66.5 million kW•h and RUB 252.9 million.

In 2015 the effect from targeted actions aimed at reducing electricity losses in the Company totaled 56.9 million kW•h totally worth RUB 213.0 million (taking into account supporting actions and activities with an associated effect).

The key targeted actions supporting lower resources consumption for domestic needs include the installation of an automatic HTF temperature regulation system at heating facilities, installation of energy efficient lamps, optimized energy metering and consumption.

The comparison analysis of indicators for the Energy Saving and Energy Efficiency Increase Programme implementation in 2011 to 2015 shows that the main effect of losses reduction is achieved through identification of unrecorded electricity consumption by companies and households. The effect of maintaining the existing level of electricity losses in transmission is mainly supported by identification of out-of-contract consumption.

The overall effect increase under the Programme in 2015 was mainly driven by the actions completed in 2014 under the long-term electricity metering systems development programme with total costs of RUB 52.6 million (without VAT)

As a result of energy consumption reducing actions at industrial and domestic sites a more significant effect was achieved in 2012. Main actions completed: installation of an automatic HTF temperature regulation system at heating facilities, installation of energy efficient lamps, optimized energy metering and consumption.

66.5 million kW·h

THE ENERGY SAVING AND ENERGY EFFICIENCY IMPROVEMENT PROGRAMME EFFECT

6.6. QUALITY POLICY

The Quality Policy is one of the key quality management documents that outlines main priorities and principles of PJSC IDGC of the North-West and a basis for goal and objective setting at all management levels.

The Company's priority is to build efficient electricity distribution grids and continuously improve the quality and accessibility of its services, understanding quality as compliance with the technical requirements for electricity transmission and maintaining of a high quality customer service.

The Quality Policy was approved by the General Director and communicated to all employees of PJSC IDGC of the North-West*.

6.6.1. Reliability and quality of rendered services

RELIABILITY AND SERVICE QUALITY INDICATORS

Branch	Indicator	2015		Total reliability and service quality level, Ktot
		Target	Actual	
Arkhenergo	reliability level	0.0967	0.0345	0.65
	quality level	0.8975	0.7738	
	quality level of grid connections	1.53	1.09	
Vologdaenergo	reliability level	0.0622	0.0296	0.65
	quality level	0.8975	0.8890	
	quality level of grid connections	1.32	1.05	
Karelenergo	reliability level	0.2710	0.0459	0.65
	quality level	1.0102	0.9742	
	quality level of grid connections	not established		
Kolenergo	reliability level	0.0431	0.0426	0
	quality level	0.8975	1.0000	
	quality level of grid connections	1.52	1.08	
Komienergo	reliability level	0.0311	0.0310	0
	quality level	0.8975	0.8440	
	quality level of grid connections	1.19	1.03	
Novgorodenergo	reliability level	0.2400	0.1820	0
	quality level	1.0172	0.9631	
	quality level of grid connections	not established		
Pskovenergo	reliability level	0.0930	0.0672	0
	quality level	1.0172	1.0214	
	quality level of grid connections	not established		

* The Quality Policy of PJSC IDGC of the North-West is published on the Company's website at http://www.mrsksevzap.ru/policyquality.

6.6.2. Trends of technological disturbances

Indicators	2011	2012	2013	2014	2015	Variance in 2015/2014,%
Per unit accident rate	6.79	11.43	13.05	9.82	6.77	–31.0
Electricity undersupply, thousand kW•h	2,344.8	2,456.9	6,337.6	5,249.18	3,240.38	–38.3
Electricity interruption, hours	11,977.3	104,666.9	76,534.4	27,894.03	26,229.13	–6.0
Financial damage, RUB thousand	48,313.2	46,679.0	70,367.2	67,514.24	59,071.89	–12.5

Based on the analysis of technological disturbances in 6kW or higher voltage grids of PJSC IDGC of the North-West in the reporting period, overall improvement of reliability was observed in 2015 as compared to 2014.

Most technological disturbances in 2015 were caused by exposure to recurring disasters (47%), trees falling on HVLs (23%) and worn-out (broken) insulation (14%).

6.6.3. Improvement of electricity supply reliability

The uniqueness of the climate in the Northwest of Russia is determined by the specific geography in high latitudes and north to south and west to east extension of the federal district.

The following natural disasters can occur in the Northwest of Russia:

- hurricanes (storms);
- low winter temperatures, snowfalls with sleet sticking to electricity transmission lines;
- spring high water (area flooding during the high water period);
- wildfires.

In 2015, the Company did not have any technogenic or natural emergencies and no disasters occurred in 2015 in the spring high water period. From May through September 2015, thunderstorms were reported in the Vologda, Pskov, and Novgorod Regions, and the Republic of Karelia. Wind outbursts exceeded 20m/s which resulted in complex technological disturbances. These disturbances were remedied by the Company's field emergency repair crews and the Company's contractors within an established period of time.

Taking into account the geography of the region, forests, and climate conditions in spring-summer period, wildfires represent a hazard in the area serviced by the Company: mainly in the Arkhangelsk, Vologda, Pskov, and Novgorod Regions, as well as in the Republic of Karelia, and hard-to access districts. Taking into account the unstable situation in the constituent entities of the region, urgent additional preventive measures are taken to prevent and respond to wildfires.

Significant wear and tear of the Company's and territorial grid organizations' electric grid equipment in areas serviced by the Company is a real threat to a stable power supply to industrial sites and households.

In order to minimize a potential damage from natural and technological hazards the Company conducts trainings in personnel preventive and response measures dealing with accidents and emergencies. For this purpose, the Company:

- sets up and maintains Headquarters that have experience in developing and

making decisions in case of power supply disturbance, etc., as well as powers and authority sufficient to engage necessary resources.

- a total of 37 mobile crews are set up and ready to act in order to ensure interaction between the branches, the PJSC ROSSETI's subsidiaries, and PJSC FGC UES's branches, plus 66 mobile teams intended to align interaction between the operations units of the Company's branches.
- mobile team manning standards and standards for the provision of vehicles, tools, gear, communications and funds to a mobile team are outlined.
- a procedure and timeframe are determined for gathering and dispatching a mobile team to a specific area for emergency response.
- mobile crews and gear are placed based on the possibility of fast arrival (delivery) to the work site and availability to start emergency response within no more than two hours after an event.

A redundant power supply sources (RPS) reserve was formed and made available (209 units). Redundant power supply sources are ready to use and placed to make their fastest delivery to the site possible.

A total of 47 contracts (agreements) on cooperation during challenging technological disturbances response operations were signed with contractors.

Preparation of emergency rescue and mobile team leaders is performed in the course of joint drills with Regional power supply security headquarters, territorial executive authorities, local governments, utilities, divisions of Ministry of emergency situation, Ministry of internal affairs, Ministry of Defense, as well as contractors and consumers. A total of 20 drills were conducted.

MOBILE TEAMS RESPONSIBLE FOR INTERACTION BETWEEN THE BRANCHES, PJSC ROSSETI'S SUBSIDIARIES, AND PJSC FGC UES'S BRANCHES

Branch/IDGC	Mobile teams		
	Number of teams	Headcount (people)	Machinery (units)
Arkhenergo	7	49	21
Vologdaenergo	5	28	15
Karelenergo	6	30	10
Kolenergo	4	20	8
Komienergo	3	26	13
Novgorodenergo	7	33	13
Pskovenergo	5	37	18
IDGC of the North-West	37	223	98

MOBILE TEAMS RESPONSIBLE FOR INTERACTION BETWEEN THE OPERATIONS UNITS OF THE COMPANY'S BRANCHES

Branch/IDGC	Mobile teams		
	Number of teams	Headcount (people)	Machinery (units)
Arkhenergo	17	124	45
Vologdaenergo	10	60	31
Karelenergo	6	30	12
Kolenergo	6	33	11
Komienergo	6	51	17
Novgorodenergo	13	53	14
Pskovenergo	8	46	14
IDGC of the North-West	66	397	144

MOBILE LIGHTING UNITS (LIGHTING TOWERS) AT THE COMPANY

Branch/IDGC	Mobile lighting units (lighting towers), units
Arkhenergo	2
Vologdaenergo	6
Karelenergo	4
Kolenergo	5
Komienergo	14
Novgorodenergo	8
Pskovenergo	18
IDGC of the North-West	57

During drills and exercises, Company management demonstrated excellent professional competencies when developing materials and making justified emergency response decisions. Non-professional emergency response teams (NERT) are available and capable of emergency response.

The Company set a material and technical base with warehouses, storages, open platforms, tanks that satisfy the Company's needs and are sufficient to accept, stack, and store resources, and respond to emergencies.

The Company implements actions to prevent emergencies and technological disturbances, including:

- monitoring of grid conditions and forecasting complicated technological disturbances, emergencies and accidents;
- regular analysis of emergencies and large-scale technological disturbances to identify their possible causes and development;
- prevention of certain unfavo rable and dangerous natural phenomena to the extent possible through regular reduction of their destructive potential (icing, accumulation of snow before electrical towers on slopes, etc.);
- regular improvement of the technological process safety and operational reliability of equipment;
- development and implementation of engineering and technical measures (creation of a required stock of spare parts and inventories, preparation of machinery, etc.);
- exercises, drills, and trainings;
- comprehensive interaction with all entities of the electric power industry;
- scheduled and random audits and examination of equipment, including standby equipment;
- timely recovery of damaged equipment;
- equipping and training of emergency response teams to reduce time from notification to gathering, support of technological disturbance response within the time stipulated by PJSC ROSSETI requirements.

The Company has actions in place that will minimize the risk of emergencies and large-scale technological disturbances at electric grids and reduce the response time. Operating divisions' and distribution zones' emergency repair data sheets are generated and updated on a regular basis.

JOINT DRILLS IN EMERGENCY ACTIONS, 2015

Branch/IDGC	Number of joint drills according to the schedule, activities	
	Target	Actual
Arkhenergo	3	3
Vologdaenergo	3	3
Karelenergo	3	3
Kolenergo	3	3
Komienergo	3	3
Novgorodenergo	3	3
Pskovenergo	2	2
Total: IDGC of the North-West	20	20

REDUNDANT POWER SUPPLY SOURCES AT THE COMPANY

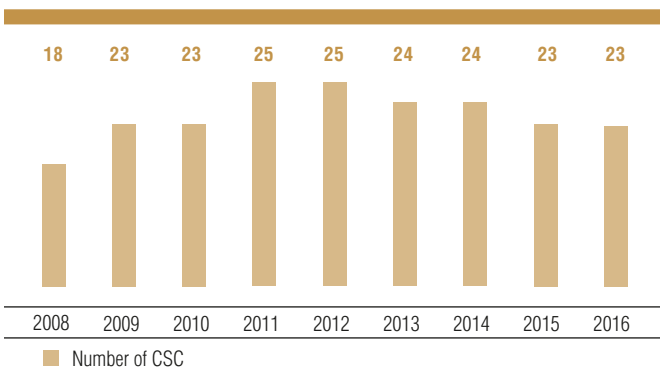
Branch/IDGC	RPS to 30kW		RPS above 30kW		RPS, total	
	quantity units	power, kW	quantity units	power, kW	quantity units	power, kW
Arkhenergo	11	84	10	1,320	21	1,404
Vologdaenergo	23	263	6	358	29	621
Karelenergo	21	116	6	480	27	596
Kolenergo	0	0	6	1,780	6	1,780
Komienergo	12	170	50	31,230	62	31,400
Novgorodenergo	16	151	6	900	22	1,051
Pskovenergo	29	219	13	1,699	42	1,918
IDGC of the North-West	112	1,003	97	37,767	209	38,770

6.6.4. Consumer relations

One of the strategic areas for IDGC of the North-West is the improvement of service quality. Customer-focus is one of key metrics of the Company's efficient management system. The objective for comprehensive servicing of consumers and implementation of Common servic e and communication standards can be met using face-to-face and distance communication tools.

Face-to-face services are provided in customer service centers of PJSC IDGC of the North-West. The Company has 23 customer service offices employing 60 people in seven branches. Moreover, 134 specialists handle consumers at the operating divisions and distribution zones. Any consumer may receive a consultation by a specialist on grid connection, quality, electricity supply, submit a claim or a grid connection request, a request for signing an electricity transmission agreement or additional paid services.

OPENING OF CUSTOMER SERVICE CENTERS AT IDGC OF THE NORTH-WEST



Functions of face-to-face customer service offices are the following:

- registration, processing, and support of consumer requests for grid connection agreements or additional paid services;
- ongoing interaction with customers to improve service quality, create maximum comfortable conditions for consumers;
- acceptance, recording, and analysis of customer claims and complaints and differences settlement.

Distance customer services involve telephone communication and interactive communication channels.

In 2011, the Company launched its "hotline" for consumers, Light On Hotline. The common 24-hour Hotline telephone number is 8-800-333-02-52. Additional consumer hotline telephone numbers are available in all branches. Hotline telephone numbers are included in all regional directories and in the Directory of hotlines and on-duty service contacts in Russian constituent entities.

The Company published information on all of its services on its website, where it also provides a feedback option for contacts, claims, and proposals, forms for submitting grid connection and additional paid service requests. The Client Zone is a mean of following up grid connection request progress.

The Company monitors and examines its service quality based on customer information, including information from consumer questionnaire responses, to ensure consistent customer opinion survey.

The visitors of face-to-face customer service points or those contacting an Operating division (REG) employee are requested to independently fill in the questionnaire to assess the quality and time of service, attitude and professionalism of the Company's personnel, completeness and availability of information on the Company's website and in the office, convenience of location and opening time of the office. Visitors are also provided with an opportunity of writing down their expectations and claims and specifying the most convenient channel of communication with the Company. Customers may hand over their filled questionnaires to an office employee, place it in a client box, or send by mail.

Questionnaire information is consolidated quarterly by the Customer Relations Department to analyze and develop proposals aimed to improve the customer service and eliminate any identified deficiencies.

The review of the information from questionnaires allows to identify weaknesses in customer relations which shall be taken into account when drawing up field inspection plans to assess the performance of customer service units in branches.

Throughout 2015, a total of 2,994 Company customers filled in these questionnaires, with 73% being individuals. 86% of all respondents requested grid connection services, 10% of respondents requested additional charged services, and 5% of customers had concerns about electricity metering and energy saving.

Most of the Company's customers remained highly satisfied with the professionalism and friendliness of personnel, the overall ratings across the Company were 4.76 and 4.83 points on a five-point scale, respectively. None of the respondents evaluated professionalism and friendliness of personnel below 4 points.

About 10% of the respondents were not really satisfied with the time of response and transparency of the service process. They commented on time- and effort-consuming paperwork for non-specialists.

Final ratings of time and transparency of the service process across the Company were 4.68 and 4.66 points, respectively.

Only 19% of the respondents were dissatisfied with the location or opening hours of face-to-face service offices, while the overall rating for that parameter was 4.2 points.

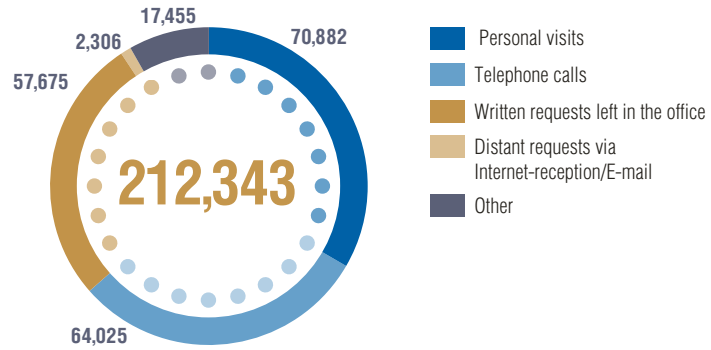
The Company's customers still inactively use Internet resources: only 11% of all respondents found that channel of communication to be convenient. Telephone communications were chosen by 48% of the respondents and 73% of the respondents personally visit customer service centers (clients could choose more than one channel of communications), while only 9% would prefer mail correspondence.

Still, solely 35% of all respondents know the Company's website and most of them (87%) are satisfied with the information published on the website and consider it convenient for users.

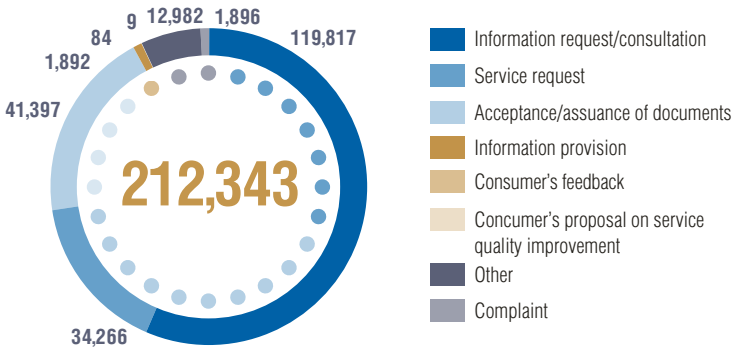
The Company aims at promoting its Internet Reception as the key information platform for all operations of the Company, submission of requests / calls for grid connections, etc.

A total of 119,817 calls (56%) received by the Company in 2015 are information requests, 34,266 calls are consumer requests with 25,737 being grid connection requests. A total of 41,387 consumers asked about document submission/receipt.

DISTRIBUTION OF CALLS IN 2015 DISTRIBUTED ACROSS COMMUNICATION CHANNELS



DISTRIBUTION OF CALLS IN 2015 BY CATEGORY



In 2015, PJSC IDGC of the North-West received 1,896 complaints with 1,216 (64%) of them found to be well-grounded. Most of these complaints were about technological connection of the applicant's facilities to the Company's grids (55%) and electricity transmission services, including electricity quality (23%). Out of 1,040 grid connection related complaints, 847 complaints were found to be well-grounded (81.4% of all related complaints received). Out of 439 complaints pertaining to the electricity transmission services, 159 complaints were found to be well-grounded (36% of related complaints received).

Additionally to services related to its core operations, PJSC IDGC of the North-West renders additional charged services included in a List of Additional Charged Services approved for each branch.

In 2015, the cost of additional services provided by the Company was RUB 611,938.74 thousand under 6,647 requests.

The "Dial 8-800 and Connect to Grids in the Comfort of Your Home" project was fully implemented at all of the Company's branches in 2015. It involves acceptance of grid connection requests over common telephone number 8-800-333-02-52 and the "turnkey" grid connection service.

The Additional Services portal was launched in the Internet Reception.

Automation of the main grid connection processes was improved. It includes the updates of reporting forms and information recording processes in the Additional Charged Services system and improvement of the Request and Complaint Recording system.

Over hundred services are offered there. These services are out of the Company's core scope of operations but at the client's request they can be rendered additionally by the Company's energy specialists. National standards and regulations are strictly followed at all stages.

Plans for 2016 include:

- alignment of the consumer service system with the requirements of the Company's Standard, STo 01.B1.03-2015, Consumer Service Quality Standards at IDGC of the North-West;
- implementation of the SMS-notification to notify applicants about key grid connection stages.

6.7. RESPONSIBLE BUSINESS PRACTICE

Large-scale changes in anti-corruption laws and organizational changes in the electric grid sector required PJSC ROSSETI to develop a uniform strategic document in 2013 - the Anti-corruption Policy for PJSC ROSSETI and Its Subsidiaries (hereinafter, the Anti-corruption Policy) which sets out the common approach to the requirements of article 13.3 of the Federal Law No. 273-FZ dated December 25, 2008 on Counteracting Corruption . They pertain to the responsibilities of PJSC IDGC of the North-West to develop and take anti-corruption measures: identify and eliminate corruption causes (corruption prevention); identify, prevent, and combat corruption-related or other violations of laws, including those stipulated by article 19.28 of the Administrative Offenses Code of the Russian Federation, "Liability for illegal payments on behalf of a legal entity".

6.7.1. Anti-corruption policy

The Anti-corruption Policy is the main anti-corruption document of IDGC of the North-West which outlines interrelated principles, procedures, and actions stipulated by the Recommended Guidelines on Measures Developed and Approved by Organizations to Prevent and Combat Corruption, formulated and approved by the Ministry of Labor and Social Protection of the Russian Federation on November 08, 2013.

The Company performs anti-corruption monitoring of actions under the Company's Anti-corruption Policy, identified cases of corruption and methods to handle them.

The key areas for anti-corruption monitoring are as follows:

- review of the staff opinion on corrupti on in the Company and effectiveness of taken anti-corruption measures;
- review of the implementation of anti-corruption measures stipulated by orders and instructions of thevCompany;
- review and analysis of the statistics reports on any cases of corruption identified in the Company;
- review of complaints from individuals and legal entities on cases of corruption in the Company;
- review and analysis of measures taken in the Company to combat corruption;
- analysis of publications about corruption in the Company in mass media.

PJSC IDGC of the North-West focuses on prevention of corruption and other non-compliance with the law. The Company developed measures aimed at identifying and eliminating cases for corruption:

- created and improved the Anti-Corruption Policy section on the Company's official website;
- publishes information on implementation of the Anti-Corruption Policy in corporate periodicals;
- performs anti-corruption expert review of orders and instructions and their drafts;
- organized and exercises internal control;
- sets competency and expertise requirements for any applicants for vacant positions at PJSC IDGC of the North-West, performs duly checks of the personal data submitted by the applicants.

In May 2015, PJSC IDGC of the North-West joined the Anti-Corruption Charter of the Russian Business. The Company

thus demonstrated its willingness to meet international and Russian anti-corruption laws and regulations, ethical standards of open and honest business practices.

The Anti-Corruption Charter of the Russian Business was developed by the Chamber of Industry and Commerce of the Russian Federation, Russian Union of Industrialists and Entrepreneurs, OPORA Of RUSSIA All-Russia Public SME Organization, and Delovaya Rossija, All-Russia Public Organization.

When assessing the trustworthiness of partners and contractors, the Company takes into account their anti-corruption status during business operations, including any anti-corruption programmes. Compliance with the anti-corruption principles is considered an important factor when entering into contracts, including the possibility of terminating any agreements if the anti-corruption principles are violated.

PJSC IDGC of the North-West developed and implemented a uniform mechanism for information check of the contractors' ownership chain, including their beneficiaries (including end beneficiaries), handling of personal data when disclosing information on the ownership chain by contractors, compliance with the anti-corruption standards when purchasing, and conflict of interest management system.

In 2015, the employees of security units organized and performed 164 business audits with a total prevented damage of RUB 16.9 million. As a result, actions were taken against 292 Company employees, and employment was terminated with 17 of them, administrative sanctions were imposed on 105 employees, and 217 employees were deprived of a bonus.

In 2015, the security units continued to audit the bidding procedure, check bidders and potential winners, identify cases of affiliation, lobbying, and conflicts of interest. Potential contractors were checked in the bidding process to identify affiliation, 547 out of 4,582 potential contractors were found to be unsuitable. A total of 4,089 employees and their family members were checked for affiliation with the Company's contractors and three of them were found to be affiliated.

A total of 841 candidates for vacant positions were checked to identify any personal interests or relationships with contractors and 42 unfavorable opinions were given. A total of 5,418 conflict of interest declarations were checked. Employees of branch security departments identified seven violations in completion of declarations although no conflicts of interest were found.

6.7.2. Purchasing

The purpose of PJSC IDGC of the North-West's Regulated Procurement Policy is to establish uniform approach to th e implementation of the Regulations on Procurement of Goods, Works, and Services for the Company, organization and coordination of procurement and purchasing in accordance with Russian legislation and internal orders and regulations.

The Company's purchasing activity in 2015 was in line with the Regulations on Procurement of Goods, Works, and Services for PJSC IDGC of the North-West (hereinafter, the Regulations). Its new version was approved by the Board of Directors on July 22, 2013 with the amendments approved by the Board of Directors in 2015.

The Company approved the Uniform Purchasing Standard of PJSC ROSSETI (the Purchasing Regulations) as its internal document. All purchasing documents, including all protocols made in the course of purchasing activities and all amendments made to the documents are published on the Company's official website and on the website of the Government of the Ru ssian Federation http://www.zakupki.gov.ru.

The Regulations for the standing Central Tender Committee of PJSC IDGC of the North-West (hereinafter, CTC) was approved by the Board of Directors in 2008. CTC is responsible for the development and implementation of the uniform policy for purchasing goods, works and services for the Company, takes decisions on product purchasing, and ensures coordination and control over purchasing to satisfy the Company's needs. CTC members are approved by the Board of Directors.

Purchasing control:

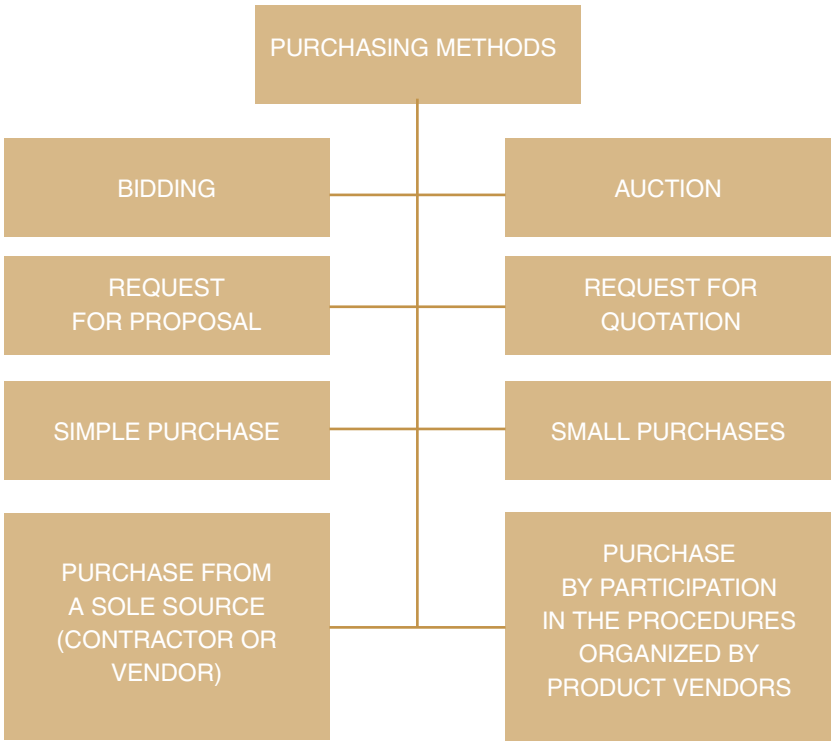
- based on the systemic approach which means the existence of regulations, purchasing management and control, trained purchasing human resources and a well-balanced purchasing infrastructure at the Company;
- ensures compliance with common corporate purchasing rules;
- involves mandatory procedures to be implemented by the Company's employees in every purchasing process worth more than the set limit (such procedures may also apply to smaller purchases if reasonable);
- control over the scope of authority and responsibility of purchasing employees.

The Logistics and Procurement Department is responsible for planning and ongoing control over purchasing at the Company. It is responsible for:

- development of documents on purchasing methodology;
- support for permanent CTC;
- purchasing procedures for the Company;
- purchasing monitoring;
- expert review of documents to meet applicable purchasing regulations;
- purchasing audit in Company branches;
- involvement in purchasing, bidding, and expert commissions and commissions of third-parties for the Company's needs;
- participation in claims handling commissions in the bidding process.

PJSC IDGC of the North-West's branches have separate structural divisions responsible for purchasing of goods, works and services.

PURCHASING METHODS

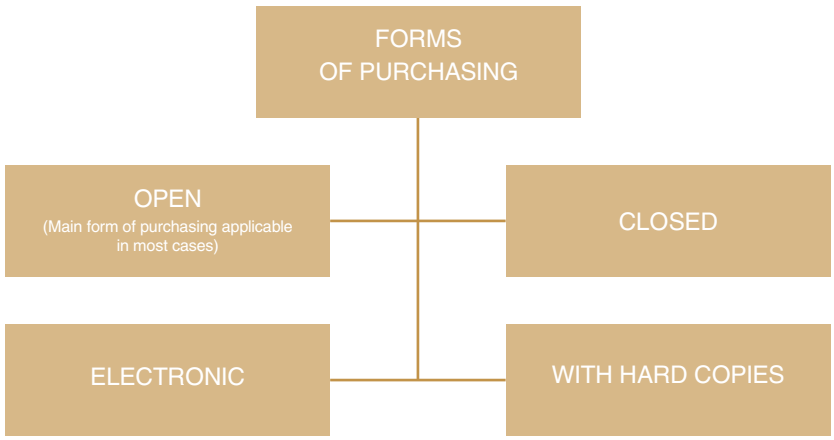


The Uniform Purchasing Standard of PJSC ROSSETI (Purchasing Regulations) stipulates the following forms of purchasing and special procedures.

The main criteria for selection of purchasing methods other than open bidding are:

- purchasing item complexity level;
- particularities of the market for purchasing product;
- purchasing costs;
- need to ensure confidentiality in the Company's interests;
- purchasing periods.

FORMS OF PURCHASING



6.7.2.1. Purchasing from small and medium businesses

The Government of the Russian Federation by Order No. 867-r dated 29 May 2013 approved an action plan involving the expansion of access for small and medium entities (SMEs) to procurement of infrastructure monopolies and state-owned companies (hereinafter, the Road Map).

As part of the Government order, the Company:

- included in purchasing documentation an additional requirement to provide bidders and subcontractors with the documents that help to classify bidders (subcontractors) as SME;
- set up a Consultative Body for ensuring effectiveness of purchases at PJSC IDGC of the North-West, including from SMEs*.
- approved the Partnership Programme between PJSC IDGC of the North-West and SMEs. It outlines measures aimed at developing and supporting reliable, highly skilled, and responsible national SME cluster (contractors and vendors) by implementing the national SME development policy through procurement. Furthermore, the Partnership Programme outlines requirements for SMEs, rules, and conditions for joining the Programme.;
- signed an Agreement on Cooperation between the Company and the Federal Corporation on Small and Medium Business Development (hereinafter, SME Corporation) on February 05, 2016. The subject of the Agreement is a cooperation between the parties to ensure access of small and medium businesses (hereinafter, SME) to purchases of goods, works, and services for PJSC IDGC of the North-West in accordance with Russian legislation;

* The members of the Consultative Body for ensuring effectiveness of purchases at PJSC IDGC of the North-West, including small and medium businesses are published on the Company's website at http://www.mrsksevzap.ru/cooperation in the Cooperation with Small and Medium Businesses (SMEs) section.

- set up a task force for cooperation between PJSC IDGC of the North-West and SME Corporation on SMEs' access to purchasing processes.

The goal of the task force is to organize cooperation between the Company and SME Corporation with following tasks:

- SMEs support;
- preparation of proposals for the Government of the Russian Federati on on purchasing from SMEs;
- organization of cooperation bet ween PJSC IDGC of the North-West and SME Corporation when evaluating or monitoring conformance of the purchasing plans for goods, works and services, innovative products, hi-tech products, drugs, changes to such plans, draft amendments to the plans, annual reports on purchasing from SMEs, annual reports on purchasing innovative products and hi-tech products from SMEs, to the requirements of Russian legislation on SME involvement in purchasing activities;
- development of joint documents by PJSC IDGC of the North-West and SME Corporation on SME involvement in purchasing of goods, works, and services.

The Company has a list of goods, works, and services purchased from SMEs published on the official website http://www.zakupki.gov.ru and at the website of PJSC IDGC of the North-West. Purchasing exclusively from SMEs involves the maximum payment period of not more than 30 calendar days after the fulfillment of contractual obligations under the agreement signed based on purchasing results .

To report on SME involvement in purchasing of goods, labor, services, the Company

As a result of Road Map implementation in the Company in 2015 purchases from SMEs amounted to RUB 6,964.2 million without VAt (60% of the annual purchases) of the total purchases worth RUB 9,782.52 million without VAT.

publishes the following updates on its official website at http://www.zakupki.gov.ru:

- number and total value of agreements signed based on results of purchasing from SMEs;
- annual report on the purchasing of goods, works and services from SMEs with its content meeting the requirements approved by Decree of the Russian Government No. 1352 dated 11 December 2014.

In November 2015, Dmitry Medvedev, Prime Minister of the Russian Federation, approved the list of 35 government companies, major customers, whose purchases were subject to government control: at least 10% of government companies purchases were reserved for small business. PJSC IDGC of the North-West was the first company from the list which obtained a favorable opinion from Federal Corporation on Small and Medium Business Development confirming the conformance of its Draft Plan of Purchasing Goods, Works, and Services for 2016 to the specified requirements.

6.7.2.2. Purchasing Improvement

In order to ensure targeted and efficient spending on funds, the Company works to improve its purchasing activities aimed at:

- development and approval of standard documentation on the purchasing of goods, works, and services for PJSC IDGC of the North-West;
- automation of purchasing;
- improvement of the qualifications of experts and employees involved in purchasing;
- preparation of summary reports and analysis of purchasing performance.

In order to increase the economic effect from purchasing, PJSC IDGC of the North-West's procurement documentations provide for rebidding auction procedure aimed at reducing price during:

- ordinary purchases, requests for proposals, competitive negotiations over a value above RUB 5 million (including VAT);
- bidding processes and auctions with a value exceeding RUB 50 million (including VAT).

In accordance with the Uniform Purchasing Standard of PJSC ROSSETI (Purchasing Regulations), the Company may use any purchasing methods involving (fully or at some stages) virtual electronic trading platforms on the Internet.

PJSC IDGC of the North-West uses the Market of Goods, Services, and Technologies for the Power Industry, information analytical and trading system (http://www.b2b-energo.ru), PJSC ROSSETI trading platform (http:// etp.rosseti.ru), e-trading system of the Stock Exchange St. Petersburg (http://www.spbex.ru) for e-commerce purposes.

E-trading was used in 2015 to make 1,339 purchases worth RUB 10,198.4 million (without VAT) to amount to 98.8% of the total purchases, or 99.7% of the total purchases in value terms (without purchases from the single source).

6.7.3. Company as a responsible taxpayer

PJSC IDGC of the North-West is a major tax payer in accordance with article 83.1 of the Tax Code of the Russian Federation. The Company is one of the major employers in the Northwest of Russia and its contribution to social and economic development is quite substantial.

As a result of its business operations, PJSC IDGC of the North-West paid RUB 6,176.7 million of taxes and other mandatory charges to all budgets (taking into account excessive payments) in 2015.

In 2015, the budgets of the constituent entities in the Northwest of Russia and local budgets received from the Company RUB 1,581.2 million, or 25.6% of its charges.

Indicator, RUB million	2011	2012	2013	2014	2015
Taxes and duties paid to budgets of all levels and off-budgetary funds	5,144.2	4,272.7	4,540.8	5,393.3	6,176.7
Federal budget	1,941.4	1,518.5	1,640.4	2,242.8	2,446.1
VAT	1,844.1	1,476.5	1,593.0	2,196.5	2,388.1
Profits tax (federal budget of the Russian Federation)	80.6	19.2	7.1	–4.5	14.3
Other taxes and duties	16.7	22.8	40.3	50.8	43.7
Regional budgets	1,587.7	1,064.4	1,027.4	1,096.9	1,574.6
Profits tax (budget of the constituent entities of the Russian Federation)	676.4	75.8	–148.4	–133.0	180.3
Personal income tax	780.5	852.9	942.1	1,004.8	1,023.5
Property tax	116.8	121.5	217.7	208.9	354.8
Transport tax	14.0	14.1	16.0	16.1	16.0
Local budgets	7.5	8.3	7.2	5.6	6.6
Land tax	7.5	8.3	7.2	5.6	6.6
Off-budgetary funds of the Russian Federation	1,595.8	1,674.5	1,859.9	2,041.3	2,142.5
Charges for adverse environmental impacts	11.8	7.1	5.9	6.7	6.6

Republic/Region	2011	2012	2013	2014	2015
Taxes and duties paid to the budgets of the constituent entities of the Russian Federation and local budgets	1,595.2	1,072.6	1,034.6	1,102.5	1,581.2
Komi Republic	358.1	262.2	216.5	250.3	338.1
Vologda Region	323.4	199.1	177.0	191.2	290.0
Arkhangelsk Region	226.2	156.1	141.4	166.9	217.0
Pskov Region	202.3	115.4	107.2	126.7	179.0
Murmansk Region	173.0	105.6	113.4	122.0	178.3
Republic of Karelia	144.0	95.6	118.5	117.4	168.0
Novgorod Region	121.0	84.5	101.8	73.8	156.6
St. Petersburg	45.1	50.2	56.9	52.7	53.3
Leningrad Region	2.1	3.9	1.9	1.4	0.7

7. REFERENCE FOR SHAREHOLDERS AND INVESTORS

1. COMPANY INFORMATION:

Full company name:	Interregional Distribution Grid Company of the North-West Public Joint Stock Company
Abbreviated company name:	PJSC IDGC of the North-West
Location:	Gatchina, Leningrad Region, Russia
Legal address:	Sobornaya street, 31, Gatchina, Leningrad Region, 188304, Russia
Postal address:	Konstituzii Square, 3, Lit. A, St. Petersburg, 196247, Russia
Telephones, fax:	Phone number: (812) 305-10-00 Fax: (812) 305-10-98
E-mail:	post@mrsksevzap.ru
Website:	www.mrsksevzap.ru
Banking details:	INN 7802312751 KPP 470550001 OGRN 1047855175785 OKPO 74824610 settlement account 40702810539000005887 in the Branch of the Operations Office of VTB Bank in St. Petersburg, St. Petersburg correspondent account 30101810200000000704 BIC 044030704

2. REGISTRAR OF PJSC IDGC OF THE NORTH-WEST

Full company name:	Registrar R.O.S.T. Joint Stock Company
Abbreviated company name:	JSC Registrar R.O.S.T.
Location:	Building 13, 18 Stromynka street, Moscow, 107996
Postal address:	Box 9, 18 Stromynka street, Moscow, 107996
Phone numbers:	+7 (495) 771-73-38, 771-73-39
Website:	http://www.rrost.com/
Bank details:	TIN 7726030449, RRC 771801001 «ING EURASIYA BANK SAO», Moscow, s/a 40702810400001002263, BIC: 044525222, c/a 30101810500000000222 in OPERU MGTU of the Bank of Russia

3. SEPARATED BRANCH OF REGISTRATOR JSC R.O.S.T. IN ST. PETERSBURG

Full name:	Joint-stock Company Registrator R.O.S.T.
Location:	Office 338, 3rd floor, 7, Vvedenskiy canal, 190013, St. Petersburg
Postal address:	Office 338, 3rd floor, 7, Vvedenskiy canal, 190013, St. Petersburg
Phone numbers:	+7 (812) 418-33-38
Website:	http://www.rrost.com/
E-mail:	rrost-spb@rrost.ru

4. AUTHORISED PERSONS OF PJSC IDGC OF THE NORTH-WEST

Full name	Position, subdivision	Phone number, e-mail
Alexey Sidorov	Leading specialist of the Property Management and Electric Grid Assets Consolidation Department of Arkhenergo branch	+7 (8182) 676-345 sidas@arhen.ru
Alexander Petrochenko	Head of the Property Management and Electric Grid Assets Consolidation Department of Vologdaenergo branch	+7 (8172) 790-268 Apetrochenko@ve.vologdaenergo.ru
Elena Sopoleva	Head of the Property Management and Electric Grid Assets Consolidation Department of Karelenergo branch	+7 (8142) 791-700 sopoleva@karelenergo.ru
Natalia Mikova	Leading specialist of the Property Management and Electric Grid Assets Consolidation Department of Komienergo branch	+7 (8212) 283-322 mikova@komienergo.ru
Elena Korolyova	Head of the Property Management and Electric Grid Assets Consolidation Department of Kolenergo branch	+7 (81553) 688-15 eakoroleva@kolenergo.ru
Irina Galkina	Head of the Property Management and Electric Grid Assets Consolidation Department of Novgorodenergo branch	+7 (8162) 984-312 ok3@novgor.elektra.ru
Elena Petrova	Deputy Head of the Property Management Department of Pskovenergo branch	+7 (8112) 597-328 pev@pskovenergo ru

Authorized persons are entitled to deliver to the Registrar e-documents from registered persons, including operations in the Shareholders' Register, generate information requests to the register, etc.

5. AUDITOR OF PJSC IDGC OF THE NORTH-WEST

Full company name:	RSM RUS Limited Liability Company
Abbreviated company name:	RSM RUS LLC
Location:	4 Pudovkina Str., 119285 Moscow
Postal address:	4 Pudovkina Str., 119285 Moscow
Telephones:	+7 (495) 705-90-90, +7 (495) 363-28-48
Website:	http://rsmrus.ru/
E-mail:	mail@rsmrus.ru

6. HOT-LINE TELEPHONE NUMBERS ON ENERGY SUPPLY ISSUES

Branch/IDGC	Hot-line	Additional number
Arkhenergo	+7 (800) 200-64-14	+7 (8182) 67-63-55
Vologdaenergo	+7 (8172) 79-02-00	—
Karelenergo	+7 (8142) 78-32-28	+7 (8142) 599-090
Kolenergo	+7 (81553) 68-353	—
Komienergo	+7 (800) 250-17-00	—
Novgorodenergo	+7 8162) 70-02-30	+7 (8162) 774-526
Pskovenergo	+7 (8112) 59-79-99	+7 (8112) 59-73-45
Executive apparatus of PJSC IDGC of the North-West	+7 (800) 332-02-52	–

7. CONTACT INFORMATION OF THE INTERACTION WITH SHAREHOLDERS AND INVESTORS DEPARTMENT

Full name	Position	Telephone, e-mail
Dmitry Akhrimenko	Head of the Corporate Governance and Shareholder Relations Department:	+7 (812) 305-10-46 dakhrimenko@mrsksevzap.ru
Lyudmila Nazarenko	Head of the Corporate Governance Division, Corporate Secretary	+7 (812) 305-10-36 nlu@mrsksevzap.ru
Vadim Abramov	Chief Specialist of the Shareholder and Investor Relations Division	+7 (812) 305-10-10 (ext. 545) abramov@mrsksevzap.ru

8. GLOSSARY

Abbreviation, definition	
ACS	Automated Control System
AIS	Automated Information Systems
BOD	Board of Directors
CMP	Cost Management Program
CPI	Consumer Price Index
CS	Consulting Services
CSC	Customer Service Center
CTC	Central Tender Committee
EBITDA	Earnings before Interest, Taxation, Depreciation & Amortization
ESC	Energy Selling Company
FERT	Freelance Emergency Rescue Teams
FGC	Federal Grid Company
GS	Guarantee supplier
HPP	Hydroelectric Power Plant
HUS	Housing and utility services
IDGC	Interregional Distribution Grid Company
IFRS	International Financial Reporting Standards
IT	Information Technologies
ITT	Information Technologies and Telecommunications
KPI	Key Performance Indicators
MICEX	Moscow Interbank Currency Exchange
MUE	Municipal Unitary Enterprise
NC	New Construction
OL	Overhead (Transmission) Line
OTM	Operations-technological management
PC	Personal Computer
PCB	Polychlorinated biphenyls
PD	Production Department
PPE	Personal Protective Equipment
PTL	Power Transmission Line
PTO	Primary trade union organization
R&D	Research and Development
RAB	Return on Invested Capital Method
RAS	Russian Accounting Standard
RC	Regulated contranct on electric energy and capacity purchase

Abbreviation, definition	
RDU	Regional Dispatcher Unit
ROE	Return on Equity
ROTA	Return on total assets
RTS	Russian Trading System
SDPP	State district power plant
SIW	Self-supporting Insulated Wire
SME	Small and medium entreprises
STC	Scientific-technical community
TGC	Territorial Generating Company
TGO	Territorial Grid Organization
TRR	Technical Re-equipment and Reconstruction
UNPG	Unified National Power Grid
VAT	Value Added Tax
VHI	Voluntary Medical Insurance
WGC	Wholesale Generating Company

Measurement Units	
A	Ampere. Electric current intensity unit
Gcal	Gigacalorie. Thermal energy unit
kV	Kilovolt. Voltage unit
kVA, MVA	kilovolt- amperes , megavolt- amperes
kW·h, MW·h	Kilowatt-hour, megawatt-hour. Electric energy unit
kW, MW	Kilowatt, megawatt. Electric active power units
km	Kilometer. Length unit

Disclaimer

This annual report of IDGC of the North-West, PJSC for 2015 (hereinafter the Annual Report) was prepared on the basis of information available to the Company at the moment of its preparation.

This Annual Report contains information on the results of the Company's activities for 2015 and estimates and forecasts of the authorized management bodies with respect to future events and/or actions, perspectives of development of the industry in which PJSC IDGC of the North-West carries out its primary activities, including the Company's plans, probability of occurrence of certain events and performance of certain actions.

Investors shall not fully rely upon the estimates and forecasts of the Company's management bodies because they present one of multiple courses of events and actual results of the Company's activities in the future may differ from the forecasted results for many reasons.

Certain statements in this Annual Report are not facts of reality but forward-looking statements. Words such as "plan", "will", "expect", "anticipate", "believe", "will amount", "will occur", etc. are of a forecast nature and imply the risk of possible non-occurrence of expected events and actions. Due to these reasons the Company warns that actual results or a course of certain events may differ materially from forward-looking statements contained in this Annual Report as of the moment of its preparation.

Unless otherwise provided by law, the Company undertakes no obligation to revise or confirm any estimates or forecasts or to publish any updates and amendments of the forward-looking statements contained in this Annual Report, whether as a result of future events or new information.

In the framework of this Annual Report the terms "Company" is used to describe IDGC of the North-West, PJSC and equal it.

Information on the Company's management is provided in accordance with Law No.152-FZ on Personal Data of July 27, 2006.