ROSSETI

INTERREGIONAL DISTRIBUTION GRID COMPANY OF NORTH-WEST

ANNUAL REPORT

JSC IDGC of the North-West

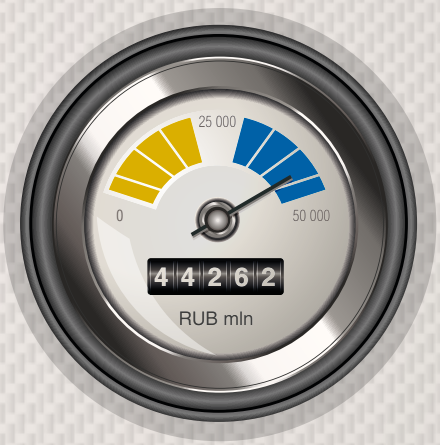
2014

NUMBER OF SUBSTATIONS (>35KV)

CATCHMENT AREA

LENGTH OF POWER TRANSMISSION LINES

CAPACITY ADDED WITHIN TECHNOLOGICAL CONNECTION



TOTAL REVENUE

QUANTITY UNITS AND CAPACITY OF EMERGENCY ELECTRICITY SOURCES

Additional information on Company's activities is available in the onlive version of the JSC IDGC of the North-West Annual Report 2014.

CONTENTS

KEY INDUSTRY INDICATORS

Type of assets	2010	2011	2012	2013	2014	2015F[1]
Length of overhead power transmission lines, km	166,642	167,216	167,946	167,327	167,723	167,877
Length of cable power transmission lines, km	7,945	7,924	7,999	8,115	8,100	8,127
Number of substations (>35kV), pcs	1,143	1,144	1,149	1,149	1,172	1,173
SS capacity, MVA	17,877	18,003	18,163	18,345	19,030	19,032
Total volume of electric grids, c.u.	681,524	990,840	1,021,926	1,081,247	1,099,672	1,101,376

Key non-financial results	2010	2011	2012	2013	2014	2015F[1]
Network supply, million kW·h	43,735	42,991	43,239	40,687	39,715	39,025
Supply to consumers and TSE, kW·h	40,752	40,244	40,468	38,118	37,168	36,532
Loss, %	6.82	6.39	6.41	6.31	6.41	6.39
Capacity added within technological connection, MW	158	238	340	339	464	507
Energy sales volume, million kW·h incl.	0	0	0	4,963	4,519	528
population	0	0	0	931	1,212	98
other consumers	0	0	0	4,032	3,307	430

Key financial results	2010	2011	2012	2013	2014	2015F[1]
Total revenue, in RUB mln, including:	26,669	30,849	31,169	42,050	44,262	39,448
from electricity transmission	25,346	29,486	29,276	29,650	31,343	36,687
from technological connections	668	884	1,412	955	882	703
electric power cutoff	0	0	0	10,799	11,017	1,028
other	655	479	481	646	1,020	1,030
Production cost, in RUB million	25,145	27,781	28,129	38,293	40,030	35,911
EBITDA[2], in RUB million	2,641	3,956	3,901	5,267	4,584	7,107[3]
Return on EBITDA, %	10	13	13	13	10	18
Ratio of net debt to EBITDA	1.76	1.57	2.56	3.03	3.81	2.11
Gross profit, in RUB million	1,524	3,067	3,040	3,757	4,232	3,536
Profit before tax, in RUB million	–348	960	422	733	–529	859
Net profit, in RUB million	–807	408[4]	62	300[5]	–620	568
Net profit margin, %	–3.0	1.3	0.2	0.7	–1.4	1.44
Net profit margin, in RUB million	3,865	4,479	2,896	585	6,630	5,485

Return on equity secured by cash, %	–3.70	0.96	–0.98	0.22	–3.77	1.30
Net assets cost, RUB million	26,737	27,144	27,442	27,695	26,995	29,329
Capitalization as of the end of the period, in RUB million	21,609	7,477	6,116	2,712	2,433	-

Key investment program indicators[6]	2010	2011	2012	2013	2014	2015F[1]
Volume of capital investments, RUB million, exclusive of VAT	2,705.8	5,170.3	6,791.8	6,334.6	5,180.5	4,107
Volume of capital investments, RUB million, exclusive of VAT	3,271.2	5,705.5	8,157.1	6,634.2	5,191.0	4,764
Commissioned fixed assets, RUB million	2,574.2	4,753.9	6,277.0	6,208.9	4,974.9	4,371

Sustainable development key indicators	2010	2011	2012	2013	2014	2015F[1]
Number of personnel, people	15,066	15,140	15,152	15,884	15,370	15,097
Total injuries frequency coefficient	0.96	1.086	0.94	1.0	0.54	0

Additional indicators for sustainable development are disclosed in section Corporate Responsibility.

[1] According to the approved 2015 Business Plan.

[2] Indicator is calculated taking into account the current KPI methodology for General Director and Senior Managers.

[3] Indicator is calculated taking into account the interest to be received in accordance with the Regulation on credit policy.

[4] 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..

[5] In 2014 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 2013 which amounted, with the adjustments made, to RUB 275 million.

[6] Investment program indicators are provided taken into consideration of JSC IDGS of the North-West 2015-2020 investment programme approved by executive authorities of the Russian Federation as at April 29, 2015.

KEY EVENTS OF THE YEAR

2014

1

JSC IDGC OF THE NORTH-WEST LAUNCHED AN ONLINE SERVICE FOR PROCESSING GRID CONNECTION APPLICATIONS.

Customers can submit their grid connection application on the Company's website, without having to visit a customer service center.

2

JSC IDGC OF THE NORTH-WEST SUCCESSFULLY PROVIDED A RELIABLE POWER SUPPLY FOR THE SOCHI OLYMPIC AND PARALYMPIC GAMES.

For over 8 months, 170 employees worked on a shift-basis in Sochi's Lazarevsky City District.

3

JSC IDGC OF THE NORTH-WEST LAUNCHED A PILOT PROJECT IN THE KOMI REPUBLIC TO RECEIVE GRID CONNECTION APPLICATIONS VIA TELEPHONE.

This new service will be rolled out in all Company subsidiaries in 2015.

4

DECEMBER – OJSC IDGC OF NORTHERN CAUCASUS WAS ASSIGNED THE HIGHEST RATING OF MANAGEMENT QUALITY BY EXPERT RA RATING AGENCY.

The company's rating now stands at A++.gq.

5

ALEXANDER LETYAGIN ELECTED AS GENERAL DIRECTOR OF JSC IDGC OF THE NORTH-WEST

The Board of Directors elected Alexander Letyagin as General director on July 28, 2014.

6

THE ANNUAL GENERAL SHAREHOLDERS' MEETING MADE A DECISION ON DIVIDENDS PAYMENTS

To that end, the Company alloted RUB 76.6 million, almost five times more than the previous year.

7

JSC IDGC OF THE NORTH-WEST COMMISSIONED APPROX. 390 MVA OF CAPACITY AND OVER 1,600 KM OF POWER TRANSMISSION LINES.

Despite 'zero tariff growth', the Company helped to ensure the stable development of the regional economy.

8

JSC IDGC OF THE NORTH-WEST IS THE RATINGS LEADER OF CORPORATE TRANSPARENCY IN RUSSIA'S BIGGEST COMPANIES 2014.

The Company entered the leading group of companies in terms of transparency, gaining third place amongst the other companies in the power sector and ranking 21st out of over 700 companies in Russia.

9

JSC IDGC OF THE NORTH-WEST AND THE RELEVANT REGIONAL ADMINISTRATIONS SIGNED AN AGREEMENT ON THE JOINT SUPPORT OF COMPANIES AND BUSINESSES IN THE AGRO-INDUSTRIAL SECTOR.

Agriculture, food industry and agro-industrial companies were awarded priority grid connection services.

Events after the Reporting Date

1

IN JANUARY 2015 COMMISSIONS TO MONITOR PAYMENT DISCIPLINE WERE SET UP IN ALL THE REGIONS WHERE IDGC OF THE NORTH-WEST OPERATES

These commissions include representatives from the regional authorities, law and enforcement agencies, and business.

2

ON JANUARY 31, 2015 JSC IDGC OF THE NORTH-WEST COMPLETED ITS OPERATIONS AS GUARANTEED SUPPLIER (GP) OF POWER AND ELECTRICITY IN THE MURMANSK AND NOVGOROD REGIONS

As GP, the Company prevented debt accumulation on the wholesale electricity market.

Awards for corporate responsibility related activities

FIRST PLACE IN THE 11TH OPEN ANNUAL REPORTING COMPETITION FOR JOINT STOCK COMPANIES, ORGANIZED BY THE KRASNODAR TERRITORY DEPARTMENT FOR THE FINANCIAL AND STOCK MARKETS

The key reporting document was the winner in the category Best Information Disclosure in the Annual Report.

THE COMPANY'S SUBIDIARY ARKHENERGO RECEIVED THE REGIONAL PUBLIC AWARD LEGACY OF THE NORTH.

The Company's subsidiary, Arkhenergo, was awarded the regional public award Legacy of the North in the category Industrial Enterprise.

SPECIAL DIPLOMA AT THE SILVER THREADS 2014 COMPETITION

JSC IDGC of the North-West was awarded a special diploma in the category New Methods of Corporate Communication, for the Company's development of the methodical concept of preparing information statements by the media relations office of a power grid company.

AWARD FROM THE TEK KONTEKST COMPETITION FOR COMMUNICATIONS PROJECTS.

JSC IDGC of the North-West subsidiary, Pskovenergo, received an award at the TEK KonTEKst professional competition for communications projects for the social project on elecrical safety.

HONORARY DIPLOMA AND GOLD MEDAL IN THE COMPETITION '100 BEST ORGANIZATIONS IN RUSSIA. ENVIRONMENT AND ENVIRONMENTAL MANAGEMENT'.

IDGC of the North-West was awarded an honorary diploma and the gold medal for the Company's performance in the competition '100 Best Organisations in Russia. Environment and Environmental Management', staged as part of the 8th Russian National Conference: Environment and Industry. Development Prospects for Economic Measures to Safeguard the Environment.

Svetlana Zholnerchik

Chairperson of the Board of Directors
JSC IDGC of the North-West

Message from the Chairman of the Board of Directors

Dear Shareholders,

2014 was an anniversary year for the Company, marking 10 years since JSC IDGC of the North-West was founded. The Company has come a long way since then: we have built up a professional team and have extensively modernized and updated all our production assets, thereby improving the reliability of power supply to our end consumers.

Over these years, the Company's Board of Directors has not only performed strategic management, but has also successfully coped with current pressing issues, helping to allocate Company resources correctly and achieve objectives set by shareholders as effectively and as efficiently as possible.

The Company's Board of Directors is subject to constant change, but each Board chosen represents a community of professionals. Members of the Board of Directors act reasonably, in good faith and responsibly, fully respecting the Company's and the shareholders' balance of interests and making informed and balanced decisions. During the last reporting period alone, over 250 issues were reviewed at 28 meetings of the Board.

Whatever the issues reviewed by the Board of Directors may be – from planning the Company's operations to approval of Company policy with regard to various business activities, each decision is made with only one aim in mind – to ensure that IDGC of the North-West remains a stable, profitable and attractive company, both for its highly-skilled staff and for investors alike.

The range of Company policy documents adopted in 2014 was conceived and developed with this aim in mind. These policy documents included the Internal Auditing Policy, the Internal Control Policy, and Risk Management Policy. An energy saving and increased energy efficiency program up to 2019 was also adopted by the Company, in addition to a timetable of measures designed to develop a management system for the Company's production assets in 2014–2015 and an IT, Automation and Telecommunications Strategy Road Map up to 2016.

Those issues currently facing the Company that were not fully resolved this past year, were mainly due to external factors – the industry's incomplete regulation, and our partners' and end consumers' economic difficulties. Under its scope of functions, the Board of Directors approved a schedule of measures aimed at reducing debt to the Company and monitored its implementation. Stabilizing debt rate is one of the results of this initiative.

Another area of business that the Board of Directors focuses on is encouraging the Company's management to address the objectives set by shareholders. The target values of the annual key performance indicators of the Company's General Director and Senior Management were approved at the Board meetings, and the quarterly performance reports were reviewed.

The Company's Board of Directors demonstrated the ability to respond promptly to any external challenges, while remaining sensitive to the issues facing the Company. Despite the fact that not all objectives set by shareholders were fully met in 2014, foundations were established to achieve stable results in 2015.

I would like to thank the 2014 Board of Directors for all its effective and efficient work and I hope that the new Board of Directors will be successful in maintaining JSC IDGC of the North-West quality and rate of progress.

Yours faithfully,
Chairperson of the Board of Directors
JSC IDGC of the North-West
Svetlana Zholnerchik

Alexander Letyagin

General Director
JSC IDGC of the North-West

Message from the General Director of the Company

Dear Shareholders,

In 2014, JSC IDGC of the North-West celebrated 10 years since its launch.

This anniversary year was a landmark in the life of the Company; it was a year full of both victories and achievements and new challenges, despite the fact that, as previously, the Company ensured the stable development of the regional power grid infrastructure and the reliable supply of power to the Company's end consumers.

The successful completion of the Company's repair program made it possible to cut power outages experienced by customers by more than half and to reduce the number of technical failures by 21%. Power shortages due to technical failure fell by 17%. This is almost 1 million kW·h, which is comparable to the monthly power consumption of a municipal district with a population of over 10,000.

In spite of the limited tariff growth rate applying to natural monopolies, cooperation with the relevant regional authorities enabled the Company to develop and introduce a balanced investment program, aimed at the scheduled development of regional infrastructure.

Capital investment amounted to RUB 5.2 billion in 2014. The Company commissioned 389.2 MVA of transformer capacity and 1,600 km of power lines. This, respectively, is 20% and 42% more than the targets, partly due to completed customer connection to power grids.

Major investment projects were implemented in the Arkhangelsk, Vologda and Murmansk Regions, in the Komi and Karelia Republics. The reconstruction and retrofitting of the existing power facilities and the construction of new power plants, allowed us to increase the reliability and quality of our power supply and to reduce any shortage of power in the supply distribution centers.

In 2014, IDGC of the North-West completed its operations as guaranteed supplier of power in the Novogorod Region, with this status transferred to LLC Garantenergoservis. In February 2015, GP operations in the Murmansk Region were transferred to JC AtomEnergoSbyt.

In general, as regards the eighteen months' past performance of the GP in the North-Western Federal District, we successfully ensured a continuous supply of power, transparency of payments with all contractors, increased customer access to services, and prevented debt accumulation on the wholesale electricity market.

In 2014, Company revenue in line with Russian Accounting Standards surged by RUB2.2 billion, reaching RUB 44.2 billion. This surge was driven by RUB 1.6 billion increase in revenue from power transmission, thus exceeding the figures stated in the business plan by RUB 373 million and equaling 106% of last year's figure.

The increase in revenue from the Company's power transmission services is the result of a series of measures, which included establishing fair and balanced tariff decisions in 2014, introduced by the Company's management together with the public authorities of Russian constituent entities and the Federal Tariffs Service.

JSC IDGC of the North-West successfully managed to cut its operating costs in 2014. Given that 5% was the target value for 2014, the Company achieved 13.1%.

In 2014, IDGC of the North-West completed the establishment of a full range of customer services as part of the Road Map to Increase Customer Access to the Power Infrastructure. In addition to exisiting internet services, the Company launched a pilot project to complete customer connection to power grids via telephone in the Komi Republic. As of April 01, 2015, this projet will be rolled out across the relevant regions, thereby reducing the number of required applicant procedures to secure Company services.

As one of the largest infrastructure companies in the North-Western Federal District, we are also involved in comprehensive socio-economic projects, designed to support key sectors of the Russian economy. In 2014, priority access to power grids was provided by JSC IDGC of the North-West to businesses and companies from the agricultural and food industries in all the relevant regions. Over 170 Company employees were engaged in the setting up and maintenance of the power supply facilities for the Sochi Olympic and Paralympic Games, and their efforts were recognized in the form of high state awards.

IDGC of the North-West committment to corporate governance high standards remains unchanged. In 2014, Expert RA rating agency (RAEX) awarded IDGC of the North-West an A++ rating for management quality (the highest rating of management quality).

However, the Company is operating under the conditions of constantly growing accounts receivable for the provision of power transmission services. IDGC of the North-West customer outstanding debt exceeds RUB 10 billion, 5 times higher than the Company's figure for its annual repair programme. The biggest debtors are electricity sales companies, guaranteed suppliers of electricity.

As of January 2015, on the initiative of the head of JSC Russian Grids, Oleg Budargin, special commissions to monitor payments for energy and power supply services are up and running in IDGC of the North-West regions of operation. a range of Company internal measures has been developed to recover outstanding debt. As a result of claims-related work in 2014, IDGC of the North-West recovered RUB 6.4 billion of customer debt, which had built up in previous years.

A professional and responsible approach remains the Company's priority in our work with our customers, shareholders, potential investors, and other stakeholders. I am confident that by adhering to this approach, we will ensure IDGC of the North-West successful and sustainable development for years to come.

Yours faithfully,
General Director
JSC IDGC of the North-West
Alexander Letyagin

COMPANY PROFILE

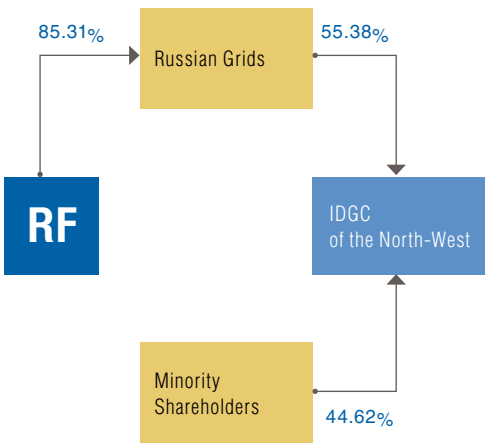
RUB 9.5786 billion

THE COMPANY'S AUTHORIZED CAPITAL

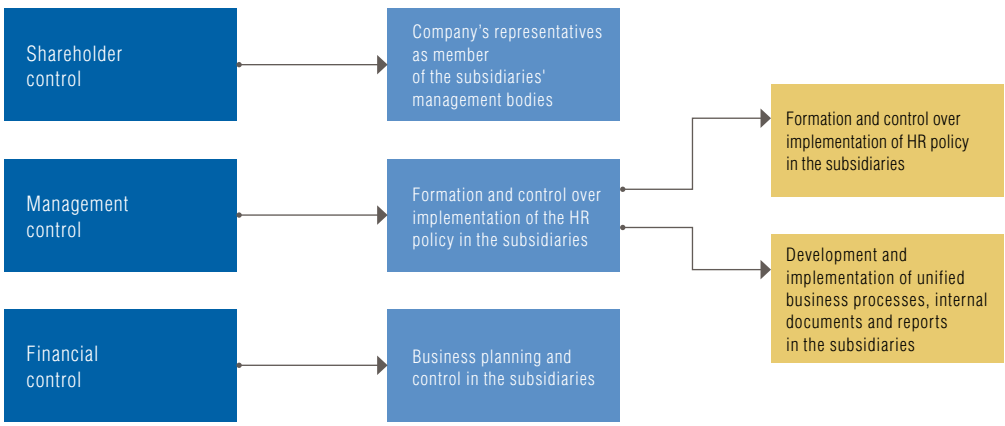
Interregional Distribution Grid Company of the North-West Joint Stock Company (IDGC of the North-West) was founded by the resolution of its sole founder JSC RAO UES of Russia (Order No. 153r of JSC RAO UES of Russia dated December 09, 2004) and registered on December 23, 2004. The Company's authorized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

The Company's authorized capital is RUB 9.5786 billion. JSC Russian Grids has a 55.38% participatory interest in JSC IDGC of the North-West.

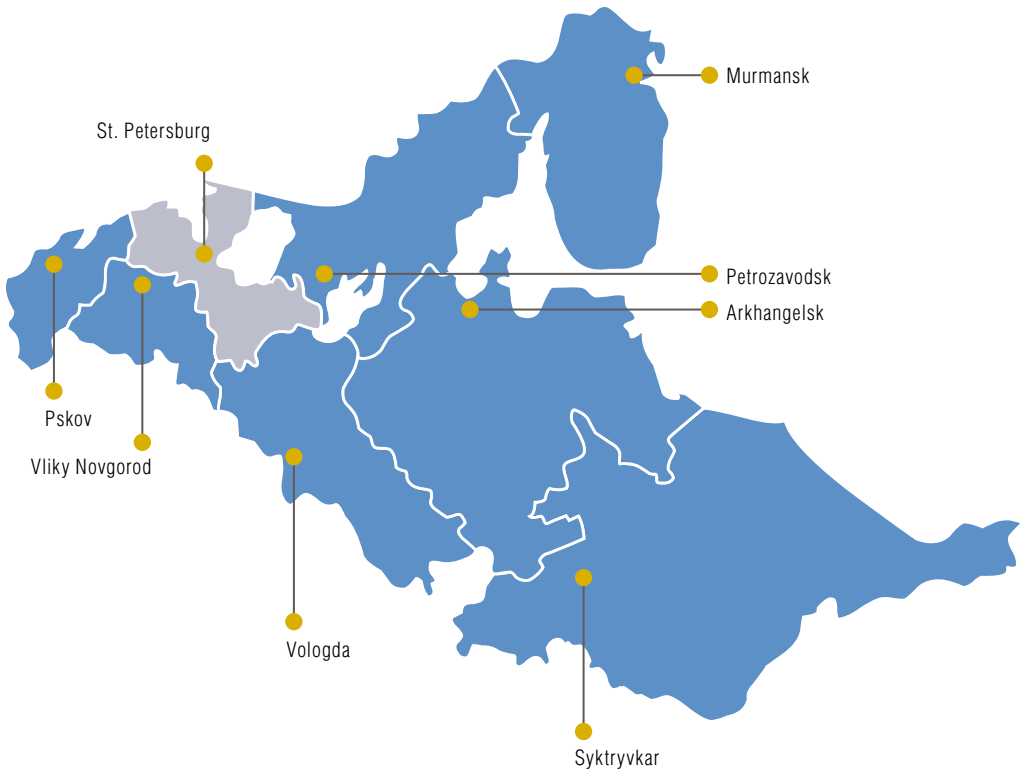
Company's ownerships structure



Forms of corporate governance in the subsidiaries

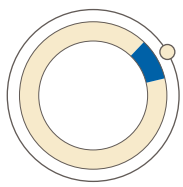


Area of Operation



CATCHMENT AREA

1,585,900 sq.km

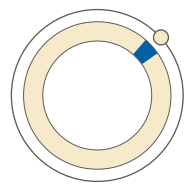


9.2%

Share of the area of Russia

POPULATION IN THE CATCHMENT AREA

5,907.8 thousand people

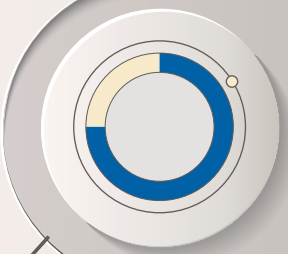


4.0%

Share of population in the area of Russia

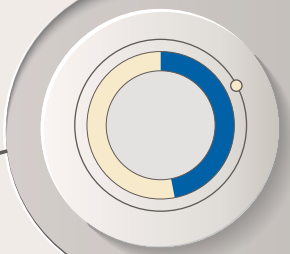
1

Strategic Report



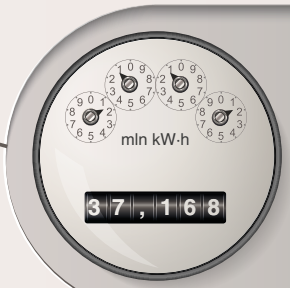
75%

ANNUAL KPI ACIEVEMENT



47%

SHARE OF INDUSTRIAL CONSUMERS IN ELECTRICITY OUTPUT FROM THE COMPANY'S GRIDS



37,168 mln kW·h

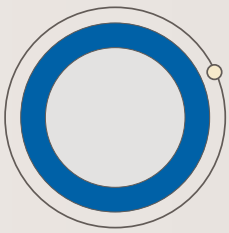
SUPPLY TO CONSUMERS AND TSE

464 MW

CAPACITY ADDED WITHIN TECHNOLOGICAL CONNECTION

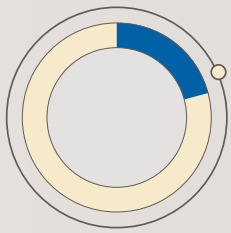
1 2 3 4

The key goals (mission) of JSC IDGC of the North-West is long-term support of reliable, high-quality, and accessible power supply to consumers.



100%

COMPLIANCE WITH SCHEDULE OF THE CAPACITY COMMISSIONING AND PLAN OF CAPITAL INVESTMENT FINANCING AND VOLUME



21%

REDUCTION OF THE NUMBER OF TECHNICAL FAILURES

1,099,672 c.u.

Total volume of power grids

1,338.8 RUB mln

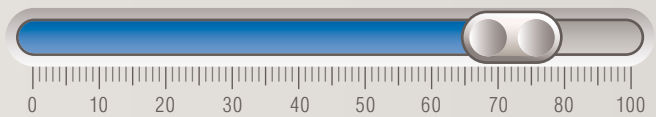
Costs of implementation of the Innovative Development Program

11.93%

Reduction of the investment costs

to 5

Reduction of grid connection stages



72.08 million kW·h

EFFECT OF LOSS REDUCTION DRIVEN BY MEASURES UNDER THE ENERGY SAVING AND INCREASE OF ENERGY EFFICIENCY PROGRAM

1.1 STRATEGIC PRIORITIES OF JSC IDGC OF THE NORTH-WEST

1 Improve power supply quality and sustainability to a level sufficient to satisfy the consumers' needs

1.1. Improve the quality of consumer service (including reduction of grid connection stages from ten to six by 2015 and then to five by 2018)

Results in 2011–2014	Significant efforts were made to implement the roadmap with the aim to improve grid infrastructure availability as approved by Instructions of the Russian Federation Government No. 1144-r dated June 30, 2012: › customer service centers were opened in each area where the Company operates; › the number of stages for grid connection was reduced to five through the integrated support of consumers at all stages of grid connection; › a grid connection request can now be submitted in an interactive mode via the Company's official website; › in order to implement Decree of the of the Russian Federation Government No. 95 dated April 10, 2014, the Company represents consumer interests to enter into electricity supply agreements.
Key performance indicators	› Quality of grids connection. › Quality of electricity supply. › Services quality. › Obtaining (availability) of a readiness certificate in due time (Q1–Q4).
2015 plans	Improve customer-focus in the Company by simplifying the existing grid connection process for consumers: › set up Light On Hotline to receive efficient and effective feedback from consumers in case of mass power disconnection caused by natural or technogenic emergencies or illegal actions (theft) which resulted in grid failures or emergency shutdown; › receive grid connection requests for electricity receivers with power of up to 150 kW over single free toll number 8-800-333-02-52 in all seven regions within the scope of responsibility of a grid company; › SMS-notification of fulfillment of a grid connection request; › turnkey services – work in the customer's grids.
Strategic priorities for the next five years	› Render and expand a range of additional services, including turnkey services, carry out work in the customer's grids. › Train and provide information support to the Company's employees responsible for customer relations.

1.2. Reduce electricity undersupply

Results in 2011–2014	Based on the 2014 results, the number of breakdowns at the Company's energy equipment reduced by 21% to 10,608 versus 2013. At the same time electricity undersupply and economic damage decreased by 17% and 12% respectively. A reduced failure rate and improved reliability of power supply was driven by fulfillment of the repair and and investment program aimed at debottlenecking and elimination of caused of failures recorded in 2013 (clearing and expansion of fire breaks for OPL lines) and satisfactory emergency response. Information on improvement of power supply is provided in section “Increase of Power Supply Reliability”. Information on repair is provided in section “Repair Activities”.
Key performance indicators	Average duration of interruption in electricity supply.
2015 plans	In order to improve the performance, reliability, and safety of electricity generation, JSC IDGC of the North-West developed 16 targeted programs involving rebuild and retrofit of power grids. The targeted programs were approved by the resolution of the STC of JSC IDGC of the North-West dated March 02, 2011. The Company plans to further develop software for breakdown registration, results investigation, and unification of the emergency shutdown registration process in all Company branches.
Strategic priorities for the next five years	Develop a system for generation assets management through automation of repair and maintenance planning (including automation of troubleshooting and assessment of equipment condition and preventive repairs), clearing of OPL line routes, and emergency shutdown control to improve productivity, reduce costs, and electricity undersupply. Implement new technologies and equipment that improve reliability of power grids thus reducing repair and operation.

1.3. Reduce fees for grid connection for small and medium businesses

Results in 2011–2014	Price of grid connection for one contract has reduced by more than 30% from 2011 to 2014.
Key performance indicators	Quality of grid connection.
2015 plans	The following activities are planned based on JSC IDGC of the North-West Order On Development of Favorable Conditions for SMEs and Fulfillment of Agreements for Grid Connection with Power of up to 15 kW (Inclusive): › period for grid connection for the applicants connecting grids with power from 15 kW through 150 kW shall not exceed 80 days; › as regards the applicants with electrical equipment with power of over 15 kW through 150 kW (including Arkhangelsk in the Arkhangelsk Region, Vologda and Cherepovets in the Vologda Region, Petrozavodsk in the Republic of Karelia, Murmansk in the Murmansk Region, Syktyvkar in the Komi Republic, Veliky Novgorod in the Novgorod Region, and Pskov in the Pskov Region) that have submitted their requests for connection to the power grids of JSC IDGC of the North-West via Internet, send offer contracts for grid connection within seven calendar days and SMS-notification of the status of their grid connection requests; › set up mobile crews to reduce grid connection periods for subsidized applicants.
Strategic priorities for the next five years	Provide grid connection subject to accessibility and social responsibility of the Company, regional and local governments, business and community.

2. Increase power supply safety, reduce the total accident rate and unregistered accidents

Results in 2011–2014	The main efforts in 2014 were aimed to standardize occupational health and safety management in the Company, including: › activities required to improve occupational health and safety and reduce occupational risks; › preventing occupational injuries; › training and professional development of personnel; › ensuring personnel safety in the workplace; › controlling (auditing) occupational health and safety compliance etc. The total financial damage caused by occupational injuries based on the 2014 results was RUB 943,500, which was 32.4% below the 2013 level. A total of 507 workplaces was assessed. Occupational health and safety costs per employee amounted to RUB 24,300 being 10.9% above the 2013 level. Employees are 99.7% provided with workwear.

Key performance indicators	Zero workplace fatalities or group accidents with severely injured employees due to non-fulfillment (poor performance) of duties by Company employees.
2015 plans	Plans for 2015: › improve on-the-job training for employees; › ensure stringent compliance with the Comprehensive Program for reduction of injury risks of personnel and third parties at the Company's grids covering the period will 2017.
Strategic priorities for the next five years	As a priority, prevent use of hazardous equipment with design not ensuring safe repair and maintenance. On February 20, 2014, the Company's Board of Directors approved the Action Plan and Schedule for elimination of hazards related to equipment at JSC IDGC of the North-West for 2015–2016 that includes actions involving elimination of hazards at 7,716 equipment units of 16 equipment types. The total costs under the Action Plan are budgeted at RUB 313.04 million.

3. Increase efficiency of power grids

3.1. Increase capacity utilization (as percentage of transformer installed capacity at all voltage levels less mandatory backup capacity)

Results in 2011–2014	As at January 01, 2015, the maximum actual capacity utilization across the Company was 59.5% of the maximum permissible load of power centers. An indicator is observed to have decreased by 1.2% versus the data available for January 01, 2014.
Key performance indicators	Utilization of newly commissioned capacity.
2015 plans	There are plans to maintain new capacity utilization at a minimum of 25% two years after they have been commissioned by improving the demand planning quality at greenfield and brownfield power centers. Proposals will be written by May 01, 2015 to adjust long-term electricity sector development plans and programs for the next period given a forecasted electricity (power) demand based on actual applicants' demand, territorial planning documents, and tariff and balance solutions. It is planned to be actively involved in development of a system implying mutual responsibility of executive authorities of the constituent entities of the Russian Federation, prospective consumers and power companies with regard to declared capacity and capacity ramp-up for grid connection.
Strategic priorities for the next five years	Be actively involved in development of a system for consumer rejection from non-utilized capacity in favor of other consumers or grid companies, involvement in development of actions to introduce payments to consumers for non-utilized capacity reserve.

3.2. Reduce per unit CAPEX by 30% versus the 2012 level (in RUB, per physical unit (km, MVA)

Results in 2011–2014	In 2014, the Company started to use the Methodology for planning 30% CAPEX reduction versus the 2012 level when developing (adjusting) investment programs at JSC IDGC of the North-West. The use of the Methodology slowed down the Company's per unit CAPEX reduction rate in 2014 to 11.93% versus the target of 7.5%.
Key performance indicators	Comply with the schedule of capacity commissioning and financial and capital investment plan covered by work acceptance certificates (for the year). Reduce expenses for purchase of goods (work, services) per product unit by at least 10% per year during three years in real terms in the 2010 prices.
2015 plans	Reduce per unit CAPEX by 15% versus the 2012 level (in RUB, per physical unit (km, MVA)).
Strategic priorities for the next five years	Further reduce per unit CAPEX by 22,5% in 2016 and by 30% in 2017 versus the 2012 level (in RUB, per physical unit (km, MVA)).

3.3. Reduce operating expenses by 15% by 2017 given inflation versus the 2012 level per unit of maintained electrical equipment

Results in 2011–2014	In accordance with the power grid development strategy of the Russian Federation approved by Instruction of the Russian Government No. 511-r dated April 03, 2013, the Company's Board of Directors (Minutes 142/13 dated December 19, 2013) approved the performance management program of JSC IDGC of the North-West for 2014-2018 (CMP) targeted to regularly reduce operating expenses to the 2012 level. a cost reduction amounted to 5.3% and 13.1% in 2013 and 2014 respectively.
Key performance indicators	› Net profit. › EBITDA. › Growth rate of manageable operating costs in the period compared to the actual value of the preceding period. › Reduce expenses for purchase of goods (work, services) per product unit by at least 10% per year during three years in real terms in the 2010 prices.
2015 plans	The Company's approved business plan for 2015 provides for the reduction of operating expenses by 12.3% versus the target of 10%.
Strategic priorities for the next five years	Cost reduction plans are as follows: 15.7% in 2016, 16.5% in 2017, 19.1% in 2018 and 20.4% in 2019.

3.4. a reduction in 2017 will be 11% versus the 2012 level

Results in 2011–2014	Based on the 2014 results, electricity losses decreased by 21.74 million kW year-on-year to 2,547.09 million kW (6.41% to output). Loss reduction activities for 2014 are described in section “Energy Loss Reduction Measures”.
Key performance indicators	Level of electricity losses to be supplied to the grid.
2015 plans	The Company will continued to reduce electricity losses in 2015. The main focus will be on reduction of commercial losses in the distribution grid facilitated by a series of additional measures to be developed by the Company, in particular: › implement an automated metering system to account for electricity transmission at Novgorodenergo and Kolenergo branches; › form a customer base and migrate to automated calculation of net output in Vologdaenergo branch; › increase the number of energy inspections at distribution grids to identify non-recorded electricity consumption or electricity consumed without proper agreements, as well as other measures; › implement an energy management system to ensure standardization and improvement of business process efficiency with regard to control and reduction of electricity losses, as well as energy consumption for process needs. Target losses for 2015 are 2,493.1 million kW·h (6.37% to output).
Strategic priorities for the next five years	Further reduction of electricity losses in 2017 taking into account adjusted conditions will be 15.5% versus 2012. In the long-term outlook till 2020, the Company plans to maintain an achieved level.

1.2 PERFORMANCE ASSESSMENT SYSTEM

The Company's KPI System reflects the implementation of the goals and objectives set by the Development Strategy for Power Grids approved by Decree of the Russian Government No. 511-r dated April 03, 2013.

75%
ANNUAL KPI ACHIVEMENT

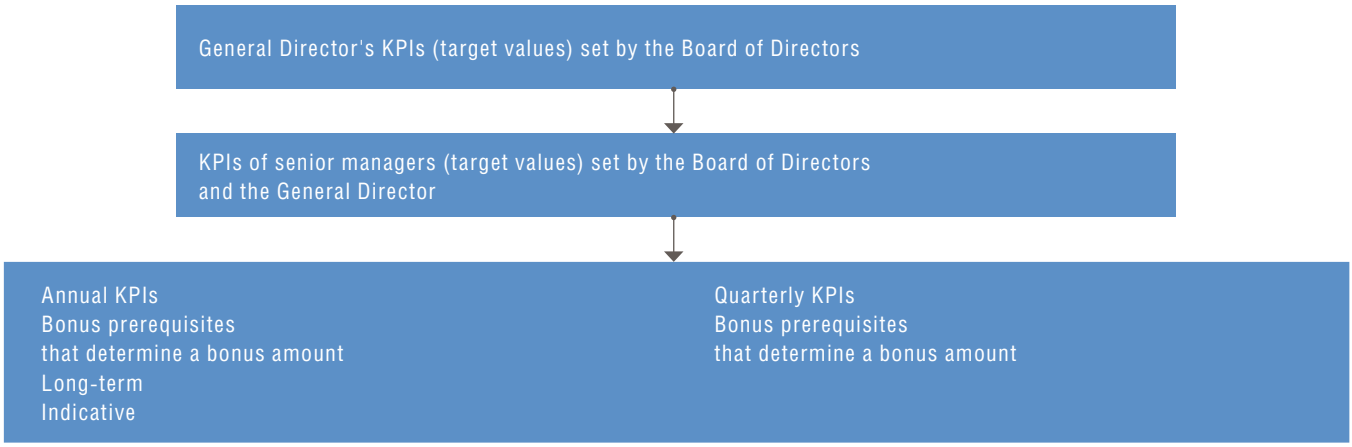
84.6%
QUARTERLY KPI ACHIVEMENT

The key performance indicators of the Company's General Director and executive managers are based on:

- sub-clause 50, clause 15.1, article 15 of the Company's Articles of Association;
- the Board of Directors' resolution dated October 30, 2012 (Minutes No. 114/12) on agenda item No. 1 Determination of the Company's Priority Area: changes in the KPIs of the Company's General Director and senior managers.

The Company's KPI System reflects the implementation of the goals and objectives set by the Development Strategy for Power Grids approved by Decree of the Russian Government No. 511-r dated April 03, 2013. The key focuses in the KPIs of the Company's General Director are:

- improve the reliability and quality of power supply,
- enhance safety of power supply,
- reduce investment and operating costs,
- implement the invest program.



- Net profit;
- Reduction of expenses for purchase of goods (works, services) per product unit by at least 10% per year during three years in real terms in the 2010 prices;
- Operations reliability: Average duration of interruption in power supply;
- Turnover of receivables for electricity transmission services;
- EBITDA;
- Growth rate of manageable operating costs in the period compared to the actual value of the preceding period;
- Level of losses of electricity to be supplied to the grid;
- Investment effectiveness:
  - Compliance with the schedule of capacity commissioning and implementation of the financial and capital investment plan covered by work acceptance certificates (for the year);
  - Utilization of newly commissioned capacity;
- Quality of services rendered:
  - Quality of grid connection services;
  - Quality of electricity supply;
  - Quality of service;
- Efficiency of innovations;
- Operations reliability: SAIFI, SAIDI, change in technical conditions (Δcondition index/Δcost);
- Information flow quality;
- Share of the electricity market in the regions of operation;
- Total shareholder return (TSR);
- Increase/saving of controllable costs over the approved OPEX in RAB regulation system.

- Zero workplace fatalities or group accidents with severely injured employees due to non-fulfillment (poor performance) of duties by Company employees;
- Obtaining (availability) of a readiness certificate in due time;
- Operations reliability: Prevention of breakdowns above the set limit;
- Investment efficiency: Compliance with the quarterly financing and capital investment schedules covered by work acceptance certificates and the investment program year to date (for the quarter);
- Control over operating cash flow;
- Coefficient of completed repairs of core equipment;
- No violations of current legislation of the Russian Federation, Articles of Association, and Company in-house regulations during corporate events.

Compliance with the annual and quarterly KPIs of the General Director and senior managers of the Company for 2014

Description			Target	Actual
Net profit, RUB thous			> 0	–620,027[1]
Reduction of expenses for purchase of goods (works, services) per product unit by at least 10% per year during three years in real terms in the 2010 prices;			≥ 100	115
Operations reliability: Average duration of interruption in electricity supply, %			1	1
EBITDA, RUB million			≥ 6,468,965	4,583,774[1]
Growth rate of manageable operating costs in the period versus last year's actual, units			≤ 0.97	0.97
Level of losses of electricity to be supplied to the grids, %			≤ 6.42	6.41
Investment efficiency:	Compliance with the schedule of capacity commissioning and financial and capital investment plan covered by work acceptance certificates (for the year), %		≥ 95	100
	Utilization of newly commissioned capacities, units		≥ 0.25	0.27
Quality of services rendered	Quality of grid connection, units		1	1
	Quality of electricity supply, units		1	1
	Services quality, unit		1	1
Obtaining (availability) of a readiness certificate in due time (Q1, Q4)[2]		Q1	RC availability	RC availability
		Q4	RC availability	RC availability
Zero workplace fatalities or group accidents with severely injured employees due to non-fulfillment (poor performance) of duties by Company employees[2]		Q1	0	1
		Q2	0	0
		Q3	0	1
		Q4	0	0

[1] Cause for non-compliance – formation of a provision for investment impairment in JSC Bank Tavrichesky of RUB 1,665,078 thousand.

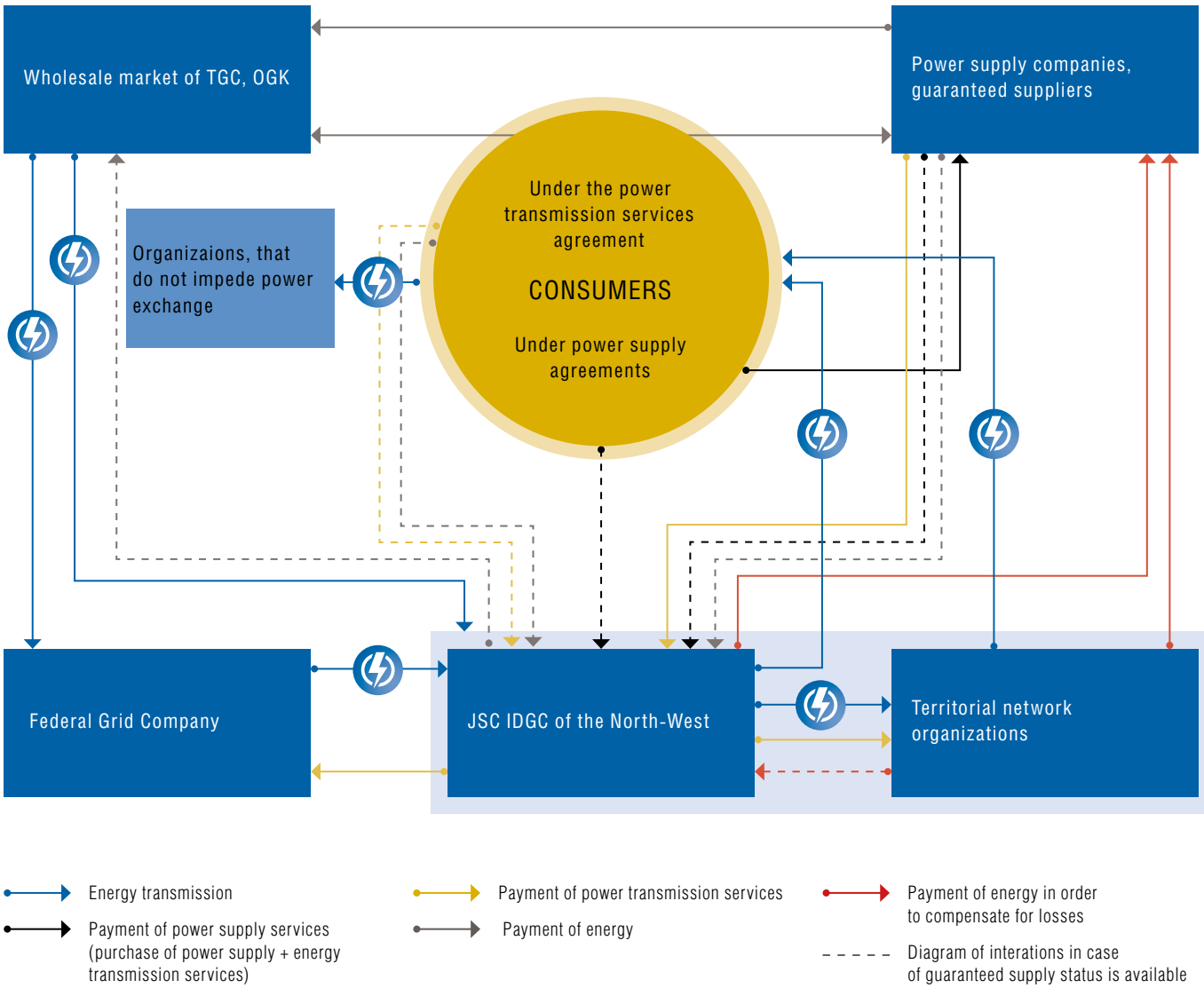
[2] Quarterly indicator.

Approved target KPIs for 2014 were not fully achieved. Annual and quarterly KPI achievement is 75% and 84.6% respectively.

1.3 SCHEME OF ELECTRICITY MARKET

The key goals (mission) of JSC IDGC of the North-West is long-term support of reliable, high-quality, and accessible power supply to consumers.

Scheme of electricity market



1.4 OPERATING RESULTS

Electricity transmission indicators

Description	2010	2011	2012	2013	2014	2015F[1]
Output to grids, million kW·h	43,735	42,991	43,239	40,687	39,715	39,025
Output from the grid to consumers and TGCs, million kW·h	40,752	40,244	40,468	38,118	37,168	36,532
Losses, million kW·h	2,983	2,747	2,772	2,569	2,547	2,493
Loss, %	6.82	6.39	6.41	6.31	6.41	6.39

Grid connection indicators

Description	2010	2011	2012	2013	2014	2015F[1]
Power at connected grid, MW	158	238	340	339	464	507
Number of contracts fulfilled, units	8,229	12,745	16,701	20,748	25,558	18,959

Energy sales indicators (performance of a guaranteed supplier function)

Description	2010	2011	2012	2013	2014	2015F[1]
Energy sales volume, million kW·h incl.	0	0	0	4,963	4,519	528
population	0	0	0	931	1,212	98
other consumers	0	0	0	4,032	3,307	430

Asset specifications

Description	2010	2011	2012	2013	2014	2015F[1]
Length of overhead power transmission lines by circuit, km	166,642	167,216	167,946	167,327	167,723	167,877
Length of cable power transmission lines, km	7,945	7,924	7,999	8,115	8,100	8,127
Number of substations (SS) (>35 kV), units	1,143	1,144	1,149	1,149	1,172	1,173
SS capacity, MVA	17,877	18,003	18,163	18,346	19,030	19,032
Total volume of power grids, c.u.	681,524	990,840	1,021,926	1,081,247	1,099,672	1,101,376

[1] Forecasted indicators are in line with the Company's approved business plans for 2015.

Electricity Transmission

The Company's main generating activity is electricity transmission services.

Key objectives:

- Efficient management of the Northwestern distribution grids.
- Prevention of grids wear.
- Prevention of power shortage.

In 2014 electricity losses decreased by 22 million kW year-on-year to 2,547.09 million kW which made up to 6.41% (plan - 6.42%).

Changes in electricity transmitted

Branch/IDGC	2010		2011		2012		2013		2014		Change 2013/2014		
	million kW·h	RUB mln	million kW·h	RUB mln	million kW·h	RUB mln	million kW·h	RUB mln	million kW·h	RUB mln	million kW·h	RUB mln	%
Arkhenergo	3,452	3,636	3,023	4,219	2,962	3,690	2,834	4,466	2,842	4,784	8	318	7
Vologdaenergo	8,748	4,741	8,600	5,692	8,705	6,180	8,185	6,348	7,465	6,289	–720	–59	–1
Karelenergo	7,285	3,519	7,262	3,686	6,967	3,309	5,922	3,565	5,898	3,900	–25	334	9
Kolenergo	10,736	3,506	10,599	4,550	10,734	4,321	10,463[2] (9,489)	4,644[2] (3,763)	10,354[2] (8,957)	4,988[2] (3,572)	–109 (–532)	343 (–192)	7 (–5)
Komienergo	5,212	4,906	5,147	5,776	5,323	6,020	5,211	6,448	5,220	6,628	9	180	3
Novgorodenergo	3,363	2,553	3,398	2,723	3,486	2,970	3,353[2] (2,597)	3,174[2] (2,136)	3,275	3,131	–78	–43	–1
Pskovenergo	1,674	2,485	1,659	2,840	1,735	2,786	1,733	2,923	1,723	3,039	–10	116	4
IDGC of the North-West	40,471	25,346	39,686	29,486	39,912	29,276	37,701[2] (35,971)	31,569[2] (29,650)	36,777[2] (35,379)	32,759[2] (31,343)	–925 (–1,536)	1,190 (1,252)	4 (4)

[2] Volumes and fee for electricity transmission is specified in comparable conditions, i.e. taking into account performance of GS function at Kolenergo branch since March 01, 2013 and Novgorodenergo since April 01, 2013. Reporting indicators include the scopes and fee for services rendered under power supply agreements.

Actual electricity loss

Branch/IDGC	2010		2011		2012		2013			2014			Change 2013/2014[1]	
	million kW·h	%	million kW·h	%	million kW·h	%	million kW·h	%	% comp[2]	million kW·h	%	% comp[2]	million kW·h	%
Arkhenergo	513	12.46	449	11.51	446	11.50	387	10.92	9.53	374	10.72	10.72	–13	–0.20
Vologdaenergo	445	4.84	424	4.69	442	4.82	414	4.80	4.21	408	5.16	4.91	–6	0.11
Karelenergo	376	4.90	295	3.90	313	4.29	284	4.57	3.90	267	4.33	4.33	–17	–0.24
Kolenergo	352	3.15	342	3.11	330	2.98	354	3.27	3.19	392	3.63	3.63	38	0.36
Komienergo	633	10.78	595	10.33	593	9.98	509	8.86	8.32	512	8.89	8.80	3	–0.06
Novgorodenergo	389	10.35	369	9.79	379	9.78	363	9.74	9.38	343	9.44	9.44	–20	–0.30
Pskovenergo	276	14.14	272	14.07	270	13.45	258	12.93	12.84	251	12.69	12.69	–7	–0.24
IDGC of the North-West	2,983	6.82	2,747	6.39	2,772	6.41	2,569	6.31	5.80	2,547	6.41	6.34	–22	0.03

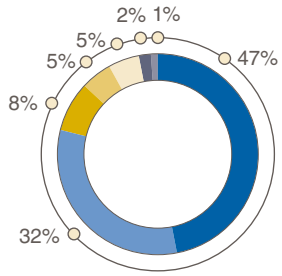
[1] Calculated as the difference between the 2014 value in comparable conditions versus 2013.

[2] Changes in electricity losses are calculated in comparable conditions, i.e. with an assumption that the existing 2013 "last mile" consumers will be retained in 2014 (total electricity supplied to "last mile" consumers in 2013 which were transferred to direct settlements with JSC FGC UES in 2014 was 472 million kW·h.

Results of production activities for 2014

Branch/IDGC	Output to grids, million kW·h	Output from consumer grids and adjacent TGCs within their boundary limits and responsibility, million kW·h	Loss	
			million kW·h	%
Arkhenergo	3,489	3,115	374	10.72
Vologdaenergo	7,891	7,484	408	5.16
Karelenergo	6,175	5,907	267	4.33
Kolenergo	10,793	10,400	392	3.63
Komienergo	5,755	5,243	512	8.89
Novgorodenergo	3,631	3,289	343	9.44
Pskovenergo	1,981	1,730	251	12.69
IDGC of the North-West	39,715	37,168	2,547	6.41

Electricity output from the Company's grids in 2014 by consumer group, %



47% Industrial consumers
32% Electricity supply
8% Community and equal consumer groups
5% Transport
5% Non-industrial consumers
2% Government (municipal) organizations and other state-backed companies
1% Agriculture

37,168 million kW·h

OUTPUT FROM CONSUMER GRIDS AND ADJACENT TGCS

Energy Loss Reduction Measures

One of IDGC of the North-West priorities is a set of measures aimed to optimize (reduce) losses.

Measure	Annual effect of loss reduction driven by measures taken							
	2011		2012		2013		2014	
	million kW·h	RUB mln	million kW·h	RUB mln	million kW·h	RUB mln	million kW·h	RUB mln
Measures, total	69.42	127.62	61.04	121.75	106.97	287.49	72.08	245.13
Organizational measures	49.78	96.58	36.62	78.99	43.06	129.00	43.91	158.00
certificates of unaccounted electricity consumption included in electricity net supply (ESC)	26.33	66.25	18.79	51.88	25.5	79.64	31.47	105.83
payment under certificates of consumption without contracts (RGC)	20.48	25.23	14.03	24.72	7.41	32.56	10.03	49.11
other organizational measures	2.97	5.10	3.80	2.39	10.15	16.80	2.41	3.06
Technical measures	7.66	10.22	5.76	6.51	9.49	17.58	3.93	7.44
repair and retrofit (replacement of overloaded capacity, installation and commissioning of power transformers at operated power plants, replacement and construction of new overhead lines)	2.49	6.64	4.99	6.24	8.54	15.79	3.67	7.01
other technical measures	5.17	3.58	0.77	0.27	0.95	1.79	0.26	0.43
Measures to improve electricity meters and technical recording systems	11.98	20.82	18.65	36.25	54.42	140.91	24.24	79.69
implementation of metering system development (PMS PDP)	5.89	12.56	11.33	26.05	50.71	133.99	18.99	69.34
other measures to improve metering systems (non PMS PDP)	6.09	8.26	7.32	10.20	3.71	6.92	5.25	10.35

Grid Connection

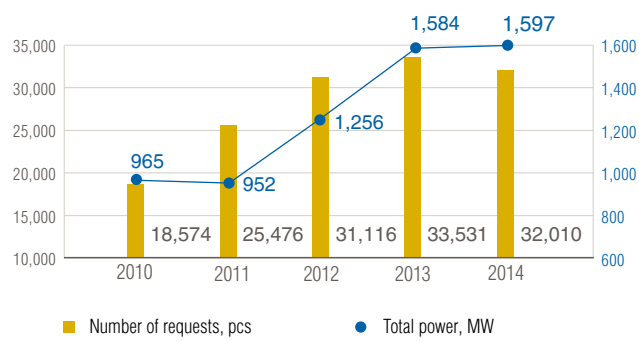
The total number of agreements fulfilled in 2014 year-on-year increased by 23.1%.

Submitted requests for grid connection include received and canceled requests. Therefore, the number of submitted requests and requested power exceeds that provided under existing agreements.

About 90% of all agreements are signed with the applicants that have electricity recivers with power of 15 kW or below. The diagrams show changes in connected power depending on the number of requests submitted.

In order to implement Order No. 949 dated October 06, 2014, of Kominergo branch of JSC IDGC of the North-West on Implementation of the Project of Dial 8-800 and Connect to Grids in the Comfort of your House, Improvement of Grid Connection Business Process, the applicants holding electricity receivers with power of up to 150 kW benefit from a range of grid connection services. the services are provided as per specifications under a turnkey agreement with the branch. In 2015, this initiative will be replicated in other Company branches.

Number of submitted grid connections in 2010–2014

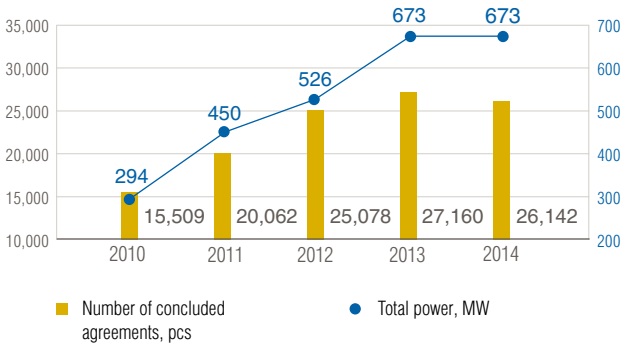


A growing number of agreements for in-house work/services, improved applicant relations, and optimized grid connections contributed to an increase in the number of fulfilled grid connection agreements: from 20,748 in 2013 to 25,558 in 2014.

Request mix in 2010-2014: (including electricity generation facilities)

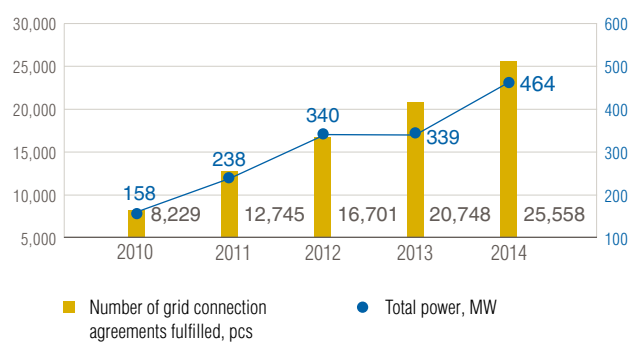
	2010		2011		2012		2013		2014	
	units	for total capacity, MW	units	for total capacity, MW	units	for total capacity, MW	units	for total capacity, MW	units	for total capacity, MW
Individuals	13,818	136.8	21,057	211.1	26,334	284.1	28,104	315.7	26,430	294.8
Legal entities	4,756	828.2	4,419	740.4	4,787	1,007.6	5,439	1,338.9	5,580	1,301.9
IDGC North-West	18,574	965	25,476	951.5	31,121	1,291.7	33,543	1,654.6	32,010	1,596.7

Number of grid connection agreements entered into in 2010-2014



The number of grid connection agreements fulfilled in 2010–2014

(excluding electricity generation facilities)



The main type of operations as a guaranteed supplier is electricity purchase on WEM to be sold to consumers on REM.

100%

PAYMENT FOR LIABILITIES ON WEM

4,520 million kW·h

NET SUPPLY WHILE PERFORMING A GUARANTEED SUPPLIER FUNCTION IN MURMANSK AND NOVGOROD REGIONS

Acting as Guaranteed Supplier

The main type of operations as a guaranteed supplier is electricity purchase on WEM to be sold to consumers on REM.

The key tasks of the guaranteed supplier is high quality and uninterrupted electricity supply to consumers in required quantities as well as timely and complete payment for its obligations on WEM.

Wholesale Electricity Market (Purchase)

Payment for liabilities in 2013–2014

	Liabilities, RUB mln		% of payment 2013/2014
	2013	2014	
Energosbyt, Kolenergo branch	5,438	6,053	100/100
Energosbyt, Novgorodenergo branch	1,805	138	100/100
Novgorodenergosbyt, Novgorodenergo branch	482	1,715	100/100
Total	7,725	7,906	100/100

Mix of electricity and power purchased on WEM in 2014

Indicator	UOM	2013		2014	
		volume	Price, RUB mln (excl. VAT)	volume	Price, RUB mln (excl. VAT)
Electricity	million kW·h	5,523	4,754	4,946	4,194
Power	MW	13,228	2,316	12,489	2,233
Power and electricity price	–	–	7,070	–	6,427

Electricity (power) purchase on REM

Indicator	UOM	2013		2014	
		volume	Price, RUB mln (excl. VAT)	volume	Price, RUB mln (excl. VAT)
Electricity	million kW·h	9	10	13	16
Power	MW	6	3	12	5
Power and electricity price	–	–	13	–	21

Electricity (power) purchased

Indicator	Price, RUB mln (excl. VAT)	
	2013	2014
Electricity and power purchase on WEM	7,070	6,427
Electricity and power purchase on REM	13	21
Fee for infrastructure services	14	14
Total value of purchased electricity and power given infrastructure payments	7,097	6,462

In 2014, JSC IDGC of the North-West continued to supply power in the Murmansk Region (Orders of the Ministry of Energy of Russia No. 68 dated February 22, 2013 (from March 01, 2013), No. 88 dated February 28, 2014 (from March 01, 2014)) and in the Novgorod Region (Order No. 647 dated September 25, 2013 (from October 01, 2013)) on Assignment of a Guaranteed Supplier Status to a Territorial Grid Company.

Net Supply in 2014

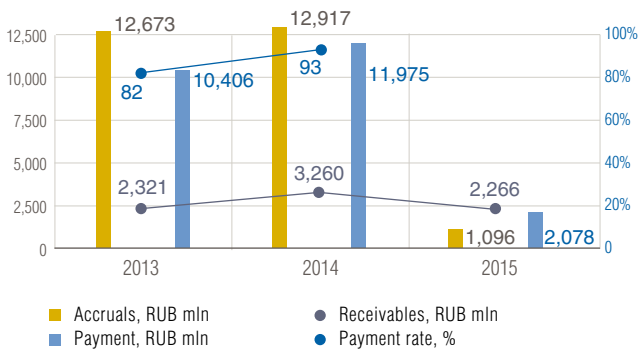
Electricity net supply while the Company acted as a guaranteed supplier in the Murmansk and Novgorod Regions in 2014 amounted to 4,520 million kW·h, including other TGC purchased electricity lost.

The consumer mix under electricity supply and sale and purchase agreements in 2013 and 2014

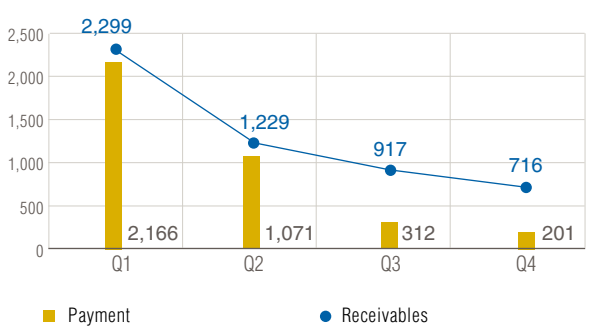
Consumer groups	2013		2014	
	actual output, million kW·h	% of the total net output	actual output, million kW·h	% of the total net output
Industrial and equal consumers	643	13	473	11
Non-industrial consumers,	1,026	21	1,324	29
including housing and utilities	540	11	710	16
JSC Oboronenergosbyt	311	6	398	9
Ministry of Defense sites	7	0	9	0
Government-backed consumers (less Ministry of Defense)	249	5	320	7
Farming companies	97	2	43	1
Population (direct settlements)	298	6	375	8
Managing companies, HOAs, and home cooperatives etc	619	13	827	18
Other energy sale and supply companies	1,446	29	392	9
Losses (other TGCs)	267	5	360	8
Total	4,963	100	4,520	100

Level of payment for energy by consumers on the retail market while performing a guaranteed supplier function

Electricity Payment Rates on REM[1]



Planned figures for decrease in receivables due from consumers under electricity supply and energy sale and purchase agreements in 2015, mln roubles



[1] In 2013-2014, JSC IDGC of the North-West performed functions of a guaranteeing supplier of electrical energy: from March 1, 2013 to December 31, 2014 in Murmansk region, from April 1, 2013 to December 31, 2013 and from October 1, 2013 to September 30, 2014 in Novgorod region. In 2015, JSC IDGC of the North-West performed power supply activities in Murmansk region until January 31. From February 1, 2015 the Company performs collection of receivables due from consumers for the electricity.

Structure of accounts receivable

Consumer groups	2013		2014	
	total	% of the total net output	total	% of the total net output
Industrial and equal consumers	149.03	6.42	102.83	3.15
Non-industrial consumers, including housing and utilities agencies	787.72	33.94	1,154.58	35.42
JSC Oboronenergosbyt	297.56	12.82	815.71	25.02
Ministry of Defense sites	1.67	0.07	13.26	0.41
Government-backed consumers (less Ministry of Defense)	121.50	5.24	69.09	2.12
Farming companies	59.33	2.56	52.77	1.62
Population (direct settlements)	162.89	7.02	153.45	4.71
Managing companies, HOAs, and home cooperatives etc	541.75	23.35	778.79	23.89
Other energy sale and supply companies	37.63	1.62	5.93	0.18
Losses (other TGCs)	161.52	6.96	113.34	3.48
Total	2,320.60	100.00	3,259.75	100.00

Physical parameters of the 2014 repair program were fulfilled completely with exceeding of target values in individual items. the exceeding of target values became possible due to savings on the results of tender procedures, which was followed by extra jobs on individual items of the repair program and rehabilitation and restoration operations.

Repair Activities

The repair program was developed with consideration of an optimal load of the Company's labor resources and the quantity and quality potential of contractors based on the following:

- analysis of accidents in the power grid system in the previous years;
- technical conditions of power grid facilities as determined by diagnostics according to charts for many years;
- requirements of supervisory authorities;
- measures taken according to accident investigation protocols;
- measures of target programs including the program of clearance and expansion of power line openings;
- requirements of the federal laws on safety of the power sector facilities.

JSC IDGC of the North-West operates 161,748 km aerial power lines; 8,100 km cable power lines; 1,166 substations with a voltage of 35 kV or higher with 19.03 k MVA installed capacity of power transformers.

Fulfillment of the basic physical parameters of the repair plan for 2010-2014

Parameter	Measurement unit	2010	2011	2012	2013	2014	% of fulfillment
Repair of 35-150 kV power lines	km	2,005.7	2,232.6	1,982.4	2,366.1	2,281.8	104
Repair of 0.4-20 kV grids	km	4,588.1	5,624.0	6,888.8	8,000.1	7,707.0	99
Capital repair of 35-220 kV transformers	pcs	30	40	17	22	18	164
Comprehensive repair of 35-220 kV substations	pcs	44	46	85	64	52	106
Clearance of routes of 35-150 kV power lines	handling	5,944.0	7,632.8	7,801.1	8,655.1	11,022.1	111
Clearance of routes of 6-20 kV power lines	handling	5,842.8	6,361.2	6,841.4	8,554.1	8,167.9	107

In 2014, it was cleared amounted to 19,190 ha (109% of the target). the exceeding was achieved due to extra jobs of automated clearing of PL routes after the branches had purchased mulching equipment; implementation of some of the amount that had been scheduled for 2015 in the framework of effective three-year contracts; clearance by the results of annual inspections and patrols.

Dynamics of distribution of repair costs by the main areas in 2010-2014

Parameter	Repair costs, RUB mln				
	2010	2011	2012	2013	2014
Total for the repair program	1,227.3	1,608.9	1,600.8	1,747.8	1,689.9
Repair of 35-150 kV power lines	174.1	226.9	258.4	301.4	319.1
Repair of 0.4-20 kV grids	552.1	662.9	638.7	717.1	713.8
Comprehensive repair of 35-220 kV substations	32.9	72.3	69.0	48.6	17.7
Clearance of routes of 35-150 kV power lines	71.0	106.7	124.3	139.5	173.1
Clearance of routes of 6-20 kV power lines in particular	75.2	92.4	96.13	122.9	129.4
company efforts	777.3	1,002.8	974.0	1,050.3	1,039.4
contracting	450.1	606.1	626.8	697.5	650.6

Distribution of repair costs by the main areas in 2014

Parameter	target	actual	% of fulfillment
Total for the repair program, RUB mln, in particular	1,643.5	1,689.9	103
Repair of 35-150 kV power lines	317.8	319.1	100
Repair of 0.4-20 kV grids	687.1	713.8	104
Comprehensive repair of 35-220 kV substations	10.3	17.7	172
Clearance of routes of 35-150 kV power lines	168.6	173.1	103
Clearance of routes of 6-20 kV power lines	124.9	129.4	104

1.5 INNOVATIVE DEVELOPMENT AND RETROFITTING

Operating process control

Operating process control (hereinafter referred to as OPC) in the power grid system means a set of steps for controlling process parameters of operation and the operation condition of power grid facilities, which are implemented by the relevant OPC divisions of JSC IDGC of the North-West.

At JSC IDGC of the North-West, OPC is implemented through operating and non-operating functions. The objective of operating functions is directly changing the process parameters or operation condition of power grid facilities while non-operating functions include scheduling of repairs, processing of dispatcher requests, development of operating documents, staff management, accident investigation, provision of security in operations at power lines and substation facilities and equipment, etc.

At JSC IDGC of the North-West, OPC is implemented by:

- *the Department of Operating Process Control and Situation Management of JSC IDGC of the North-West;*
- *7 Grid Control Centers (GCC) and 27 United Dispatching Services of production divisions of branches;*
- *134 operating dispatching groups of power grid districts.*

The main objectives of operating process control in the power grid system are as follows:

- power supply reliability and electricity quality in accordance with the legal and technical regulations and contracts for electricity transfer services;
- proper quality and safety of power grid facilities;
- efficient electricity transfer via power grids with minimum technical losses.

Innovative development

Costs of implementation of the Innovative Development Program

Basic areas	Costs of implementation, RUB mln		Deviation	
	2014 target	2014 actual	abs	%
Innovations and energy efficiency, in particular:	1,356.2	1,338.8	–17.4	–1.2
R&D Program	0	0	0	0
measures for implementation of new technologies	875.1	925.4	50.3	5.7
measures for raising energy savings and energy efficiency	383.7	352.6	–31.1	–8.1
measures for raising environmental friendliness of processes	0.95	0.95	0	0
measures for university training and retraining of staff	4.1	4.8	0.7	17
measures for business process improvement	92.3	55	–37.3	–40

The main funds for innovative machinery were earmarked for implementation of SF6 factory-assembled switchgear, reclosers, steel multisided supports with high-temperature wires, and microprocessor relay protection and automation systems.

In 2014, the following pilot projects were started:

1. Implementation of RMK multi-chamber arresters.
   The purpose of the project is protecting 10 kV power lines from interruptions, which are caused by lightning strikes that hit nearby objects, using an innovative technology of immediate quenching of the impulse arc. the selected pilot areas were Karelenergo, Vologdaenergo, and Komienergo.

2. Implementation of a SMART-35 vacuum recloser.
   At the Karelenergo branch of JSC IDGC of the North-West, a SMART-35 vacuum recloser was installed and put into trial industrial operation at a 35 kV power line. the first switching device of its kind, it has unique dimensions and functionality, can be installed directly on supports, and enables connecting users to the 35 kV grid in the most efficient way, raising the reliability of 35 kV aerial lines, and upgrading 35 kV substations efficiently. Control is performed via a GSM/GPRS communication channel from a dispatching point.

3. Work in the framework of a R&D job entitled Optimization of the Structure and Production Technology of Outdoor Disconnecting Switches of the Cutting Types for 10 kV (200, 400, 630 A) with Built-In Earth Leads Not Requiring Blocking with them.
   In 2014, a test batch of 60 disconnecting switches was installed at electric grid facilities of Novgorodenergo and Pskovenergo. Use of the 10 kV switches makes the power supply to consumers more reliable, cuts operation costs, and makes work much safer for the staff.

IT development

Work in the IT field was performed pursuant to the Strategy of JSC IDGC of the North-West in the Field of Information Technologies, Automation, and Telecommunications in 2014-2016, which has been adopted by the Board of Directors of the Company

No.	Project/initiative	Benefits achieved / quality effects / comments
	Business applications	
1	Implementation of a common centralized document exchange system for JSC IDGC of the North-West	Implementation of a common centralized document exchange system for the Company (ASMDE)
2	Implementation of a united internet portal (external Web site)	External Web site of the Company
3	Implementation of a Legal Disputes system for the Legal Department	United system of control for the Company's trials (completed)
4	Development of the Energo corporate information system of accounting and fiscal reporting in the part of settings of the chart of accounts as stipulated by the Order of JSC Russian Grids dated 02.09.2013 No. 547 (united corporate accounting principles, united corporate chart of accounts (UCCA))	Pursuant to the Order of JSC Russian Grids dated 02.09.2013 No. 547 (united corporate accounting principles, united corporate chart of accounts (UCCA))
5	Implementation of a system for management of electricity transport and interaction with consumers based on the OMNI-US AIS (4 branches)	Automation of electricity transfer account at Kolenergo and Novgorodenergo. Development of a single database for 4 branches (Arkhenergo, Komienergo, Kolenergo, Novgorodenergo).
6	Implementation of a corporate report portal based on Microsoft SharePoint Server	Control of timely submission of summary reports of the Company to JSC Russian Grids (source: Microsoft vouchers)
7	Implementation of a common centralized system of investment activity automation for JSC IDGC of the North-West, AIS Investments (noncontracted method)	Distribution of an own development of Arkhenergo branch to all branches of the Company, bringing to common standards by automation of accounting and handling of investment projects
8	Development of company management automations systems, improvement of Forga-Energo software	Automation of Maintenance and Repairs, Tests, Openings, Record of Disconnections
9	Adaptation and implementation of the automated management system of financial and business operations (Stage 1: Purchasing; Storage Accounting; Contract Management, Normalization of the Reference and Regulations Guide on Materials). Platform: 1S; configuration 1S:ERP Company Management 2.0.	Based on 1S: Company 8 software, configuration 1S:ERP Company Management 2.0. Stage 1: Purchasing; Storage Accounting; Contract Management, Normalization of the Reference and Regulations Guide on Materials
10	Adaptation and implementation of the automated management system of financial and business operations (Stage 2: Financial and Business Operations, Financial Planning, RAS Accounting, Fiscal Reporting, IFRS Accounting, Budgeting). Platform: 1S; configuration 1S:ERP Company Management 2.0.	Based on 1S: Company 8 software, configuration 1S:ERP Company Management 2.0. Stage 2: Financial and Business Operations, Financial Planning, Budgeting, Contract Management, RAS Accounting, Fiscal Reporting, IFRS Accounting
11	Raising the rate of automation through development of operated systems. General raise of IT maturity	Raising the rate of automation through development of operated systems, enhancing the coverage of automated business processes, automation of adjacent business processes (during operation), increasing the number of users
	Process systems	
12	Development of automated process control systems on the level of energy facilities	Modernization of teleautomatics systems of substations with implementation of digital communication and data transfer channels using IEC-60870-5-104/101 protocols, organization of broadband access channels, modernization of HF communication channels
13	Development of automated process control systems on the level of dispatching points and district dispatching points of the Company	Construction of fiber optic lines, modernization of existing and organization of new digital communication and data transfer channels, modernization of operating information systems of dispatching points
14	Development of automated process control systems on the level of GCC of branches and the Company	Upgrade of the telecommunication networks with implementation of digital communication and data transfer channels, implementation of IP telephone for real-time communications, modernization of the imaging system of the situation and analysis center
15	Development of power accounting software	Construction of Automated Informative Electric Power Accounting Systems for substations
	Infrastructure	
16	Implementation of the Service Desk system on the 1S platform (non-contracted method)	Raising the level of services provided, optimizing the load of IT staff and information systems. Distribution of an own development of Karelenergo branch to all branches of the Company, bringing to common standards by automation (non-contracted method)

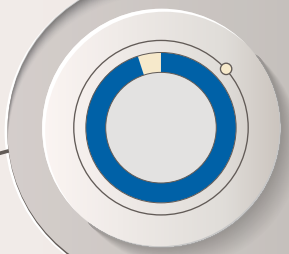
2

Corporate Governance

THE BOARD OF DIRECTORS REVIEWED

251

ISSUES



95.2%

SHARE OF ISSUES REVIEWED BY THE BOD HAD PRODUCTIVE DECISIONS

ISO 9001

QUALITY MANAGEMENT SYSTEM IS CERTIFIED FOR COMPLIANCE WITH ISO 9001

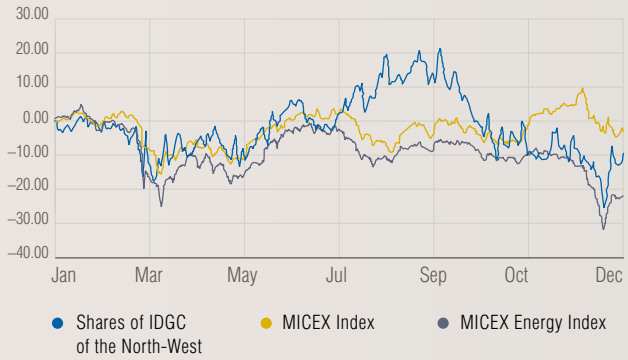
158.30

RUB mln

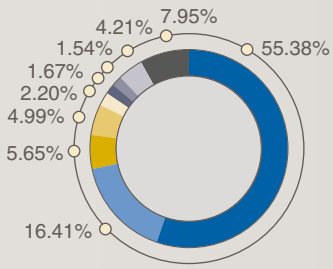
TRADING VOLUME IN 2014

In 2014, in accordance with the resolution of the rating committee made on the basis of management quality analysis, the Expert RA rating agency assigned JSC IDGC of the North-West the rating A++.gq, which is the Highest Level of Management Quality.

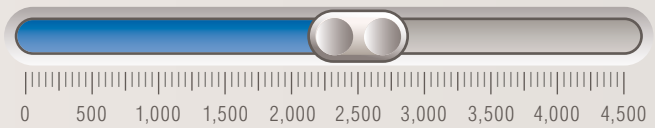
Changes in share price in 2014 against MICEX and MICEX Energy Indices (weighted average price)



Structure of the Company's share capital as at May 19, 2014



55.38%	Jsc Rosseti
16.41%	Energyo Solutions Russia (Cyprus) Limited
5.65%	Energosouz Holdings Limited
4.99%	Lancrenan Investments Limited
2.20%	Protsvetaniye Holdings Limited
1.67%	The Bank Of New York Mellon
1.54%	Faendo Limited
4.21%	Other legal entities
7.95%	Other individuals



2,433
RUB mln

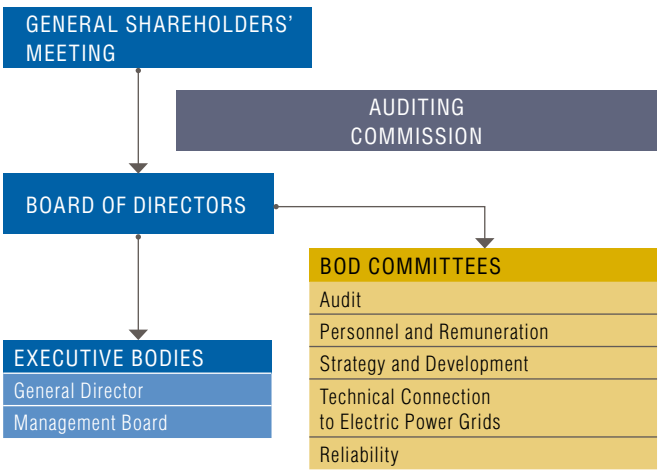
CAPITALIZATION AS AT DECEMBER 30, 2014

9,578.6
RUB mln

THE AMOUNT OF THE AUTHORIZED CAPITAL AS AT DECEMBER 31, 2014

2.1 MANAGEMENT BODIES

Scheme of interaction between management and control bodies



We understand corporate governance as the aggregate of processes that ensure management and control over its activities and include relations between the shareholders and executive bodies of JSC IDGC of the North-West in the shareholders' interests. The Company considers corporate governance as means of increasing the Company"s efficiency, strengthening its reputation and reducing the cost of raising capital.

Board of Directors

The main functions of the Board of Directors include overall strategic direction of the Company, determination of priority directions of the Company's development, control over activities of executive bodies in the interests of the Company and its shareholders, objective appraisal of the Company's financial condition.

Board of Directors' Members

The number of the Board of Directors' members is determined by the Articles of Association. The Board of Directors includes 11 members.

At the end of 2014, there were following Boards of Directors'Members[1], who were elected by the General Shareholders' Meeting on June 25, 2014:

1. S.G. Titov (Chairman since July 03, 2014 to January 16, 2015);
2. T.P. Dronova;
3. A.N. Zharikov;
4. S.S. Zholnerchik (Chairman since January 17, 2015);
5. M.A. Lavrova;
6. S.V. Pokrovsky;
7. M.M. Saukh;
8. V.V.Sofyin;
9. R.A. Filkin;
10. D.A. Chevkin;
11. A.A. Erdyniyev.

[1] Members of the Board of Directors gave their consent to disclosure of the information provided in the 2014 Annual Report of JSC IDGC of the North-West.

Svetlana S. Zholnerchik

Graduated from Mechanical Engineering Department of the P. Tolyatti Leningrad State Institute of Engineering and Economics majoring as Engineer Economist. She received a second degree in Jurisprudence majoring as Lawyer at St. Petersburg State University. Ph.D. in Economics.

From 2008 to 2013, she worked as Deputy Chairman of the Management Board of NP Market Council on the organization of an effective system of wholesale and retail trade of electricity, was a member of the Management Board.

In 2013, she continued her career in JSC Russian Grids as Deputy General Director, where she has been working as Chief Adviser since January 2015.

Currently, member of the Board of Directors of JSC Lenenergo and JSC IDGC of Center and Volga Region.

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

Date of the last reelection to the Board of Directors of the Company
June 25, 2014

Born:
1964

Tatiana P. Dronova

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

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

As of December 31, 2014, she is not a member of management bodies of other companies.

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

Date of the last reelection to the Board of Directors of the Company
June 25, 2014

Born:
1954

Alexey N. Zharikov

In 1993, he obtained a diploma of higher education upon graduation from the S. Ordzhonikidze Moscow State Academy of Managemen with a degree in Economy and Management in Fuel and Energy Industries.

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

Since 2010, he has been working in JSC Elektrotcentronaladka as Director of the Department for Corporate Policy and Shareholder Relations.

As of December 31, 2014, he is not a member of management bodies of other companies.

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

Date of the last reelection to the Board of Directors of the Company
June 25, 2014

Born:
1970

Marina A. Lavrova

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

Date of the last reelection to the Board of Directors of the Company
June 25, 2014

Born:
1982

She graduated from the State University of Management with a degree in Energy Sector Management with the major of Manager. She received a second degree at the Finance Academy of the Government of the Russian Federation.

From 2008 to 2013, she worked as Deputy Head of Business Planning Department of JSC IDGC Holding (from April 04, 2013 – JSC Russian Grids).

In 2013, she was appointed the Head of Department for Economics in Subsidiaries and Affiliates, in the Department of Economic Planning and Budgeting of JSC Russian Grids where she continues to work today.

Awarded by the Honorary Certificate of the Legislative Assembly of the Leningrad Region, member of the Boards of Directors of JSC Dagestan Power Supply Company, JSC Yekaterinburg Electric Grid Company, JSC Kubanenergo, JSC North-West Energy Management Company.

Sergey V. Pokrovsky.

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

Date of the last reelection to the Board of Directors of the Company
June 25, 2014

Born:
1973

In 1996, he obtained a diploma of higher education upon graduation from the M.I. Gubkin University with a degree in Applied Mathematics, with a major of Engineer Mathematician.

Since 2004, he has been working in Non-Profit Association for Protection of Investors' Rights (since January 2015 - Association of Professional Investors) in the position of Deputy Executive Director.

As at December 31, 2014, he is not a member of management bodies of other companies.

Maxim M. Saukh

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

Date of the last reelection to the Board of Directors of the Company
June 25, 2014

Born:
1979

In 2001, he obtained a diploma of higher education upon graduation from the St. Petersburg State University, majoring in Legal Science, qualified as a lawyer.

In 2008–2013, he worked in JSC IDGC Holding (since April 04, 2013, JSC Russian Grids) in the following positions: Deputy Head of Department for Corporate Governance and Shareholder Relations, First Deputy Head of Department for Corporate Governance and Shareholder Relations, Head of Department for Corporate Governance and Shareholder Relations.

Since June 2013, Head of Corporate Relations Office, Department for Corporate Governance and Shareholder and Investor Relations, JSC Russian Grids

Currently, member of the Boards of Directors of JSC ENIN, JSC Yekaterinburg Electric Grid Company, JSC Kabbalkenergo, JSC Pskovenergosbyt, ITEnergyServis LLC, JSC IDGC of Center, and JSC REPS of Siberia.

Vladimir V. Sofyin

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

Date of the last reelection to the Board of Directors of the Company
June 25, 2014

Born:
1969

In 1992, he obtained a diploma of higher education upon graduation from the North-West Correspondence Polytechnic Institute, majoring in Industrial Electronics, qualified as a power engineer.

From 2009 to 2010, he worked as Director of Service Development of JSC IDGC of the Centre, Executive Director for Energy of SC Olympstroy. In 2010–2012, he was the First Deputy Minister of Energy, Housing and Public Utilities of the Government of Murmansk Region. From 2012 to 2013 – Director of the Innovative Development of JSC FGC UES.

In 2013, he was appointed the Director of the Department for Technological Development and Innovation of JSC Russian Grids where she continues to work.

Currently, Chairman of the Board of Directors of VNIPI Energoprom; member of the Boards of Directors of JSC IDGC of the Center, JSC REPS UES, JSC REPS of Siberia, JSC REPS of the South, JSC VOLS-VL Management Company, and JSC ENIN.

Sergey G. Titov

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

Date of the last reelection to the Board of Directors of the Company
June 25, 2014

Born:
1963

He has higher technical education: in 1987, he graduated from Leningrad Mechanical Institute with a degree in Elements of Installation in Training Areas; in 1993, he completed postgraduate studies in the Baltic State Technical University.

Repeatedly took advanced trainings: PSM Consulting, majoring in Project Management, Advanced Training Institute of Rosenergo, majoring in Financial Management.

Since 1991, he held managerial positions in various companies.

In 2007, he joined Lenoblgas Administrative Department and worked until 2011 as Deputy General Director for Economics and Finance.

Since March 2011 – Deputy General Director for Capital Construction, JSC IDGC of the North-West.

From 2012 to 2014, he was the head of JSC IDGC of the North-West. Since April 2014, he continued his work in JSC Lenenergo in the position of First Deputy General Director for Cooperation with JSC IDGC of the North-West, where he still works.

Since November 2014, he received a second position heading Public Joint Stock Company Federal Test Center (PJSC FTC).

He was awarded the Honorary Diploma of the Legislative Assembly of St. Petersburg, a Diploma of the Legislative Assembly of Leningrad Region.

Currently, he is a member of the Boards of Directors of JSC REPS UES, and PJSC FTC.

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

Date of the last reelection to the Board of Directors of the Company
June 25, 2014

Born:
1983

Roman A. Filkin

In 2005, he obtained a diploma of higher education upon graduation from the Finance Academy under the Government of the Russian Federation, majoring in Finances and Credit, qualified as an economist.

Since 2009, he has been working as Co-Director at the Representative Office of Prosperity Capital Management (Russia) Ltd. (electricity, machine building).

Currently, Member of the Boards of Directors of JSC IDGC of the South, JSC IDGC of the Center, JSC IDGC of the Central and Volga Regions, JSC TGC-6, JSC TGC-2, JSC Dalenergomontazh, JSC Smolensk Power Maintenance Company, and JSC Urengoitruboprovodstroi.

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

Date of the last reelection to the Board of Directors of the Company
June 25, 2014

Born:
1976

Dmitry A. Chevkin

In 1998, he obtained a diploma of higher education upon graduation from the Finance Academy under the Government of the Russian Federation, majoring in Finances and Credit, qualified as an economist.

In 2005–2013, he worked in JSC FGC UES in the positions of Head of Directorate for Control and Analytics, Head of Directorate for Analytics and Performance Management, Head of Department for Personnel Management and Organization Design, HR Director.

In May 2013, he was appointed Director of the Department of Personnel Policy and Organizational Development of JSC Russian Grids, where he continues to work today.

Currently, member of the Boards of Directors of JSC Real Estate of the Urals and JSC Tyumenenergo.

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

Born:
1984

Anton A. Erdyniyev

In 2006, he received the diploma of higher education at the Novosibirsk State Technical University with the qualification of Engineer in Power Systems and Grids.

In 2010-2011, he worked in JSC Sibirenergo as the Head of Trading Group for Commercial Management. Since 2011, Chief Expert of the Wholesale Market Department of JSC United Power Supply Company. From May 2012, he continued his career in NP Market Council as the Head of Department for Support of Retail Markets.

Since October 2013, he has been the Deputy Director of the Department for Development of Electric Power in the Ministry of Energy of the Russian Federation.

As at December 31, 2014, he is not a member of management bodies of other companies.

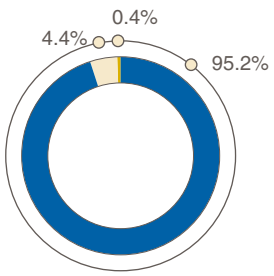
In 2014, members of the Board of Directors neither owned shares of JSC IDGC North-West nor committed any transactions with the Company's securities.

Board of Directors' Activities

Full name	Number of the meetings in which member of BOD participated, In-presence/External	Participation, %
From January 01, 2014 to March 12, 2014 (total number of meetings – 5)		
A.E. Murov (Chairman)	0/5	100
V.V. Ageyev	0/5	100
S.A. Balayeva	0/5	100
A.A. Bashindzhagyan	0/2	40
T.P. Dronova	0/5	100
D.V. Kulikov	0/5	100
M.V. Merzlikina	0/5	100
S.V. Pokrovsky	0/5	100
S.G. Titov	0/5	100
D.A. Chevkin	0/5	100
Yu.P. Chermeteyeva	0/5	100
From March 13, 2014 to June 25, 2014 (total number of meetings – 9)		
S.G. Titov (Chairman)	2/7	100
T.P. Dronova	1[1]/5	67
A.N. Zharikov	2/7	100
S.S. Zholnerchik	1 + 1[1]/7	100
M.A. Lavrova	2/7	100
S.V. Pokrovsky	2/7	100
M.M. Saukh	2/7	100
V.V.Sofyin	1 + 1[1]/7	100
R.A. Filkin	1 + 1[1]/6	89
D.A. Chevkin	2/7	100
Yu.P. Chermeteyeva	2/7	100
From June 26, 2014 to December 31, 2014 (total number of meetings – 14)		
S.G. Titov (Chairman)	2 + 1[1]/11	100
T.P. Dronova	3/8	79
A.N. Zharikov	3/11	100
S.S. Zholnerchik	3/11	100
M.A. Lavrova	1 + 2[1]/11	100
S.V. Pokrovsky	3/11	100
M.M. Saukh	2 + 1[1]/11	100
V.V.Sofyin	3/11	100
R.A. Filkin	3/11	100
D.A. Chevkin	3[1]/11	100
A.A. Erdyniyev	3[1]/9	85.71

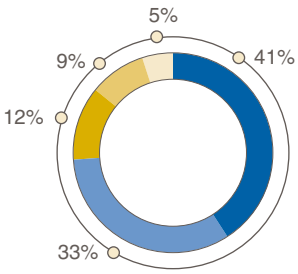
In 2014, 28 meetings of the Board of Directors of the Company were held, 5 of them were in presentia and in absentia.

Issues reviewed by the Board of Directors



95.2% Agenda items with definitive results
4.4% Agenda items to be postponed till later periods
0.4% Canceled agenda items

The structure of matters reviewed by the Board of Directors in 2014



41% Planning of financial and business investment activities and accountability
33% Corporate governance (of the Company and subsidiaries)
12% Strategic goals, long-term plans and programms
9% Providing efficiency of Company's activities, internal control and audit
5% Personnel policy and appointments

[1] At the meeting of the Board of Directors held in a part-time form, the member of the Board of Directors represented a written opinion (questionnaire) on the agenda of the meeting.

Committees of the Board of Directors

Members of Committees

In 2014, each of the Committees of the Board of Directors worked in three different compositions.

The current compositions of the Committees of the Board of Directors of the Company were elected by the Board of Directors of the Company on July 18, 2014 (Minutes No. 160/2): The table below provides information about the participation of members of the current Board of Directors of the work of Committees.

Full name	Position	Participation	Participation %
Auditing Commission (composed only of the members of the Board of Directors)			
Marina A. Lavrova Chair	Deputy Head of Economics of S&A Office of Economic Planning and Budgeting Department, JSC Russian Grids	7	100
Dmitry A. Chevkin	Director, Department of Personnel Policy Head of Strategic Planning Office, JSC Russian Grids	7	100
Vladimir V. Sofyin	Head of Technological Development and Innovations Department, JSC Russian Grids	7	100
Maxim M. Saukh	Head of Corporate Relations Section of the Department for Corporate Governance and Shareholder and Investor Relations, JSC Russian Grids	7	100
Tatiana P. Dronova	Deputy General Director for Strategy and Development of CJSC Energy Union Investment Holding	7	100
Roman A. Filkin	Co-Director, Power Engineering, Machine Building of the Representative Office of Prosperity Capital Management (Russia) Ltd.	7	100
Personnel and Remuneration Committee (composed only of the members of the Board of Directors)			
Svetlana S. Zholnerchik Chair	Deputy General Director, JSC Russian Girds	7	100
Dmitry A. Chevkin	Director, Department of Personnel Policy Head of Strategic Planning Office, JSC Russian Grids	7	100
Vladimir V. Sofyin	Head of Technological Development and Innovations Department, JSC Russian Grids	5	71
Marina A. Lavrova	Head of Department for Economic Planning in Subsidiaries and Affiliates Advisor, JSC Russian Grids	7	100
Maxim M. Saukh	Head of Corporate Relations Section of the Department for Corporate Governance and Shareholder and Investor Relations, JSC Russian Grids	7	100
Anton A. Erdyniyev	Deputy Director of the Electricity Development Department, Ministry of Energy of the Russian Federation	6	86
Sergey V. Pokrovsky	Deputy Executive Director of the Association for Protection of Investors' Rights	7	100
Tatiana P. Dronova	Deputy General Director for Strategy and Development of CJSC Energy Union Investment Holding	6	86
Roman A. Filkin	Co-Director, Power Engineering, Machine Building of the Representative Office of Prosperity Capital Management (Russia) Ltd.	7	100
Reliability Committee			
Sergey M.Kataev[1] Chairman	Director, Production Assets Management Department, JSC Russian Grids	0	0
Vladimir A. Ukolov	Head of Department for the Development of Information and Technology Systems, Situation and Analytical Centre, JSC Russian Grids	4	100
Oleg P. Anfimov[1]	Deputy Chief Engineer for Operational and Technological Management, Head of Operational, Technological and Situational Management Department, JSC IDGC of the North-West	0	0
Dmitry I. Nikonov[1]	First Deputy General Director – Chief Engineer, JSC IDGC of the North-West	0	0

Full name	Position	Participation	Participation %
Alexey N. Zharikov	Director of the Corporate Policy and Shareholder Relations Department, JSC Electrocentronaladka	4	100
Igor G. Polovnev	Financial Director, Association for Protection of Investors' Rights	4	100
Dmitry D. Mikheyev	Head of the Department of Perspective Development of Electric Power Industry, Russian Ministry of Energy	3	75
Strategy and Development Committee			
Dmitry A. Chevkin Chairman	Director, Department of Personnel Policy Head of Strategic Planning Office, JSC Russian Grids	9	100
Maxim M. Saukh	Head of Corporate Relations Section of the Department for Corporate Governance and Shareholder and Investor Relations of JSC Russian Grids Advisor, JSC Russian Grids	9	100
Olga N. Troynina	Chief Expert of the Strategic Planning Department, Department of Strategic Development, JSC Russian Grids	8	89
Yury N. Pankstyanov	Director of Tariff Policy Department, JSC Russian Grids	8	89
Valery N. Krasnikov	Director, Corporate Finance Department, JSC Russian Grids	9	100
Maria V. Lazareva	Head of Expert and Analytical Department, JSC Russian Grids	9	100
Irina V. Bogacheva	Head of Department for Analysis and Evaluation of Investment Projects, Investment Department, JSC Russian Grids	9	100
Alexey N. Goncharov	Heads of Department for Relations with Participants of the Wholesale and Retail Electricity Markets, JSC Russian Grids	9	100
Alexey N. Zharikov	Director of the Corporate Policy and Shareholder Relations Department, JSC Electrocentronaladka	7	78
Vitaly V. Kuzmin	Independent expert	9	100
Roman A. Filkin	Co-Director, Power Engineering, Machine Building of the Representative Office of Prosperity Capital Management (Russia) Ltd.	9	100
Sergey V. Pokrovsky	Deputy Executive Director of the Association for Protection of Investors' Rights	9	100
Anton A. Erdyniyev	Deputy Director of the Electricity Development Department, Ministry of Energy of the Russian Federation	7	78
Committee for Technical Connection to Electric Power Grids			
Tatiana P. Dronova Chair	Deputy General Director for Strategy and Development of CJSC Energy Union Investment Holding	3	100
Alexander V. Mikhalkov	Deputy General Director for Service Development and Sale, JSC IDGC of the North-West	2	67
Alexey K. Shmyrin	Head of the Prospective Development and Technological Connection Department, JSC IDGC of the North-West	3	100
Igor G. Polovnev	Financial Director, Association for Protection of Investors' Rights	3	100
Boris A. Portnyakin	Deputy Chairman of the Industrial Department for the Development of the Energy Market, a member of the Committee for Energy Saving and Efficiency of Business Russia	3	100
Dmitry D. Mikheyev	Head of the Department of Perspective Development of Electric Power Industry, Russian Ministry of Energy	3	100
Irina B. Masaleva	Director, Department for Perspective and Technological Development of Grids, JSC Russian Grids	3	100
Timur O. Boitsov	Chief Expert, Regulation of Technological Connection, Department for Perspective and Technological Development of Grids, JSC Russian Grids	3	100

[1] Elected to the Reliability Committee on December 30, 2014.

Auditing Committee

In 2014, the Auditing Committee held 14 meetings, including one meeting in person.

The meetings addressed issues of monitoring over the functioning and improvement of internal control and risk management systems.

Personnel and Remuneration Committee

In 2014, the Personnel and Remuneration Committee of the Company's Board of Directors held 13 meetings, including one meeting - in person.

The structure of issues addressed in 2014 by the Auditing Committee

The structure of issues addressed in 2014 by the Personnel and Remuneration Committee

Reliability Committee

In 2014, the Reliability Committee held 9 meetings, including one meeting in person.

Strategy and Development Committee

During 2014, the Committee for Strategy and Development held 17 meetings at which, in accordance with certain provisions of the Regulations on the Committee's objectives, it made decisions on the main activities.

Committee for Technical Connection to Electric Power Grids

In 2014, the Committee for Technical Connection to Electric Power Grids held 4 meetings.

> The Committees play an active part in the process of making decisions by the Board of Directors of the Company presenting to the Board recommendations on the most important issues within its competence.

The structure of issues addressed in 2014 by the Reliability Committee

The structure of issues addressed in 2014 by the Committee for Strategy and Development

The structure of issues addressed in 2014 by the Committee for Technical Connection to Electric Power Grids

Executive Bodies

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 activity.

In the period from July 01, 2012 to April 24, 2014, JSC IDGC of the North-West was headed by Sergei G. Titov.

On April 25, 2014, Alexander V. Letyagin was appointed the Acting General Director of the Company; on July 29, 2014, assumed a position of the General Director of JSC IDGC of the North-West.

General Director, Management Board

Date of election: July 29, 2014

Born: 1976

Alexander V. Letyagin

General Director, Management Board

In 1998, he graduated from Ivanovo State Energy University, majoring in Power Plants.

Received a supplemenraty education diploma in Moscow Power Engineering Institute under the management training program for organization of national economy of the Russian Federation in the field of Management.

From 2006 to 2012 he worked as a Chief Engineer, Technical Director, Deputy General Director for technical issues – Chief Engineer of the brahch of of JSC IDGC of the Centre, Orelenergo.

From 2012 to 2014, Adviser to the General Director, Director of the branch of JSC Lenenergo, Vyborg Electric Grids.

Has been an interim First Deputy General Director at JSC IDGC of the North-West since 2014.

Holding a position of an interim General Director at JSC IDGC of the North-West since April 2014.

On July, 29, 2014 was elected as General Director of JSC IDGC of the North-West.

Area of responsibility coordination and monitoring of tariff making process, implementation of tariff policy and forecasting tariff levels in the regions, control over the process of business planning, budgeting; control and coordination of activities for setting and preparing financial statements, observance of economic and legal interests of the Company in the capital management and property relations.

Currently, he is not a member of management bodies of any organizations.

He did not hold any shares in JSC IDGC of the North-West nor did he perform any transactions with securities of the Company in 2014.

Management Board

The 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 financial and economic policy of the Company and its subsidiaries: making decisions on major issues of current business activity and coordination of business units;
- 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.

Members of the Management Board

As at the end of 2014, the Management Board consisted of the following members:

A.V. Letyagin, A.Y. Gorokhov, V.E. Lutskovich, A.V. Mizgin-Somov, A.V. Mikhalkov, D.S. Nikiforov, A.D. Nikonov, and D.A. Orlov

The current composition of the Management Board[1]

Date of election to the Management Board: April 21, 2015

Born: 1950

Vladimir S. 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 Leningrad Lensoviet Institute of Technology with a degree in “Chemistry and Sorbent Technology”, PhD in economics.

From 2005 to 2015 – Vice President, Councelor, Member of the Management Board of OJSC International Bank of Saint Petersburg.

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

Area of responsibility: organizes economic and information security of the Company.

Currently, he is not a member of management bodies of any organizations.

He did not hold any shares in JSC IDGC of the North-West nor did he perform any transactions with securities of the Company in 2014.

[1] Current composition of the Management Board is presented to the date of the Annual Meeting of Shareholders on June 23, 2015

Viktor Ye. Lutskovich

Date of election to the Management Board: July 31, 2014

Born: 1963

Member of the Management Board, Deputy General Director - Head of the Administration (date of the election to the Management Board - July 31, 2014).

Born in 1963.

He graduated from Vologda State Pedagogical University, majoring in "Jurisprudence" and Simferopol Higher Military-Political and Construction School with qualification: "Officer with higher military-political education".

From 2008 to 2012 he held a position of Deputy Head of Department – Head of Department of Remuneration of Labour and Motivation of JSC IDGC Holding (since April, 4, 2013 – JSC Rosseti).

In 2012 - 2013 - Deputy General Director for Personnel and Social Policy at JSC United Energy Company.

In 2013 - 2014 - Deputy General Director for Personnel and Administration at JSC United Energy Company.

Since September 2014, he has been working as a Deputy General Director, Head of Apparatus of JSC IDGC of the North-West.

Area of responsibility enhancing the effectiveness and efficiency of JSC IDGC of the North-West by ensuring compliance of quantitative and qualitative staff structure with the goals and objectives of the Company, its efficient use and development. Building an effective system of Company management on the basis of business processes and organizational structure of the Company.

Currently, he is not a member of management bodies of any organizations.

He did not hold any shares in JSC IDGC of the North-West nor did he perform any transactions with securities of the Company in 2014.

Date of election to the Management Board: March 25, 2015

Born: 1955

Ivan V. Medvedev

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

Born in 1955.

He graduated from Ukhta Industrial Institute with a degree in "Machinery in timber and woodworking industry", St. Petersburg University of Economics and Finance with a degree in "Planning in Industry". He received additional training at the Academy of National Economy under the Government of the Russian Federation under the "President" programme.

From 2008 to 2011, he held the position of Director of the branch of JSC IDGC of the North-West, Komienergo From 2011, Deputy General Director – Director of the JSC IDGC of the North-West's branch, Komienergo.

Area of responsibility operational management of current activities of the Company's branch in accordance with plans approved by JSC IDGC of the North-West ensures implementation of resolutions of the Company's management.

Currently, he is not a member of management bodies of any organizations.

He has a share in the authorized capital of JSC IDGC of the North-West: 0.01013% He did not hold any shares in JSC IDGC of the North-West nor did he perform any transactions with securities of the Company in 2014.

Alexander V. Mikhalkov

Member of the Management Board, Deputy General Director for Development and Provision of Services (date of the election to the Management Board - April 10, 2008).

Born in 1962.

In 1985, he graduated from Kalinin Polytechnic Institute, majoring in Supply of Electricity to Industrial Facilities, Cities and Rural Areas.

In 2004 graduated (underwent professional training) from the Academy of National Economy under the Government of the Russian Federation, majoring in Management in Electricity Sector.

Since 2005 has been Chief Accountant at JSC IDGC of the North-West. Since 2005, he has worked at JSC IDGC of the North-West: 2005-2007 – Director for Strategic Management, since 2007 has been Deputy General Director for Development and Services Selling.

Area of responsibility organization of timely and high quality technical connection of consumers to the distribution grids of JSC IDGC of the North-West in order to provide consumers with electricity of required quality, in a required volume, while minimizing damages (losses), and constant improvement of the efficiency to achieve required financial results of the Company's activity.

Currently, he is not a member of management bodies of any organizations.

He did not hold any shares in JSC IDGC of the North-West nor did he perform any transactions with securities of the Company in 2014.

Date of election to the Management Board: April 10, 2008

Born 1962

Date of election to the Management Board: March 25, 2015

Born: 1972

Vladimir V. Nesterenko

Deputy General Director for Investing Activities (date of the election to the Management Board - March 25, 2015).

Born in 1972.

In 1995, he graduated from Volgograd State Technical University, majoring in Pulse Heat Machinery.

Received a supplementary education diploma in Federal state budgetary educational institution of higher professional education the Russian Presidential Academy of National Economy and Public Administration in the field of Management of company's development.

From 2010 to 2012, he worked as Director for Operation and Repairs of JSC IDGC of the Center.

In 2012 - 2014 - Deputy Head of Department - Head of Department for Balance and Energy Accounting, Department for Interaction with Customers and the Market of OAO FGC UES.

Since December 2014 – Acting Deputy General Director Investment Activity at JSC IDGC of the North-West. In February 2015, he was appointed Deputy General Director Investment Activity at JSC IDGC of the North-West.

Area of responsibility Organization and implementation of long-term investment strategy. Ensuring the implementation of the investment programme of JSC IDGC of the North-West in order to modernize the Company's capital stock through the implementation of investment projects.

Currently, he is not a member of management bodies of any organizations.

He did not hold any shares in JSC IDGC of the North-West nor did he perform any transactions with securities of the Company in 2014.

Dmitry S. Nikiforov

Date of election to the Management Board: July 31, 2014

Born: 1979

Member of the Management Board, Deputy General Director for Economics and Finance (date of the election to the Management Board - July 31, 2014).

Born in 1979.

He graduated from the Moscow State University of Economics, Statistics and Informatics, with a degree in "Applied Informatics (in the Economics)."

From 2006 to 2012 held positions of Head of Department of Financial Analysis and Fund Allocation for Financial and Budgetary Department, Director of Financial and Budgetary Department, Vice-President for Finance and Investment in JSC Foreign economy stock company for tourism and investment “Intourist”.

In 2013 - Vice-President of CJSC Commercial Bank Universal Finance.

In 2013 - 2014 - Deputy General Director of JSC Corporation for Tourism Development in Kaliningrad Region.

In September 2014, was appointed Deputy General Director for Logistics and Procurement of JSC IDGC of the North-West.

Area of responsibility effective management of the Company Economics, optimization of cash flows of the Company, effective implementation of the credit policy, ensuring timely settlement of all aspects of the Company's activities. Establishing the level of tariffs for services provided by JSC IDGC of the North-West sufficient to ensure its core operations and profit.

Awarded by the Honorary Certificate of the Legislative Assembly of the Leningrad Region.

Currently he is not a member of management bodies of any organizations. He did not hold any shares in JSC IDGC of the North-West in 2014 nor did he perform any transactions with securities of the Company during 2012.

Date of election to the Management Board: March 25, 2015

Born: 1972

Dmitry I. Nikonov

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

Born in 1972.

He graduated from All-Russian Extra-mural Financial and Economic Institute with a degree in Finance and Credit, Ivanovo State Energy University named after V.I. Lenin with a degree in Electric stations.

In 2008 - 2014 - First Deputy Director of Kalugaenergo branch.

In 2014 held a position of Advisor to the Department of Maintenance and Repair at JSC IDGC of the North-West.

From 2014 to 2015 – Acting First Deputy General Director – Chief Engineer of JSC IDGC of the North-West.

In February 2015, he was appointed First Deputy General Director – Chief Engineer of JSC IDGC of the North-West.

Area of responsibility ensuring equipment operation in order to provide power supply to consumers over grids with minimal losses, maximum reliability and quality, while ensuring the safety of equipment, preventing technological failures and minimizing their damages. Effective management for the organization and coordination of planning in the area if grids development.

Currently he is not a member of management bodies of any organizations.

He did not hold any shares in JSC IDGC of the North-West nor did he perform any transactions with securities of the Company in 2014.

Denis A. 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 Academy of Economics named after G.V. Plekhanov with a degree in "Finance and Credit".

Ph.D. in Economics. He speaks English and German.

From 2009 to 2012 – Deputy Chairman of the Government of the Orel Region – the Head of Infrastructure Unit.

From 2012 to 2014 - Deputy Chairman of the Committee for Economic Development and Investment of the Government of Leningrad region.

Since March 2014 – Acting Deputy General Director Investment Activity at JSC IDGC of the North-West. In August 2014, he was appointed Deputy General Director for Corporate Governance of the JSC IDGC of the North-West.

Area of responsibility organization of corporate governance system of JSC IDGC of the North-West and its subsidiaries, management of assets and own capital of the Company, shareholder and investor relations. Ensuring the legality of economic activities of the Company, as well as protection of its rights and interests.

Currently, he is not a member of management bodies of any organizations.

He did not hold any shares in JSC IDGC of the North-West nor did he perform any transactions with securities of the Company in 2014.

Date of election to the Management Board: September 01, 2014

Born: 1975

Structure of key reviewed matters by activity areas for 2014

Participation of members of the Management Board in meetings held in 2014:.

Full name	Participation	Participation %
A.V. Letyagin	34/47	72.3
O.A. Beznadezhnykh[1]	34/47	72.3
D.A. Bukata[1]	11/47	23.4
A.Yu. Gorokhov[1]	42/47	89.4
D.O. Guba[1]	14/47	29.79
M.V. Koshelev[1]	20/47	42.5
D.K. Krautman[1]	3/47	6.4
V.Ye. Lutskovich[2]	23/47	48.9
D.L. Matrosov[1]	15/47	31.9
N.V. Melnikova[1]	4/47	8.5
A.A. Mizgin-Somov[2]	23/47	48.9
A.V. Mikhalkov	45/47	95.7
D.S. Nikiforov[2]	24/47	51.1
A.D. Nikonov[3]	13/47	27.7
D.A. Orlov[4]	18/47	38.3
D.P. Tiron[1]	28/47	59.6
S.G. Titov[1]	13/47	27.6

[1] Powers terminated

[2] Elected on July 31, 2014

[3] Elected on September 17, 2014

[4] Elected on September 01, 2014

Auditing Commission

Objectives and activities of the Auditing Commission are governed by the Regulation on the Auditing Committee of JSC IDGC of the North-West[5].
From June 22, 2013 to March 12, 2014 at the Auditing Commission worked with the following members:

M.A. Lelekova (Chairman),
Kormushkina L.D.,
Gaychenya I.A.,
Filippova I.A.,
Tsyrendashiyev S.B.

From March 13, 2014 to June 25, 2014, the Auditing Commission consisted of the following members:

M.A. Lelekova (Chairman),
E.Yu. Guseva,
A.N. Kirillov,
S.V. Malyshev,
S.I. Ochikov.

[5] The full text of the Regulations on the Committees of the Board of Directors of JSC IDGC of the North-West is available on JSC IDGC of the North-West website at http://www.mrsksevzap.ru.

Internal control

Today the Department for Internal Audit and Control has been operating in the current status since October 1, 2014 (previously operated under the name of the Department of Internal Audit and Risk Management).
Members of Department for Internal Audit and Control:

Yelena A. Batanina,
Gennady V. Grishin,
Lubov I. Brushnevskaya,
Alexander A. Boytsov,
Alexandr A. Nikolayev,
Yelena A. Glodya,
Anastasiya I. Yefremova.

Remuneration of Management and Control Bodies

Remuneration of the Board Members

Types, amount and procedure of remuneration and benefits payment to the members of the Board of Directors of JSC IDGC of the North-West are governed by the Regulations for Remuneration and Compensation Payment to the Members of the Board of Directors of JSC IDGC of the North-West approved at the Annual General Shareholder's Meeting as of May 29, 2008.[6]

In the reporting period, expenses relating to the performance of functions of the Company's Board of Directors in the amount of RUB 169,082 were compensated.

The Company believes that the current motivation system is highly effective and that remuneration paid to members of the Company's Board of Directors corresponds to the merits of the members of the Company's Board of Directors and the size of the Company.

Remuneration paid to the members of the Board of Directors in 2014 (RUB)[7]

Full name	For participation in meetings of the Board of Directors[8]	For the Company's net profit index for 2013	For the Company's market capitalization increase	Total
Structure of the Board of Directors elected at the Extraordinary General Shareholders' Meeting held on August 28, 2012	–	411,446	–	411,446
Structure of the Board of Directors elected at the Annual General Shareholders' Meeting held on June 21, 2013	2,721,600	752,740	–	3,474,340
Structure of the Board of Directors elected at the Annual General Shareholders' Meeting held on March 12, 2014	4,482,000	–	–	4,482,000
Structure of the Board of Directors elected at the Annual General Shareholders' Meeting held on June 25, 2014	6,108,000	–	–	6,108,000
T.P. Dronova	456,000	–	–	456,000
A.N. Zharikov	600,000	–	–	600,000
S.S. Zholnerchik	600,000	–	–	600,000
M.A. Lavrova	588,000	–	–	588,000
S.V. Pokrovsky	600,000	–	–	600,000
M.M. Saukh	588,000	–	–	588,000
V.V.Sofyin	600,000	–	–	600,000
S.G. Titov	900,000	–	–	900,000
R.A. Filkin	600,000	–	–	600,000
D.A. Chevkin	576,000	–	–	576,000
A.A. Erdyniyev	–	–	–	–
Total in 2014.	13,311,600	1,164,186	–	14,475,786

[6] The full text of the Regulations on Remuneration and Compensation Payment to the Members of the Board of Directors of JSC IDGC of the North-West is available on JSC IDGC of the North-West website at http://www.mrsksevzap.ru/.

[7] Hereinafter, all amounts of remuneration paid to management and control bodies are specified before Personal Income Tax.

[8] In 2014 for the purpose of calculation of remuneration for participation in meetings of the Board of Directors the following minimum monthly tariffs were applied: December 01, – RUB 5,400, from July 01, – RUB 6,000.

The amount of remuneration to the Chairman (Deputy Chairman) for each meeting, where he/she executed the functions of the Chairman of the Board of Directors, increases by 50%

Remuneration of members of Committees of the Board of Directors

Types, amount and procedure of remuneration and benefits payment to the members of Committees of the Company's Board of Directors are governed by the Regulations for Remuneration and Compensation Payment to the Members of Committees of the Board of Directors of JSC IDGC of the North-West, approved by the resolution of the Company's Board of Directors as of 25.08.2009.[1]

The total remuneration paid for participation in the meetings of Committees of the Board of Directors of the Company amounted to RUB 2,506,800.

Remuneration paid to the members of Committees of the Board of Directors in 2014 (RUB)

Full name	Remuneration for participation in meetings of Committees of the Board of Directors[2]
The Auditing Committee	
Structure of the Committee elected on July 22, 2013	129,600
Structure of the Committee elected on April 16, 2014	132,300
Structure of the Committee elected on July 18, 2014	234,000
Total in 2014.	495,900
The Personnel and Remuneration Committee	
Structure of the Committee elected on July 22, 2013	118,800
Structure of the Committee elected on April 16, 2014	135,000
Structure of the Committee elected on July 18, 2014	339,000
Total in 2014.	592,800
The Strategy and Development Committee	
Structure of the Committee elected on July 22, 2013	259,200
Structure of the Committee elected on April 16, 2014	170,100
Structure of the Committee elected on July 18, 2014	513,000
Total in 2014.	942,300
The Reliability Committee	
Structure of the Committee elected on July 22, 2013	59,400
Structure of the Committee elected on April 24, 2014	59,400
Structure of the Committee elected on July 18, 2014	159,000
Total in 2014.	277,800
Committee for Technical Connection to Electric Power Grids	
Structure of the Committee elected on July 22, 2013	45,900
Structure of the Committee elected on April 16, 2014	35,100
Structure of the Committee elected on July 18, 2014	117,000
Total in 2014.	198,000

[1] The full text of the Regulations on Remuneration and Compensation Payment to the Members of the Board of Directors of JSC IDGC of the North-West is available on JSC IDGC of the North-West website at http://www.mrsksevzap.ru/.

[2] In 2014 for the purpose of calculation of remuneration for participation in meetings of the Board of Directors the following minimum monthly tariffs were applied: December 01, – RUB 5,400, from July 01, – RUB 6,000.

Remuneration to Members of the General Director and the Management Board

In accordance with the Provision on Material Incentives and Social Package for Top Managers of JSC IDGC of the North-West approved by the resolution of the Board of Directors of June 15, 2011, members of the Company's Management Board are also classified as top managers of JSC IDGC of the North-West.

The criteria of determination and the amount of remuneration of General Director are fixed in the labor agreement and the Provision on Material Incentives for General Director of JSC IDGC of the North-West, approved by the Board of Directors of the Company on June 15, 2011.

The size of bonuses of General Director and top managers depends on the fulfillment of KPI approved by the Board of Directors of the Company.

Information on remuneration paid to the members of the Management Board in 2014, including the person acting as the Sole Executive Bodya[4]

Description	Amount, RUB
Salary	33,886,685
Remuneration for performance of functions of a member of the Management Board	2,918,108
Bonus for achievement of set quarterly KPIs	3,000,530
Bonus for achievement of set annual KPIs for 2013	25,068,522
Other bonuses	6,196,293
Total	71,070,138

[4] Due to the replacement of the sole executive body acting since July 01, 2012 till April 24, 2014, the compensation was paid upon resignation for unused vacation of 69 calendar days for the period from September 03, 2011 to April 24, 2014

Remuneration of the Auditing Commission

The amount and procedure of remuneration and benefits payment to the members of the Auditing Commission of the Issuer in 2014 was governed by the Regulations on Remuneration and Compensation Payment to the Members of the Auditing Commission of JSC IDGC of the North-West approved by the resolution of the Annual General Shareholder's Meeting as of May 29, 2008.

In 2014, for their participation in the audit of financial and economic activity of the Company, members of the Auditing Commission were remunerated in the amount of RUB 1,147,500.

2.2 CORPORATE GOVERNANCE

Internal Control and Risk Management System Model

Internal Control and Risk Management System of JSC IDGC of the North-West is part of the Company's corporate governance system including a full range of procedures, methods, and control tools elaborated and implemented by the Board of Directors, Auditing Commission, executive bodies, senior management and all Company employees with the aim to ensure success in the following areas:

- efficient and productive operation management;
- compliance with applicable legislation and in-house regulations;
- prevention of unlawful actions of Company employees and third parties with regard to Company's assets;
- reliability, accuracy and timeliness of all types of reports.

Internal Control and Risk Management System is improved at all levels of Company management in the following areas of control

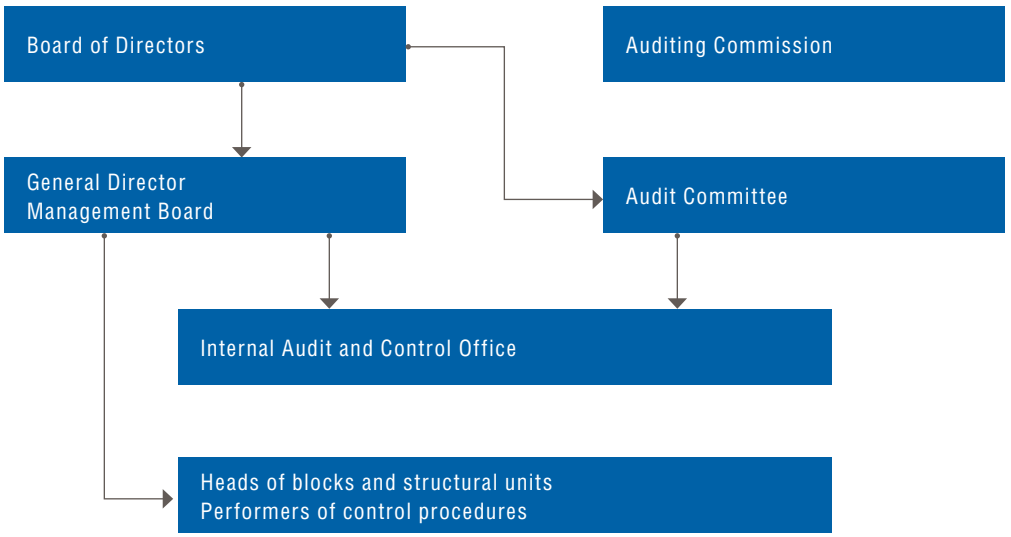
Preliminary (preventive) control	Current control	Follow-up
Preventive control procedures are carried out the risk management system (RMS) and include: monitoring, identification and assessment of risks, development and implementation of risk management measures.	Control procedures built into business processes are designed to achieve the aims of business processes.	Internal Audit, audit control of reliability of the reporting, safety of assets, compliance control, external audit, self-assessment.

Authority and Responsibility of Internal Control and Risk Management System Participants

Name	Major powers and responsibilities in Internal Control and Risk Management System
Board of Directors	› ensure development, control operation and define the Company's general internal audit and risk management system development strategy › review reports and decide on systemic, key and challenging issues of internal audit
Auditing Commission	› control the Company's financial and business activities › carry out an independent assessment of data in the annual report and annual statutory financial statements
Audit Committee, Board of Directors	› select an external auditor and assess their performance › evaluate reliability of data in the Company's (statutory) financial statements (including external auditor's report) › evaluate internal control and risk management system efficiency, make proposals for improvement
General Director, Management Board	› supervise creation and daily operation of efficient and safe internal control system
Head of Units and Structural Subdivisions	› ensure efficient control over processes (activities), responsible for achievement of operational goals for such processes (activities) and risk control of processes (activities) and controlled procedures execution
Employees of the Company's structural units executing control as part of job duties	› execute control as part of internal control system in accordance with job description and approved regulatory documents › timely inform line managers about cases of impossibility of execution of controlled procedures and arrangements in risk management or where some change in controlled procedure/arrangement for risk control is required with regard to changes in internal and/or external conditions of Company's operation, including development and submittal for review of senior management suggestions on implementation of control procedures and arrangements in risk management in subsequent areas of activity
The Internal Audit and Control Department	› provide methodology and coordinate risk management and regulation of controls at the Company, provide independent follow-up and estimation of controls efficiency, inform the Board of Directors and executive bodies about major tendencies and drawbacks in the Company's operation

In order to ensure that internal control system is efficient and complies with changing requirements and conditions, the Company assesses internal control system efficiency: its compliance with goals and maturity level.

Internal Control and Risk Management System Participants



Main Risk Factors

Improvement of the Internal Control and Risk Management System is based on the key business area of IDGC of the North-West. Within this system, effective exchange of information required for operational and strategic risk management, is maintained between the Board of Directors, executive bodies, and all functional units.

Aims and objectives of risk management:

1. Provide reasonable guarantee of the achievement of strategic aims:

› identify and evaluate materiality of events affecting the achievement of the strategic aims;

› take preventive measures to minimize the probability and negative impact of risks on the aims;

› strategic planning, taking risks into account;

› timely inform the Company's General Director (Management Board) and stakeholders about threats and opportunities;

› monitor measures to control risks.

2. Preserve assets and maintain business productivity:

› identify, assess and manage risks related to business processes;

› provide information about the risks in decision-making;

› form the matrixes of risk controls;

› establish and manage the system of key risk indicators (KRIs);

› prevent fraud.

3. Ensure the continuity of electricity transmission:

› create programs of response to risky situations;

› regulate the processes of risk event consequences localization;

› coordinate, provide and evaluate the effectiveness of timely response to emergencies.

The process approach is used for risk identification and management. Measures aimed at preventing and minimizing risks, are developed and updated quarterly. As part of a package of measures to develop and improve the internal control and risk management system, the Company's Management Board considers on a quarterly basis the summary report on the implementation of risk management measures as part of the Report on the operational risks of the main business processes of the Company.

● Critical risk ● Significant risk ● Moderate risk

1. Sector risks

Risk	The risk of a significant increase of overdue accounts receivable for electricity transmission associated with low payment discipline of the end consumers and the risk of growth of bad debts for the services on electricity transmission associated with disagreements arising with customers on the application of sector-specific legislation with regard to payments for electricity transmission services.
Description	Overdue receivables for services electricity transmission has a large share in the structure of total receivables of the issuer and has a significant impact on its financial results. Due to the growth of overdue receivables for services on electricity transmission and shortfalls of funds from counter parties, there is a need to attract credit resources under tight schedule of payments of the issuer to the suppliers, on payroll, tax and other payments.
Risk mitigation measures	› ongoing implementation of analysis of the causes of disputes in agreeing the amount of transmitted electricity; › development of short-term action plans to address the causes of conflicts with consumers; › approval of a schedule for overdue receivables reduction in relation to the electricity supply services and dispute settlement; › accumulation of judicial practice and creation of positive precedents in cases where the consumer is unduly contesting his affiliation to supply points (e.g., refusal of the utility service performers to record the amount of electricity consumed for the communal needs or determined using the communal meter); › holding campaigns on the conclusion of "direct" contracts for provision of services on electricity transmission with end consumers of the services.
Risk significance evaluation and trend	● ↑

Risk	The risk of non-recognition by regional authorities in full of the costs of the Company included in the tariff for electricity transmission, which can be caused by growth restriction of the limiting levels of tariffs for electricity, established at the federal level.
Description	This risk entails the impossibility of full compensation of economically justified costs of the Company and limitation of the scope of investment of own funds into the development of the electric grid complex.
Risk mitigation measures	› interaction with regional bodies on regulation of tariffs is performed to establish economically justified tariffs to compensate all the costs of the Company and ensure the realization of the Investment Program to the necessary extent; › a balanced policy on the formation of the cost is being implemented.
Risk significance evaluation and trend	

Risk	Risks, violation of terms of regulated procurement procedures for the reporting period of the current year (violation of the official deadline for announcing procurement procedures, provided by the Procurement Plan and the decisions of CCC of the issuer (for unplanned procurements); deadline for completion of procurement procedures established by the administrative documents of the Company and the procurement documentation); deadlines for completing delivery and works.
Description	The causes of this risk are untimely provision of technical specifications and draft contracts, a long period of coordination of the draft Procurement Plan, its amendment and long period of approval of unplanned purchases.
Risk mitigation measures	› control of the deadlines for providing the technical specifications, checklists and draft contracts for the timely drafting of the Procurement Plan for performing research to determine the market value of the desired products; › monitoring compliance of the number of procedures carried out in various ways with the planned values in the Procurement Plan; › formation of draft technical specifications for the execution of design and survey work, construction and installation work and work on the operational and maintenance activities on the basis of standard technical specifications; › monitoring compliance with the deadlines for preparation of procurement documentation, established by the administrative documents of the Company.
Risk significance evaluation and trend	

Risk	The risk of the cost of the procurements exceeding above the costs established in the Procurement Plan.
Description	The causes are the lack of verification of the validity of the calculation of the limit (initial) cost of purchases during the formation of the Procurement Plan, the formation of the Procurement Plan and its amendments in the absence of a Business Plan approved by the Board of Directors (under the scenario conditions for the coming and the current year).

Risk mitigation measures	› control of the formation of lots items in the Procurement Plan, excluding the restriction of competition between the participants of the procurement procedures; › monitoring compliance of the number of procedures carried out in various ways to the planned values in the Procurement Plan; › monitoring compliance of the Procurement Plan with the production programs for the current calendar year approved by the Issuer; › control of the formation of draft technical specifications to perform works concerning the operational, maintenance and investment activities on the basis of the standard technical specifications; › control of compliance deadlines for the preparation of procurement documentation, established by the administrative documents of the Company.
Risk significance evaluation and trend	

2. Country and regional risks

Risk	The risk of reduction of actual electricity consumption by the end consumers of the services.
Description	The risk of reduction of actual electricity consumption by the end consumers of services as a result of macroeconomic factors due to lower demand for products on the global and domestic markets due to the crisis (for example, in the markets of oil, gas, metals), the introduction of energy efficiency programs and the transition to alternative energy sources, construction of consumers own generation, electricity networks, reduction in electricity consumption due to changes in weather or climate conditions.
Risk mitigation measures	› continuous monitoring of energy consumption; › formation and submission of proposals for productive supply in accordance with the requests of the consumers to the government regulatory agencies of tariffs; › carrying out the work with customers on coordination of target figures of productive supply of electricity to be included in the contract for the next year in the amount of applications.
Risk significance evaluation and trend	

3. Financial risks

Risk	Interest rate risks
Description	Interest rate risk is the risk of adverse changes in interest rates on the financial markets. Rising interest rates, associated with the lack of liquidity in the banking system may substantially affect the financial and economic activities of the issuer, since the Company uses borrowed funds in its activities.
Risk mitigation measures	Currently, due to the unfavorable situation of the financial markets the interest rates on newly attracted loans in the 4th quarter of 2014 increased. The Company diversified the loan portfolio by credit products, banks, and credit periods.
Risk significance evaluation and trend	

Risk	Currency risks
Description	The Company came under the influence of negative macroeconomic factors associated with the growth of the crisis in the global economy, which had a negative impact on the exchange rates. The increase in the rates of major world currencies has no significant effect on the financial condition of the issuer. The Company makes settlements with the counterparties only in national currency in the course of the operating activities, both in the revenue and expenditure directions. The Issuer has no direct contracts with counterparties involving payments in foreign currency. However, some projects within the framework of the maintenance and investment programmes involves the use of equipment of foreign manufacture.
Risk mitigation measures	The appreciation of major currencies leads to a rise in the cost of such equipment and the project as a whole. To reduce the risk of the impact of appreciation of world currencies, the issuer shall consider the possibility of replacing the equipment of foreign manufacture used in the projects with analogs, produced in Russia.
Risk significance evaluation and trend	

4. Legal risks

Risk	Risks associated with changes in tax legislation.
Description	The practice of tax law is often unclear, contradictory and leads to the presence of significant tax risks. Changes in tax legislation, in terms of increasing the tax burden (tax rate changes, the order and terms of calculation and payment of taxes, introduction of new taxes) may lead to a decrease in the net profit of the issuer, which in turn will reduce the amount of dividends paid. Should the Russian Government decrease tax rates, as well as cancel some of the taxes and fees, these actions have a positive impact on the results of the issuer's activity.
Risk mitigation measures	In case of changes in the tax laws, the issuer is going to plan its financial and economic activity considering the changes.
Risk significance evaluation and trend	

5. Risks associated with the Company's activities

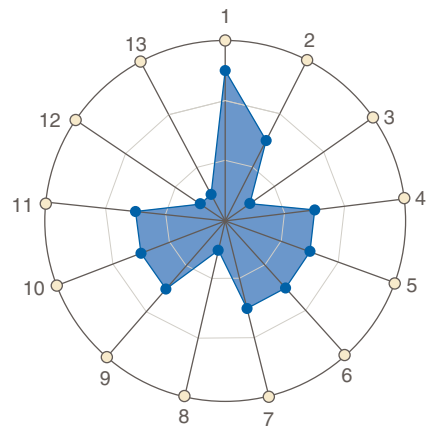
Risk	Risks associated with possible lawsuits resulting from non-performance of obligations to the issuer by third parties on the core activities (the provision of electricity transmission services, services for technological connection).
Description	There are risks associated with litigation on the obligations of third parties to the issuer as a result of non-fulfillment of contractual obligations on the core activities of the issuer, (the provision of electricity transmission services, grid connection services), including due to the currently prevailing economic situation. At the same time, the issuer makes necessary efforts (performs pre-trial settlement of disputes, conducts necessary negotiations) to minimize these risks and property damage for the issuer.
Risk mitigation measures	In case of presentation of the respective claims in court, the legal position on important for the issuer court cases is developed for the Company as a whole and is being coordinated with the relevant structural subdivisions of the respective branch and the executive office of the Company. The issues of forming the necessary evidence base are also resolved in the course of this coordination. During the development of the legal position the formed judicial practice on controversial issues is taken into account.
Risk significance evaluation and trend	

Risk	The risk of fines due to the recognition of the Company in violation of the antimonopoly legislation of the Russian Federation in the implementation of grid connection of the consumers' power facilities.
Description	This risk leads to the reduction of the Investment Program or an increase in borrowings.
Risk mitigation measures	› monitoring of problem contracts and consumer complaints, followed by pre-trial resolution of the issues; › control over compliance with the existing legislation regulating the activities on technological connection, in terms of: – preparation and direction of draft contracts to the applicants; – monitoring of implementation of the accepted obligations, performed by the Company within the framework of the grid connection being carried out; › monitoring the current Russian legislation and judicial practice; › direction of proposal to amend the current legislation of the Russian Federation governing the activities on technological connection.
Risk significance evaluation and trend	

Risk	The risk of accidents at power plants.
Description	The risk of accidents at power plants as a result of adverse natural phenomena (hurricane winds, heavy snow, ice, low temperature), related to geographical and climatic characteristics of the North-West region of the country.
Risk mitigation measures	› designing of energy facilities taking into account the characteristics of the regional climate and geography; › implementation of the program of insurance protection of electricity distribution facilities of the complex from natural disasters.
Risk significance evaluation and trend	

Risk	The risk of completion of the Company's activities in the status of a guaranteed supplier (temporary function of a network organization in accordance with the current legislation).
Description	The functions of guaranteeing supplier of electricity at IDGC of the North-West in 2014 were performed: › From 01.03.2013 until 01.02.2015 at the Kolenergo branch - Kolenergosbyt (winner of the Garantenergoservis LLC competition). › From 01.10.2013 until 10.01.2014 at the Novgorodenergo branch - Novgorodenergosbyt (winner of the AtomEnergoSbyt competition).
Risk mitigation measures	The risk is external; it is managed by the executive body. The Company carried out energy sales activities before the assignment (transfer) of the status of GS to other parties - sales companies, on the grounds stipulated by normative legal acts of the Russian Federation. The company carries out measures established by the local regulations of the issuer and aimed at minimization of the possible effects from transfer of the status of the GS to the competition winners.
Risk significance evaluation and trend	

Risk map



● Assessment of risk significance

1 Risk of increase of overdue accounts receivable for services of electricity transmission

2 Risk of non-recognition of Company costs in full by regional authorities

3 Risk of increase in the number of consumers entitled to special benefits

4 Risks of violation of the terms of regulated procurement procedures

5 Risk of the cost of procurement exceeding the costs specified in the Procurement Plan

6 Reduction of actual electricity consumption by end consumers

7 Interest rate risks

8 Currency risks

9 Risks associated with changes in tax legislation

10 Risk of fines

11 Risks associated with possible legal proceedings

12 Risk of accidents at power units

13 Risk of termination of operations of the Company as a guaranteed supplier

2.3 SECURITIES MARKET AND SHARE CAPITAL OF THE COMPANY

Share Capital

As at December 31, 2014, the amount of the Company's authorized capital is as follows: 9,578,592,313 (nine billion five hundred seventy-eight million five hundred ninety-two thousand three hundred and thirteen) rubles 80 kopecks.

Amount of ordinary shares in the Company's authorized capital: 100%

Information on each category (type) of shares

Type and category of shares	Ordinary registered
Form of issue	uncertified
Number of shares in the issue, shares	95785923138
Par value of one (1) security, RUB	0.10
Information on state registration of the issue of securities	No. 1-01-03347-D

Authorized Shares

Pursuant to clause 4.6 Articles of Association of IDGC of the North-West, in addition to placed shares, the Company declares 1,076,862 (one million seventy-six thousand eight hundred sixty-two) ordinary registered shares with par value of ten (10) kopecks each with the total nominal value of RUB 107,686 (one hundred seven thousand six hundred eighty six) 20 kopecks.

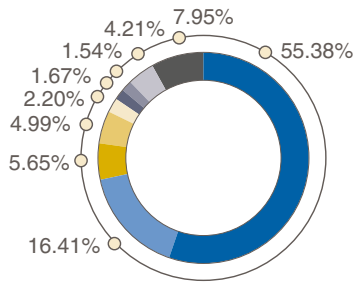
Ordinary registered shares to be placed by the Company provide their owners with the rights under clause 6.2 Articles of Association.

9,579 RUB mln
COMPANY'S AUTHORIZED CAPITAL

95,786 mln
NUMBER OF SHARES IN THE ISSUE

Structure of the Company's share capital as at May 19, 2014

(date of drawing up the list of persons for the Annual General Shareholders' Meeting considering the data of nominee shareholders)



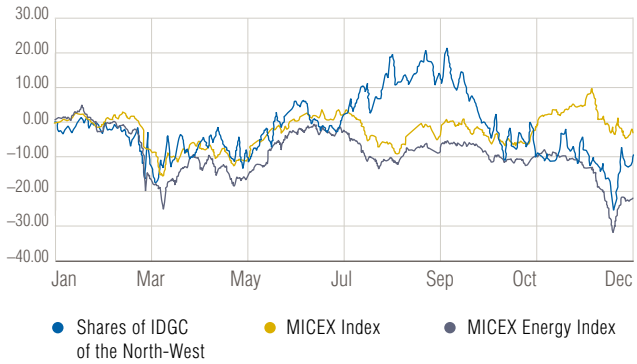
55.38%	Jsc Rosseti
16.41%	Energyo Solutions Russia (Cyprus) Limited
5.65%	Energosouz Holdings Limited
4.99%	Lancrenan Investments Limited
2.20%	Protsvetaniye Holdings Limited
1.67%	The Bank Of New York Mellon
1.54%	Faendo Limited
4.21%	Other legal entities
7.95%	Other individuals

Securities

Shares of IDGC of the North-West are traded on the Russian stock exchange CJSC MICEX in the quotation list of the first level.

Changes in share price in 2014 against MICEX and MICEX Energy Indices, %

(weighted average price)



Market features

Indicator	Unit of measurement	December 30, 2013	December 30, 2014	2013/2014 Change, %
Weighted average prices	RUB	0.02831	0.0254	–10.29
Capitalization	RUB million	2,712	2,433.0	–10.29
Trading volume	RUB million	84.784	158.30	46.44
	million pcs.	1,829.77	5,768.19	68.28

Dividend Policy

Company's profit distribution

Indicator, RUB thous	2010	2011	2012	2013	2014
Net profit based on annual performance	–807,102	407,651	61,831	300,338	–620,027
Net profit distribution, total, incl.:	0	–	–	–	0
Payment of dividends	0	–	15,460	76,629	0
Reserve fund increase	0	20,383	3,092	15,017	0
Investment financing	0	–	–	–	0
Profit for development	0	387,268	43,279	208,692	0

Based on the results of the 2014 financial year, the Company suffered losses of RUB 620 million. Therefore, the Company's net profit will not be distributed.

Dividend History

Indicator	2010	2011	2012	2013	2013 to 2012 growth, %	2014
Dividend per ordinary share, RUB	–	–	0.0001614	0.0008	396	–
Total dividends, RUB thous	–	–	15,460	76,629	396	–
Total dividends, RUB thous	–	–	15,219	75,537	396	–

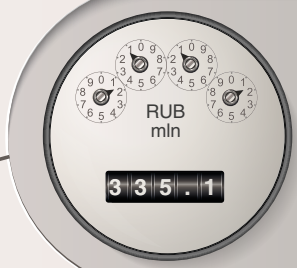
The 2014 trend remained the same as in the previous unfavorable years for the power sector. MICEX Energy Index decreased by 22.75% at the end of the year. The Company's share prices declined by 10.29% in 2014.

3

Corporate responsibility

21%

REDUCTION OF ACCIDENT RATE



335.1 RUB mln

OCCUPATIONAL SAFETY EXPENSES

13.5 RUB mln

ENVIRONMENTAL COSTS

72.08 million kW·h and 245.63 RUB mln

EFFECT OF IMPLEMENTATION OF TARGET PROGRAMS OF THE ENERGY SAVING AND INCREASE OF ENERGY EFFICIENCY PROGRAM

Company's priorities in the field of corporate responsibility are security of supply, social investments, transparency, fair business practice, environmental protection, energy efficiency.

The headcount of JSC IDGC of the North-West in 2010–2014

181 RUB mln — Social payments

8.5 RUB mln — Cost of rehabilitation of employees' children

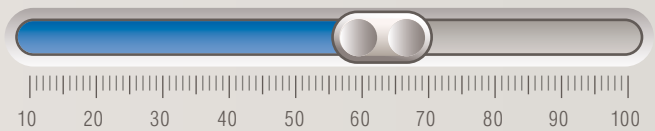
57 — Mobile lighting installations (light-towers)

221 — Number of emergency electricity sources

Growth of the Employer's expenses on implementation of social policy, RUB mln

36

MOBILE BRIGADES CREATED FOR INTERACTION BETWEEN THE BRANCHES AND SUBSIDIARIES OF JSC RUSSIAN GRIDS AND BRANCHES OF JSC FGC UES



66

MOBILE BRIGADES CREATED FOR INTERACTION BETWEEN PRODUCTION DEPARTMENTS OF THE COMPANY'S BRANCHES

3.1 HR POLICY

1,063

COMPANY'S MANAGERIAL TALENT POOL

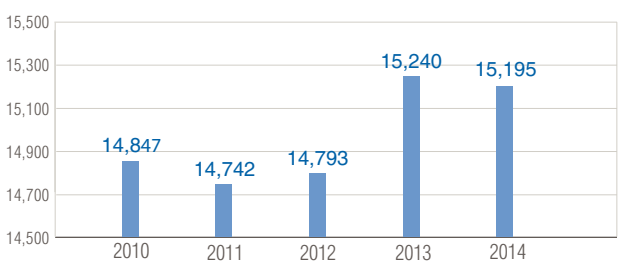
The main objectives of the Company's HR and Social Policy aimed at ensuring that targets are achieved are:

- plan employee needs, i.e. provide up-to-date information on HR operating and expected quantitative and qualitative needs in order to ensure achievement of the branch goals;
- timely meet the Company's demand in staff with relevant qualifications;
- ensure employee efficiency, and increase labor productivity.

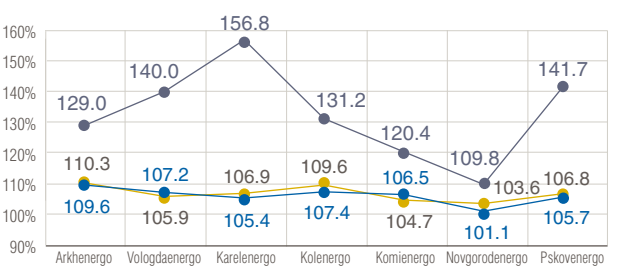
The efficiency of HR and Social Policy is closely related to timely payment and indexation of wages as well as wage competitiveness on the regional labor markets. Therefore, the employees of Company branches traditionally receive higher wages than their peers in the corresponding regions.

HR Profile

The headcount of JSC IDGC of the North-West in 2010–2014



Wage growth rates across the Company's branches and the regions of the North-Western Federal District



- Growth rate of the branches personnel wage in 2014
- Growth rate of employees in the regions in 2014
- Deviation of the average wage in the branches of the Company against the average wage in the regions

The number of talented employees appointed to superior positions in 2014

Type of talent pool	Number of talented employees appointed to superior positions, people	
	target jobs	other
Managerial talent pool	56	10
Talent pool of young specialists	3	4
Total	59	14

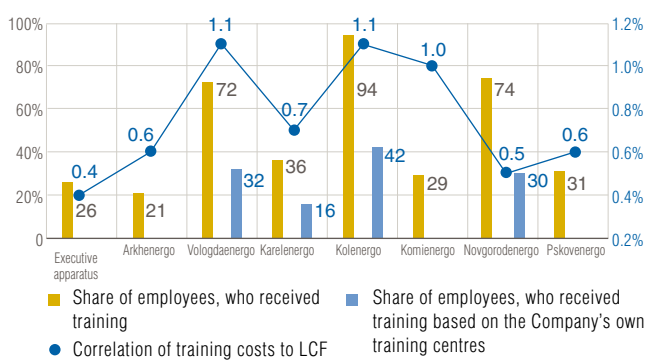
Talent Pool

In order to develop the talent pool and meet the Company's demands for qualified employees for vacated and newly introduced positions in 2014, JSC IDGC of the North-West continued working with managerial and young specialists' talent pools.

Employee Training and Development

The Company's staff development, retraining and advanced vocational training are carried out according to JSC IDGC of the North-West Regulations on HR Development, Retraining and Advanced Vocational Training, Procedure for HR Management, and HR and Social Policy. The HR and Social Policy of JSC IDGC of the North-West aimed at building an efficient system of HR training and development.

Share of employees who participated in workshops and the ratio of training costs to labor payroll in the reporting period, %



47,13%

SHARE OF THE EMPLOYEES (HEADCOUNT) RECEIVED TRAINING IN EDUCATIONAL INSTITUTIONS

3.2 SOCIAL POLICY

Effective social security system implemented in the Company promotes the attraction of qualified specialists to the Company, reduces staff turnover and becomes one of the foundations of successful industrial activities.

JSC IDGC of the North-West developed a comprehensive HR and Social Policy, which was approved by the Board of Directors' resolution of December 30, 2014 (Minutes No. 172/14).

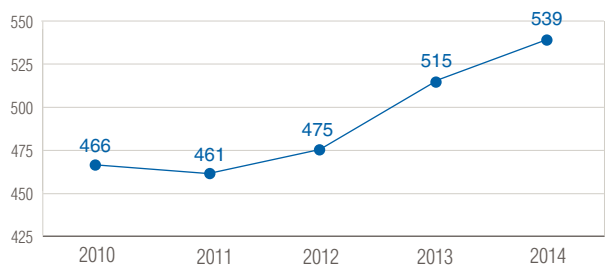
Staff Costs

The Company's social payments relating to its own employees totaled RUB 181 million in 2014 (excluding non-staff personnel, including voluntary health insurance, accident and health insurance).
In accordance with the Russian Power Industry Tariff Agreement and the applicable Collective Bargaining Agreement, in the reporting year the Company transferred RUB 26 million to the accounts of primary trade union organizations of the Company's branches and executive body in order to hold cultural and sports activities.

539 RUB mln

EMPLOYER'S EXPENSES ON IMPLEMENTATION OF SOCIAL POLICY

Growth of the Employer's expenses on implementation of social policy[1], RUB mln



[1] Expenses on benefits, guarantees and compensations for the Company's employees and retirees, voluntary health insurance and accident and health insurance, as well as contributions to NGO and primary trade union organizations

3.3 ENVIRONMENTAL PROTECTION

The management of JSC IDGC of the North-West will play a leading part in the implementation of the Environmental Policy and undertakes to observe the requirements of the environmental laws and regulations of the Russian Federation.
In order to improve performance of branches of JSC IDGC of the North-West in the area of environmental protection, preservation, restoration and rational use of natural resources, in 2014 the Company developed, updated and put into effect the following documents:

› Environmental action plans 2015.

› Instruction on treatment of 1-4 hazard class waste.

According to the approved Environmental Policy Implementation Program, the top priority environmental goals of JSC IDGC of the North-West are the reduction of negative environmental impact and evaluation of environmental activity for the purpose of its improvement.

The strategic environmental targets for the period until 2016 are the improvement of the management system in the field of environment protection and nature management, environmental audit for integrated assessment of environmental activities and development of actions for its improvement.

Implementation of the Environmental Policy will allow to:

› *reduce negative environmental impact;*

› *increase the Company's social responsibility.*

Environmental costs

Indicator	Costs, RUB thous				
	2010	2011	2012	2013	2014
Current cost of environment protection	10,486.71	11,151.10	12,862.25	13,169.96	13,535.40
Water resources conservation	5,373.97	5,721.80	6,598.06	5,320.47	5,042.74
Atmospheric air protection	622.22	593.50	1,010.96	1,355.32	1,358.03
Environment protection (land resources) from production and consumption waste	4,018.85	4,710.80	5,253.23	5,945.17	6,883.83
Land restoration	471.67	125.00	–	549.00	250.80

Environmental Performance Indicators

Indicator	Unit of measurement	2010	2011	2012	2013	2014
Gross polluting emissions into the atmosphere, including:	ton	632.82	358.60	377.34	352.98	350.85
solid, of them:	ton	18.15	10.66	15.17	15.01	15.74
solid fuel ashes	ton	0.16	0.37	–	–	–
gas and liquid, of them:	ton	614.67	347.94	357.17	337.97	335.11
sulphur dioxide	ton	38.03	21.87	22.27	27.81	28.92
carbon oxide	ton	197.52	127.22	131.97	113.86	121.36
nitrogen oxide (in terms of NO_2)	ton	285.34	145.88	144.26	142.09	138.35
hydrocarbons (without volatile organic components)	ton	44.40	4.41	5.02	3.40	1.15
volatile organic components	ton	45.66	43.94	47.23	45.27	45.31
benzapyrene	ton	0.0002	0.00003	–	0.000012	0.000012
Hazardous substances caught and neutralized, including:	ton	6.03	5.32	4.54	4.54	11.13
solid	ton	6.03	5.32	4.54	4.54	11.13
Collection and extraction of water, including:	thousand m^3	236.23	245.50	206.31	212.93	197.31
from surface sources	thousand m^3	58.20	65.74	23.19	22.55	23.07
from underground sources	thousand m^3	48.64	48.32	43.81	41.91	45.70
from other sources	thousand m^3	129.39	131.43	139.31	148.46	128.53

11.13 ton

HAZARDOUS SUBSTANCES
CAUGHT AND NEUTRALIZED

Environmental Impact

The main amount of pollutant emissions comes from diesel power plants.

The main amount of water is consumed for drinking needs – 70%, for production needs – 30%.

The main amount of the formed waste is of the 4th and 5th hazard classes.

Production waste formation amounts, ton

Waste hazard class	2010	2011	2012	2013	2014
1 class	5.77	8.15	6.89	6.28	7.97
2 class	7.85	17.79	19.57	8.16	12.21
3 class	217.69	163.41	624.30	189.49	260.57
4 class	6,118.43	6,363.14	7,386.39	4,948.99	4,718.40
5 class	6,743.90	2,789.16	3,117.90	2,863.85	3,347.55
Total	13,093.64	9,341.65	11,155.05	8,016.77	8,346.70

Changes in payments for negative environmental impact, RUB thous

Description	2010	2011	2012	2013	2014
Total, including	11,488.00	10,981.50	6,791.75	5,927.33	6,591.50
acceptable amounts	1,971.50	2,724.02	4,615.75	4,640.44	4,244.09
above-limit amounts	9,516.50	8,257.52	2,175.99	1,286.89	2,347.41
Discharge to water bodies, including	130.80	124.10	130.67	140.84	147.69
acceptable amounts	116.90	123.24	130.17	139.60	147.47
above-limit amounts	13.90	0.85	0.50	1.24	0.22
Atmospheric emissions, including	1,311.90	263.87	548.38	964.61	1,155.72
acceptable amounts	156.90	141.74	232.83	160.98	148.89
above-limit amounts	1,155.00	122.12	315.54	803.63	1,006.83
Waste disposal, including	10,045.30	10,593.56	6,112.69	4,821.87	5,388.09
acceptable amounts	1,697.70	2,459.02	4,252.74	4,399.86	3,947.72
above-limit amounts	8,347.60	8,134.54	1,859.95	482.02	1,340.37

Payments for Negative Environmental Impact

In 2014, there was an increase of payment for the negative environmental impact by RUB 664.18k vs 2013 due to increased above-limit payments.

Changes in payments for negative environmental impact, RUB thous

Use of new technologies for environment protection

		2010	2011	2012	2013	2014
Vacuum switches (35 kV)	units	143	171	186	224	277
Vacuum switches (3-20 kV)	units	4,316	4,540	5,071	5,517	5,912
SIW on HVL 0.4 kV	km	1,479	2,170	3,112	4,619	5,576
OL 6-10 kV	km	2,054	3,092	3,315	4,089	4,815

Modern equipment installed within the framework of modernization of the grids and decommissioning of obsolete equipment allow reducing negative environment impact in transportation and distribution of electricity.

Environmental Protection Measures

In 2014, employees of JSC IDGC of the North-West were trained under the following programs:

- Provision of Environmental Safety by Managers and Specialists of General Management Systems – 8 employees;
- Provision of Environmental Safety relating to Waste Treatment – 6 employees.

The Company employs seven environmental engineers certified to perform environmental audit and having certificates of environmental auditors (six - in the Company's branches, one - in the executive body).

Environmental audit is carried out at the Company's facilities in order to prevent violations of the environmental protection requirements as well as to reduce the negative impact of economic activities on the environment.

3.4 ENERGY SAVING AND EFFICIENCY

In the area of energy saving and energy efficiency, the adopted Program targets include:

- consumption of energy resources for economic needs;
- electricity losses in transmission and distribution through power grids;
- provision of modern electricity metering devices for the retail market in accordance with the PRSUE Program.

At the end of 2014, the overall effect was 72.08 million kW·h and RUB 245.63 million.

The main target activities that reduce the consumption of resources for domestic needs are: implementation of heating, water, natural gas consumption schedules, and installation of energy-efficient lamps.

Comparative analysis of implementation indicators of the Energy Saving and Energy Efficiency Improvement Program for the period 2011-2014 shows that the main effect on the loss reduction is produced by activities aimed to identify non-metered consumption of electrical energy in industrial and domestic sectors. The effect of maintaining the level of electricity losses during transmission is mainly produced through the identification of non-contractual consumption.

In 2014, improvement of the overall results within the Program was due to the activities under the Program for perspective development of electricity metering systems, which cost amounted to RUB 235.31 million (excluding VAT) in 2013.[1]

EFFECT OF IMPLEMENTATION OF THE ENERGY SAVING AND INCREASE OF ENERGY EFFICIENCY PROGRAM

245.63 RUB mln

[1] Activities performed in 2013 bring results in 2014.

Targets and actual values of indicators for 2014

Indicator	Unit of measurement	Target	Actual
Energy losses, including	million kW·h	2,513.19	2,547.09
	% to FA	6.42	6.41
Consumption for substations' own needs	million kW·h	90.85	82.48
consumption of energy resources for economic needs, incl. by resource type	RUB million	340.02	317.91
fuel and energy, including:	thousand TOE	40.52	39.73
	RUB million	334.03	313.29
	TOE per m^2 of floor space	0.07	0.07
electricity	million kW·h	89.58	88.92
	RUB million	245.71	232.45
heat	Gcal	59,742.75	56,793.91
	RUB million	85.28	78.22
gas	thousand m^3	674.82	570.57
	RUB million	3.04	2.62
motor fuel	thousand TOE	14.53	15.42
	RUB million	366.19	374.88
hot water supply	thousand m^3	16.98	13.48
	Gcal	631.16	479.07
	RUB million	1.03	0.80
cold water supply	thousand m^3	206.72	152.50
	RUB million	4.96	3.81
Provision of modern electricity metering devices for the retail market in accordance with the PRSUE Program	%	27.96	27.10

Overall effect of implementating the program of energy saving and energy efficiency

Programs	target		actual	
	million kW·h	RUB mln	million kW·h	RUB mln
Target Programs	73.36	256.25	49.42	169.27
Non-Target Programs, including:	16.70	55.18	22.66	76.37
Accounting System Development Program	13.46	48.67	18.99	69.33
Retrofitting and Reconstruction Program	2.95	5.92	3.29	6.28
Repair Program	0.30	0.58	0.38	0.73

Technological and economic effect of implementing of Program of energy saving and increase in energy efficiency

Measures	Unit of measurement	2011		2012		2013		2014	
		real quantity	RUB mln	real quantity	RUB mln	real quantity	RUB mln	real quantity	RUB mln
Program total	million kW·h	69.41	130.35	61.04	126.99	106.97	290.52	72.08	245.63
Target Programs/ measures (funded under the Program)	million kW·h	58.36	111.15	44.14	94.68	47.15	139.36	49.42	169.26
Energy loss reduction measures	million kW·h	58.36	108.42	44.14	89.45	47.15	136.53	49.42	168.78
Organizational measures	million kW·h	55.86	104.84	43.94	89.19	46.76	135.92	49.17	168.35
Technical measures	million kW·h	2.49	3.58	0.20	0.26	0.39	0.61	0.26	0.42
Targeted measures to reduce energy consumption at the production and business facilities	TOE	453.4	2.73	642.58	5.22	401.68	2.83	88.56	0.48
Non-target Programs/measures (activities that directly or indirectly affect targets and goals funded under the other Programs)	million kW·h	11.05	19.20	16.89	32.32	59.82	151.16	22.66	76.37
Accounting system development Program	million kW·h	5.89	12.56	11.33	26.05	50.71	133.99	18.99	69.33
Within the framework of technical re-equipment and reconstruction:	million kW·h	5.16	6.64	5.00	5.39	7.97	14.64	3.29	6.28
Repair Program activities	million kW·h			0.56	0.85	0.58	1.15	0.38	0.73
Program of future development of the distribution grid	million kW·h	0.001	0.002			0.56	1.18		
Non-target household needs	TOE			3.77	0.03	1.64	0.20	2.55	0.02

In 2014, reduction of losses through the implementation of Program of energy saving and increase in energy efficiency amounted to 72.08 mln kW·h.

3.5 QUALITY POLICY

The Company believes that its priority is the formation of an effective distribution grid complex, continuous improvement of the quality and availability of services; the Company understands the quality as compliance with technical requirements to ensure electricity transmission, as well as maintaining a high level of customer services.

Achievement of the priority target is ensured by the effective quality management system that is based on the process approach and consistent with the principles and requirements of international standard ISO 9001:2008 (GOST ISO 9001-2011).

In 2014, IDGC of the North-West successfully passed regular compliance audit confirming the effectiveness of the existing quality management system.

Indicators of Service Reliability and Quality

In 2014, the service reliability and quality indicators established by the executive authorities of the Russian constituent entities in the field of state tariff regulations pursuant to the regulations of all branches of JSC IDGC of the North-West were achieved (composite index K is equal to zero or high).

Technological Disturbances

In order to improve the efficiency, reliability and safety of power production, JSC IDGC of the North-West developed and implemented sixteen target programs for the reconstruction and technical re-equipment of power grid facilities.

The largest number of technological failures (emergencies) in 2014 was due to the insulation aging (breakdown), trees falling on the HVL wires and atmospheric overvoltage (lightning).

Indicators of Service Reliability and Quality in 2014

Branch	Indicator	target	actual	Service reliability and quality composite index, K composite
Arkhenergo	reliability level	0.0982	0.0486	0.65
	quality level	0.8975	0.8367	
	quality level TS	1.5490	1.1300	
Vologdaenergo	reliability level	0.0632	0.0308	0.65
	quality level	0.8975	0.7395	
	quality level TS	1.3406	1.0700	
Karelenergo	reliability level	0.2750	0.0616	0.65
	quality level	1.0102	0.8802	
	quality level TS	N/A	N/A	
Kolenergo	reliability level	0.0437	0.0537	0
	quality level	0.8975	0.9275	
	quality level TS	1.5418	1.0800	
Komienergo	reliability level	0.0315	0.0272	0
	quality level	0.8975	0.7838	
	quality level TS	1.2118	1.1000	
Novgorodenergo	reliability level	0.243	0.1390	0.65
	quality level	1.0102	1.0018	
	quality level TS	N/A	N/A	
Pskovenergo	reliability level	0.0940	0.0491	0.65
	quality level	1.0102	0.9603	
	quality level TS	N/A	N/A	

Technological Disturbances

Indicators	2010	2011	2012	2013	2014
Number of accidents, including:	6,168	11,758	11,684	13,336	10,608
impact of natural disasters	2,005	2,022	1,838	1,849	2,409
impact of third-party persons and organizations	497	551	1,006	902	1,057
Lost electricity, thousand kW·h	2,882.8	2,344.8	2,456.9	6,337.6	5,249.18
Supply interruption, hours	54,829.6	11,977.3	104,666.9	76,534.4	27,894.03
Economic damage, RUB thous	212,404.3[1]	48,313.2	46,679.0	70,367.2	67,514.24

[1] The economic damage caused to the Company in 2010 by natural disasters was the most significant. Cyclones accompanied by hurricane winds affected the Vologda, Novgorod and Pskov Regions as well as the Republic of Karelia.

Mobile brigades created for interaction between the branches and subsidiaries of JSC Russian Grids and branches of JSC FGC UES

Branch/IDGC	Number of brigades	Number of members (people)	Quantity of special equipment (units)
Arkhenergo	6	44	19
Vologdaenergo	5	31	21
Karelenergo	6	30	10
Kolenergo	4	20	8
Komienergo	3	26	13
Novgorodenergo	7	35	13
Pskovenergo	5	38	18
IDGC of the North-West	36	224	102

Increase of Power Supply Reliability

In 2014, there were no natural disasters during the period of spring floods. In the period from May to September 2014, the territories of Vologda, Pskov, Novgorod Regions, and Republic of Karelia underwent thunderheads with the gusts from 22 m/s and higher which led to the complex technological disturbances. These disturbances were eliminated by operative, emergency recovery and mobile brigades available to the Company and by effort of contracting organizations within the established period.

In order to minimize possible damage from hazard phenomena occurring in nature and technosphere, the Company timely conducts practice training for employees' actions in emergencies and for prevention and liquidation of possible accidents and emergencies.

Training of the managerial human resources of emergency response and mobile brigades was performed in the course of joint exercise with the Regional headquarters for provision of electricity supply safety, territorial executive agencies and local authorities, housing and utilities infrastructure organizations, subdivisions of the Ministry of Emergency Situations of the Russian Federation, the Ministry of Internal Affairs, the Ministry of Defense of the Russian Federation, contracting organizations, consumers. a total of 17 trainings was conducted.

In 2014, there were no man-caused emergencies and natural emergencies in the regions of Company's activity.

Mobile brigades created for interaction between production departments of the Company's branches

Branch/IDGC	Number of brigades	Number of members (persons)	Quantity of special equipment (units)
Arkhenergo	17	124	45
Vologdaenergo	10	60	33
Karelenergo	6	30	12
Kolenergo	6	33	11
Komienergo	6	50	17
Novgorodenergo	13	52	13
Pskovenergo	8	47	15
IDGC of the North-West	66	396	146

Company's emergency electricity sources

Branch/IDGC	Emergency electricity sources of up to 30 kW		Emergency electricity sources of above 30 kW		Total number of emergency electricity sources	
	Quantity units	Capacity, kW	Quantity units	Capacity, kW	Quantity units	Capacity, kW
Arkhenergo	11	84	12	1,520	23	1,604
Vologdaenergo	23	265	8	558	31	823
Karelenergo	21	114	9	720	30	834
Kolenergo	0	0	6	1,780	6	1,780
Komienergo	8	106	46	31,730	54	31,836
Novgorodenergo	16	151	12	1,170	28	1,321
Pskovenergo	29	220	20	2,099	49	2,319
IDGC of the North-West	108	940	113	39,577	221	40,517

Company's mobile lighting installations (light-towers)

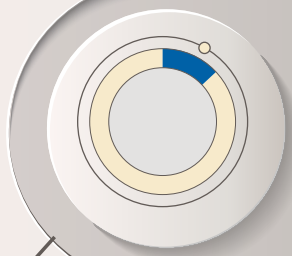
Branch/IDGC	Company's mobile lighting installations (light-towers)
Arkhenergo	2
Vologdaenergo	6
Karelenergo	4
Kolenergo	5
Komienergo	14
Novgorodenergo	8
Pskovenergo	18
IDGC of the North-West	57

Joint training sessions for practicing interaction during liquidation of emergencies in 2014

Branch/IDGC	Number of joint trainings in accordance with the schedule	
	target	actual
Arkhenergo	3	3
Vologdaenergo	2	3
Karelenergo	1	2
Kolenergo	2	2
Komienergo	2	2
Novgorodenergo	3	4
Pskovenergo	2	2
Total IDGC of the North-West	15	17

4

Financial Results and Investments



13.11%

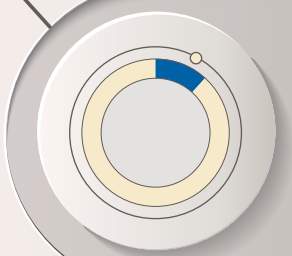
EFFECT FROM EMP

5,181 RUB mln

CAPITAL INVESTMENTS

5,191 RUB mln

VOLUME OF CAPITAL INVESTMENTS, RUB MILLION, INCLUSIVE OF VAT

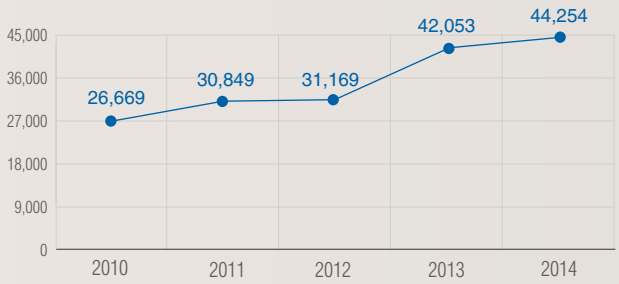


11.93%

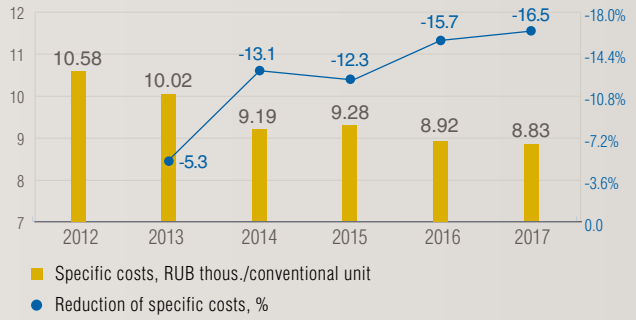
CAPEX REDUCTION RATE

The Efficiency Management Program (EMP) is a key tool for raising the internal efficiency of operations of the Company by implementing a cost program process aiming to minimize the controlled losses and at the same to maximize their yield.

Dynamics of RGR in 2010-2014, RUB mln



Effect from EMP

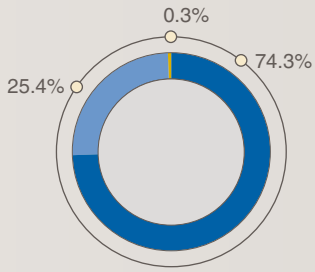


4,975 RUB mln — Commissioned fixed assets

400 MVA — Comminssioned transformer capacity

1,634 km — Commissioned power transmission lines with voltage of 0.4-150 kV

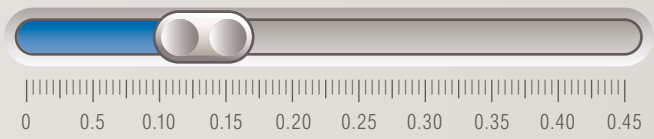
The financing structure of capital investments in 2014



74.3% Retooling and modemization RUB 3,858 mln

25.4% New construction RUB 1,319 mln

0.3% Acquisition of fixed assets RUB 14 mln



0.13

ABSOLUTE LIQUIDITY RATIO

4.1 FINANCIAL RESULTS ANALYSIS

Dynamics of key financial indicators[1]

Basic financial indicators for 2010–2014 and their forecast for 2015

Name of the indicator, RUB mln	2010	2011	2012	2013	2014	2015F[2]
Revenue from sales	26,669	30,849	31,169	42,050	44,262	39,448
Production costs	25,145	27,781	28,129	38,293	40,030	35,911
Gross profit	1,524	3,067	3,040	3,757	4,232	3,536
Commercial expenses	25	30	29	474	487	90
Management expenses	776	819	900	889	853	951
Profit on sales	724	2,218	2,112	2,394	2,892	2,495
Balance of other income and expenses	–1,071	–1,258	–1,689	–1,661	–3,421	–1,636
Profit before tax	-348	960	423	733	–529	859
Profit taxation	459	552	361	433	91	291
Net profit	-807	408[3]	62	300[4]	–620	568

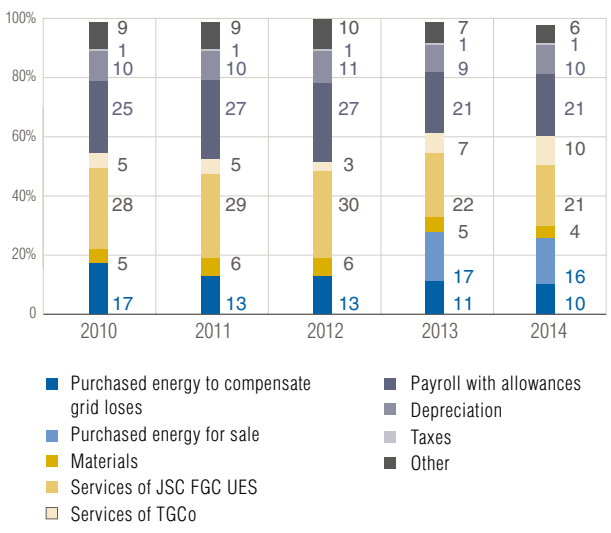
1 All financial data are provided in accordance with RAS unless stated otherwise.

2 The forecast of 2015 indicators was brought into accordance with the business plan that had been approved by the Company.

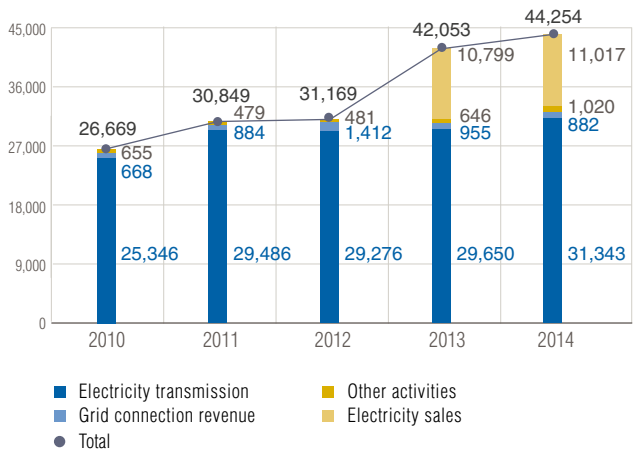
3 In 2012, retrospective adjustments were made for the purpose of correction of accounting statements for recognition of deferred tax liability relating to the provision for doubtful debt resulting in the increase in the balance of deferred tax liabilities with the relevant effect on the financial result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

4 In 2014 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 2013 which amounted, with the adjustments made, to RUB 275 million.

Dynamics of production cost structure, %



Dynamics of sales revenue, RUB mln



Revenue

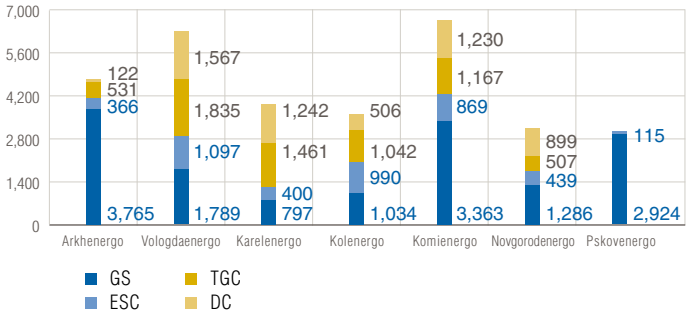
Dynamics of change of the actual revenue in 2010-2014

Name of the indicator, RUB million	2010	2011	2012	2013	2014
Electricity transmission revenue	25,346	29,486	29,276	29,650	31,343
TC revenue	668	884	1,412	955	882
Electricity transmission revenue	0	0	0	10,799	11,017
Revenue from other activities	655	479	481	646	1,020
Total	26,669	30,849	31,169	42,050	44,262

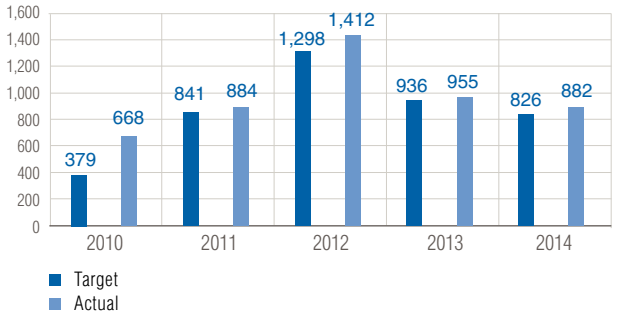
The Company's revenue in the reporting period was the combined income from the following types of activities:

- rendering of electric energy transmission services;
- grid connection to electric grids;
- electricity sale;
- other services in the core and non-core activities.

Structure of the Company's revenue in 2014 by branches including VAT



Dynamics of revenue by the grid connection type of activity 2010-2014, (target/actual) RUB mln (excl. VAT)



Electricity Transmission Revenue

For the Company as a whole, the revenue from electricity transfer services amounted to RUB 31,343 million not including VAT (with inclusion of the functions of guaranteed supplier at Kolenergo branch in the Murmansk oblast, the revenue amounted to RUB 32,759 million not including VAT).

The share of revenue for the rendered electricity transfer services (not including the guaranteed supplier function) was distributed as follows:

- guaranteed suppliers, 48% (RUB 14,958 million);
- energy sale companies, 14% (RUB 4,276 million);
- territorial grid companies, 21% (RUB 6,542 million);
- 'direct' consumers, 18% (5,566 million).

Grid Connection Revenue

In 2014, the grid connection revenue amounted to RUB 882 million not including VAT. Therefore, the actual amount exceeded the target by 6.8%.

The greatest increase of the grid connection revenue as compared to the target of 2014 was at Komienergo (+ RUB 90 million) и Novgorodenergo (+ RUB 28 million). The greatest decrease of the grid connection revenue as compared to the target was at Arkhenergo (- RUB 57 million).

Pursuant to paragraph 4 of clause 2 of article 23.2 of the Federal Law dated March 26, 2003 No. 35-FZ On the Electricity Sector, since January 01, 2011 an investment component to cover costs of development of existing infrastructure may not be included in the grid connection fee.

These changes have had a direct effect on the growth of the grid connection revenue.

Analysis of production cost and structure of costs

EBITDA, in RUB mln	2010	2011	2012	2013	2014
Production cost, total	25,145	27,781	28,129	38,293	40,030
Uncontrolled costs	15,069	15,998	15,800	25,327	26,800
Services of JSC FGC UPS	7,096	8,177	8,371	8,339	8,439
Services of TGCo	1,273	1,503	819	2,812[1]	4,045[1]
Purchased power for loss compensation	4,177	3,646	3,629	4,257[1]	4,341[1]
Purchased electricity for sale	0	0	0	6,429	6,037
Depreciation	2,522	2,672	2,981	3,491	3,938
Controlled costs	10,076	11,783	12,329	12,966	13,230
Raw and other materials	1,376	1,540	1,684	1,795	1,753
Electricity for the company's needs	327	313	302	314	311
Production works and services	741	952	1,034	1,099	1,041
Labor costs with deductions	6,421	7,525	7,742	8,252	8,489
Communication services	91	108	108	121	84
Utility services	97	103	102	103	93
IT services	77	117	106	84	133
Land survey	15	90	58	118	93
Security services	179	202	207	212	211
Taxes	160	158	160	275	347
Miscellaneous costs	593	676	826	592	675

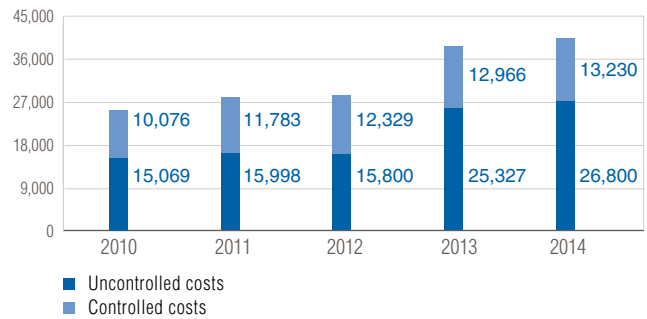
[1] With consideration of the costs by the types of business entitled Electricity transfer and Electricity sales.

Production Cost and Structure of Costs

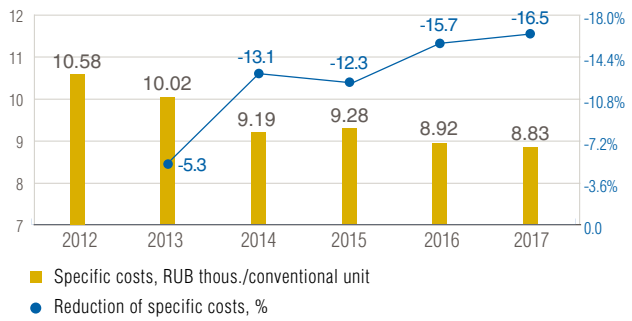
On the results of 2014, the increase of controlled costs amounted to 2% while the actual RCPI was 11.4% (percentage in December 2014 as compared to December 2013).

The growth of uncontrolled costs amounted to RUB 1,473 million or 5.8%. The increase of uncontrolled costs was mainly due to presence of electricity sale activity costs in the Company's costs (the increase of costs of TGCo services in sales amounted to RUB 1,213 million), and the increase of depreciation allowances in 2014 by RUB 447 million (12.8%)

Dynamics of controlled and uncontrolled costs, RUB mln



Effect from EMP



The effect of implementation of the cost management program at JSC IDGC of the North-West on the results of 2014 was 13.11%, which improved the effect stipulated by the Company's business plan by 1.9%, and the target value was exceeded by 8.1%.

Cost Management

The Efficiency Management Program (EMP) is a key tool for raising the internal efficiency of operations of the Company by implementing a cost program process aiming to minimize the controlled losses and at the same to maximize their yield.

The effect of implementation of the cost management program at JSC IDGC of the North-West on the results of 2014 was 13.11%, which improved the effect stipulated by the Company's business plan by 1.9%, and the target value was exceeded by 8.1%. Therefore, the implementation of the EMP at the Company is taking place faster than it had been planned, of which the dynamics of reduction of the share of controlled costs in the production cost is another evidence.

This effect was achieved by measures taken to reduce the cost of maintenance per equipment unit, in particular:

- minimization of controlled operating costs including optimizing costs of payroll and repair program and maintenance by reducing contractors' prices and optimizing own staff;
- competitive purchasing procedures optimizing purchasing activity;
- implement the programs of energy saving and energy efficiency improvement.

Fulfillment of the Business Plan

Analysis of fulfillment of the Company's business plan for 2014

Indicator	2014, RUB million		Deviation	
	target	actual	absolute, RUB million	relative,%
Total revenue	43,769	44,262	493	1
Electricity transmission revenue	32,295	32,759	464	1
Electricity transmission revenue according to accounting statements	30,970	31,343	373	1
TC revenue	826	882	56	7
Electricity resale revenue[1]	9,674	9,601	–73	–1
Electricity and capacity resale revenue according to accounting statements	11,000	11,017	17	0.2
Revenue from other activities	974	1,020	46	5
Total net cost	39,837	40,030	193	1
Purchased power for loss compensation	4,294	4,341	47	1
Purchased power for sale	6,073	6,037	–36	–1
Raw and other materials	1,723	1,753	30	2
Production works and services	1,107	1,041	–66	-6
Services of JSC FGC UPS	8,442	8,439	–3	–0.1
Services of distribution grid companies	4,041	4,045	4	0.1
Labor costs with deductions	8,232	8,489	257	3
Other expenses	5,925	5,885	–40	–1
Total gross profit	3,932	4,232	300	8
Commercial expenses	503	487	–16	–3
Management expenses	810	853	43	5
Profit (loss) on sales	2,620	2,892	272	10
Interest receivable	222	237	15	7
Interest payable	1,480	1,395	–85	–6
Income from participation in other organizations	0	2	2	100
Miscellaneous earnings	3,021	3,396	375	12
Miscellaneous costs	3,116	5,659	2,543	82
Profit (loss) before tax	1,267	–529	–1,796	–142
Profit taxation	436	91	-345	–79
Net profit	831	–620	–1,451	–175

[1] The revenue by the electricity transfer and electricity sales business types is shown in accordance with management accounting and business plan development methods of the Company. Revenue under electricity supply contracts is included in the electricity transfer revenue.

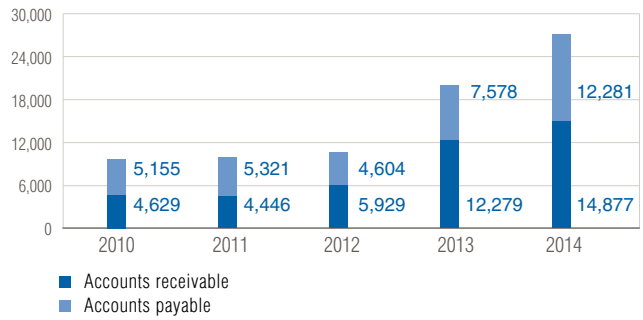
4.2 CREDIT PORTFOLIO AND LIQUIDITY

As of year-end 2014, the accounts receivable growth rate was smaller than that of accounts payable (1.21 vs 1.80).

The business activity ratios show how efficiently the Company uses its funds. As of year-end 2014, the accounts receivable growth rate was smaller than that of accounts payable (1.21 vs 1.80). Throughout 2012-2014, the amount of accounts receivable was greater than that of accounts payable.

On the results of analysis of the basic financial and economic indicators of 2014, in view of the cost cutting policy, the uneasy economic situation in the regions, impairment of the liquidity situation in the national banking sector, and exercise of guaranteed supplier functions in the Novgorod and Murmansk Regions, one can conclude that the Company management has developed a balanced policy of financial and economic business management, which will keep the Company stable in the current economic environment.

Ratio of accounts receivable and accounts payable, RUB mln



The financial and economic indicators of JSC IDGC of the North-West were calculated in accordance with the statutory financial statements for 2010-2014.

Indicator		2010	2011	2012[1]	2013	2014
Absolute liquidity ratio		0.20	0.25	0.13	0.08	0.13
(quick liquidity ratio)		1.07	1.02	1.25	1.30	1.08
Current liquidity ratio		1.25	1.21	1.44	1.42	1.15
Ratio of sufficiency of own working capital		0.17	0.15	0.29	0.29	0.12
Financial stability ratios						
Autonomy (financial independence) ratio		0.70	0.66	0.60	0.50	0.44
Ratio of net debt to EBITDA		1.76	1.57	2.71	3.17	3.83
Return ratios						
Return on assets (ROE)		–2.93	1.51	0.23	1.0	–2.27
Return on total assets (ROTA) Profit before tax		–0.91	2.34	0.98	1.45	–0.91
Return on EBITDA, %		9.90	12.82	12.52	12.52	10.89
Business activity ratios						
Ratio of accounts receivable and payable growth rates	ARGR	0.93	0.96	1.33	2.07	1.21
	APGR	1.14	1.05	0.84	1.53	1.80
	ARGR/ APGR	0.81	0.92	1.59	1.36	0.67
Ratio of total accounts receivable and payable		0.90	0.84	1.29	1.62	1.21
Ratio of the most liquid accounts receivable and payable		1.97	1.64	2.66	3.12	1.82

[1] Indicators for 2012-2014 were calculated in accordance with the statutory financial statements for 2014.

Credit portfolio

Indicator	2010	2011	2012	2013	2014	Change for 2014
Total loans, RUB million	4,651	6,228	10,648	16,730	18,452	1,722
Long-term (1 to 5 years)	4,373	6,148	10,629	13,953	14,913	960
Short-term (under 1 year)	279	80	19	2,777	3,539	762

4.3 TARIFF POLICY

The basic types of business of JSC IDGC of the North-West that are subject to government regulation are electricity transfer services and services of grid connection to electric grids. In 2014, the Company also was engaged in energy sales in the Murmansk and Novgorod Regions.

In the reported year, the tariff policy of JSC IDGC of the North-West aimed to provide for the functioning of the Company.

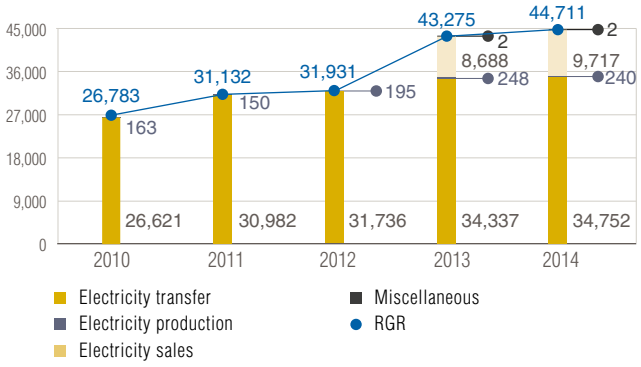
A special feature of the regulation of the electricity transfer service prices in 2014 was a moratorium imposed by the Russian government for the scheduled indexation of the electricity transfer service prices. The tariffs remained unchanged since 2013 save for the regions of the Russian Federation where from January 01, 2014 a 7% indexation of the electricity transfer service prices was scheduled in the framework of 'the last mile' measures. In the business area of JSC IDGC of the North-West, the regulatory authorities of the Vologda Region and the Republic of Karelia used a legal mechanism to raise the single (boiler) tariffs from January 01, 2014.

In 2014, the established tariffs enabled the Company to make a revenue of RUB 35 billion for its services. The data on its structure are shown below in the report.

The approved tariffs provided for the aggregate growth of tariff revenues by 1.2% up to RUB 35 billion. Federal factors accounted for 41.71% or RUB 14.5 billion of the required gross revenue (hereinafter referred to as RGR), and regional factors, 58.28% or RUB 20.3 billion of RGR, of which 4.6% or RUB 0.9 billion were the costs of services of territorial grid companies. The insignificant growth of the federal sectors was due to the increase of tariffs of services of JSC FGC UES and the loss purchase tariff.

The impact of the federal sectors on the Company's RGR in 2015 will also be due to continued effect of 'the last mile' contracts at Vologdaenergo and Karelenergo in 2015.

Dynamics of RGR in 2010-2014, RUB mln



35
RUB bln
TARIFF REVENUES

Structure of tariff proceeds of JSC IDGC of the North-West

Regional factors,	2010	2011	2012	2013	2014	Growth rate, %			
						RUB mln	2012/2011	2013/2012	2014/2013
Tariff revenues, RUB mln, including	26,620.50	30,982.32	31,735.96	34,337.26	34,752.05	116.39	102.43	108.20	101.21
Own tariff revenues, RUB mln	14,100.79	15,740.73	16,275.04	19,181.21	19,322.84	111.63	103.39	117.86	100.74
Share of own tariff revenues, %	52.97	50.81	51.28	55.86	55.6	–	–	–	–
Share of tariff revenues from TGOs, RUB mln	1,283.06	1,434.51	1,076.08	916.44	930.8	111.80	75.01	-14.84	101.57
Share of tariff revenues from TGOs, %	4.82	4.63	3.4	2.67	2.68	–	–	–	–
Payment for FGC services, RUB mln	7,246.35	9,016.39	9,537.14	9,362.29	9,519.34	124.43	105.78	-1.83	101.68
Share of FGC expenses, %	27.22	29.10	30.05	27.27	27.39	–	–	–	–
Expenses to cover losses, RUB mln	3,990.29	4,790.70	4,847.69	4,877.32	4,979.06	120.06	101.19	100.61	102.09
Share of expenses on losses, %	14.99	15.46	15.27	14.20	14.33	–	–	–	–
TOTAL									
Regional factors, RUB mln	15,383.86	17,175.23	17,351.12	20,097.65	20,253.64	111.64	101.02	115.83	100.78
Share of regional factors, %	57.79	55.44	54.67	58.53	58.28	–	–	–	–
Federal factors, RUB mln	11,236.64	13,807.09	14,384.83	14,239.61	14,498.41	122.88	104.18	-1.01	101.82
Share of federal factors, %	42.21	44.56	45.33	41.47	41.71	–	–	–	–

Electricity Market Expansion

Tariffs for the services of electric energy transmission for 2014 at all branches of JSC IDGC of the North-West were approved based on fixed long-term parameters. In 2014, the effective long-term regulation parameters were not reviewed.

In 2014 tariffs for the services of electric energy transmission varied greatly by regions of operation of JSC IDGC of the North-West.

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, fixed high tariffs, resulting from higher expenses for electric grids' maintenance, as compared to branches, at which high-voltage electric grids prevail, such as Vologdaenergo, Karelenergo, Kolenergo, Novgorodenergo.

Essential Gross Revenues

In the reported year, the own RGR increased by 0.74% due to the review of long-term regulation parameters in 2014 and accounting of results of operation of the past years in tariff regulation. The 1.68% increase of the cost of services of JSC FGC UES was due to the increase of electricity transfer tariffs via grids of the United National Electric Grid. The 1.57% increase of the costs of services of territorial companies in 2014 was due to the change of the settlement scheme inside the regional boiler and has no significant effect on the Company's operation results.

Tariffs of Grid Connection

Federal, regional, and departmental legal and other regulations governing pricing for the calculation of the grid connection fee are shown in the "Grid connection" section.

Information on the average calculated tariffs for services of electric energy transmission by the Company's branches (taking into account expenses on payment for services of third-party grid organizations)

Branch/IDGC	Average calculated tariff					Growth			
	for 2010, in RUB/MW·h	for 2011, in RUB/MW·h	for 2012, in RUB/MW·h	for 2013, in RUB/MW·h	for 2014, in RUB/MW·h	2010/2009, %	2011/2010, %	2012/2011, %	2013/2012, %
Arkhenergo	1,041.51	1,146.01	1,416.06	1,680.05	1,686.59	10	24	19	0.4
Vologdaenergo	616.30	710.11	730.68	866.72	938.76	15	3	19	8.3
Karelenergo	529.64	547.64	534.37	630.31	803.5	3	–2	18	27.5
Kolenergo	431.85	478.35	451.62	488.74	534.34	11	–6	8	9.3
Komienergo	941.94	1,147.81	1,128.89	1,213.60	1,246.01	22	–2	8	2.7
Novgorodenergo	774.19	891.87	917.32	1,020.52	1,015.17	15	3	11	–0.5
Pskovenergo	1,467.30	1,687.39	1,690.58	1,751.26	1,911.49	15	0	4	9.1
JSC IDGC of the North-West	681.78	763.99	776.07	879.33	955.05	12	2	13	8.6

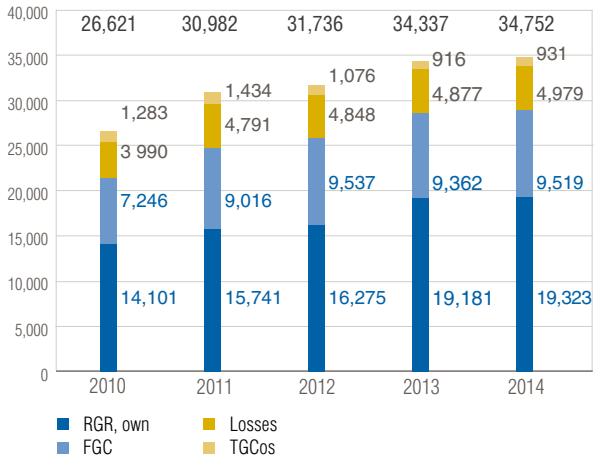
The existence of approved standardized fee rates made it possible to reduce the number contracts made at individual tariffs. In 2014, the number of applicants with whom contracts were made at individual tariffs for the whole of JSC IDGC of the North-West was 154. At the branches, the share of such contracts varies from 1% to 10% save for Kolenergo where 23% of grid connection contracts were made contracts at individual tariffs.

The standardized rates of the technical fee by the branches of the Company were established depending on the type of the used materials or/and method of work with division by voltage levels or/and amount of connected maximum capacity. The materials and work methods are different at different branches of the Company.

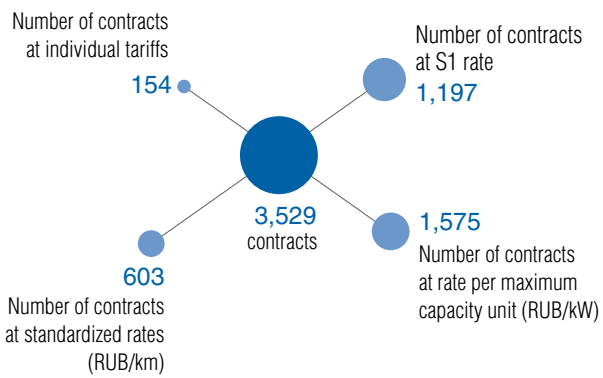
In 2013, the standardized S1 rate was adopted as a total for grid connection operations. In 2014, the S1 rates was approved by the regulatory authorities primarily with division by operations that are stipulated by in clause 16 (save for subclauses b and c) of the Systemic Guidelines for Determining the Fee for Grid Connection to Electric Grids.

The existence of approved standardized fee rates made it possible to reduce the number contracts made at individual tariffs.

Dynamics of the structure of RGR from power transmission



The rates of the grid connection fee as set by the regulatory authority for 2014



The complete set of tariff resolutions according to adopted standardized rates for 2014 is shown on the official website of the Company individual information disclosure standards.

In 2014, in the resolutions adopted by the regular and in the investment program of the Company an as follows

RUB 1,004 million excluding VAT was planned for implementation of privileged grid connection contracts. The actual implementation exceeded the target costs and amounted to RUB 1,504 million.

Standardized S1 tariff rates of the grid connection fee for consumers under 150 kW

Grid connection cost coverage rate by steps, in clause 16 (save for subclauses b and c), S1, RUB/kW		Arkhenergo	Vologdaenergo	Karelenergo	Kolenergo	Komienergo	Novgorodenergo	Pskovenergo
2013	Operating measures	390	245	948	210	1,225	427	21[1]
2014	Standardized S1 tariff rate including the following measures:	425	255	1,130	516.69	1,154.28	440.47	158.43
	drafting and issue to the applicant of the technical conditions by the grid company	126	50		173.06	692.57	88.1	56.09
	check of compliance with the technical conditions by the grid company	128	59		117.74	23.09	101.3	69.94
	participation of a Rostekhnadzor official in inspection of the applicant's energy receiving facilities	47			62.06		88.09	
	actual costs of connection and provision of the electric grid operation	113	146		163.83	438.63	162.98	33.4

[1] In 2013, the S1 rate was approved for Pskovenergo branch in the prices of 2001.

Amount of grid connection contracts made in 2014 at standardized rates of grid connection fee tariffs, rates per capacity unit, and under individual projects

Monitoring of effective grid connection contracts in the privileged group under 15 kW for 2014

Branch/IDGC	Total price of effective contracts under 15 kW, RUB mln	Costs under grid connection contracts under 15 kW that is accounted in the tariff and investment program, RUB mln			Actual costs accounted in the 2014 investment program (including operating costs, RUB million)
		in the tariff resolution	in the investment program that has been adopted in the region	total	
Arkhenergo	4	102	31	133	165
Vologdaenergo	9	43	246	289	433
Karelenergo	53	0	93	93	161
Kolenergo	2	11	0	11	26
Komienergo	5	109	106	215	203
Novgorodenergo	3	1	88	89	294
Pskovenergo	15	12	161	172	222
JSC IDGC of the North-West	90	278	726	1,004	1,504

Amount of lost earnings pursuant to decisions of regulatory authorities

Lost earnings, RUB thous		Arkhenergo	Vologdaenergo	Karelenergo	Kolenergo	Komienergo	Novgorodenergo	Pskovenergo
2009	under 15 kW	0	0	0	0	0	0	0
	from 15 to 670 kW	0	0	0	0	0	0	0
2010	under 15 kW	105,670	53,000	52,258	0	338,320	23,340	16,629
	from 15 to 670 kW	0	0	0	0	0	0	0
2011	under 15 kW	39,100	0	140,331	5,400	0	103,400	21,500
	from 15 to 670 kW	0	0	0	0	0	0	0
2012	under 15 kW	128,215	0	0	0	76,336	0	0
	from 15 to 670 kW	0	0	0	0	0	0	0
2013	under 15 kW	112,705	39,047	0	24,578	44,148	207	0
	from 15 to 670 kW					484		
2014	**under 15 kW**	**101,818**	**43,126**	**0**	**10,810**	**109,211**	**923**	**11,666**
	from 15 to 670 kW			**318**		**620**		

4.4 INVESTMENT ACTIVITY

5,180.5 RUB mln
IMPLEMENTATION OF INVESTMENTS

Investment Activity Parameters

The Investment Program of JSC IDGC of the North-West for 2014 was prepared with consideration of goals and objectives of the Unified Policy in the Distribution Electric Grid Sector.

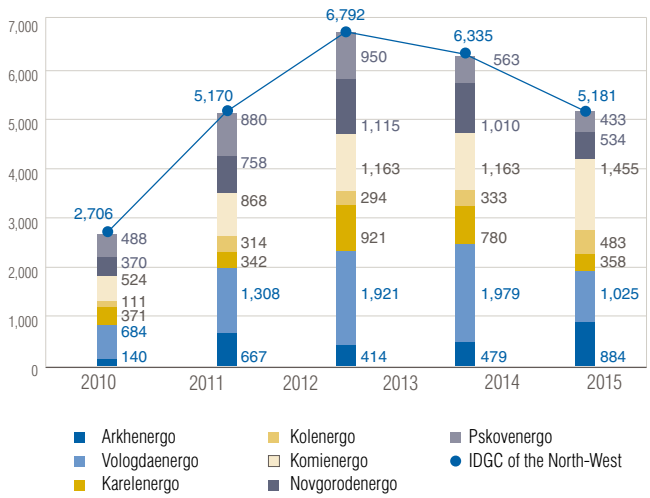
Investment activity is a crucial part of Company's successful operation. Timely and sufficient investments contribute to the reliability and improvement of work of the electric grid sector, reduce losses in electric grids and cut operating expenses, and provide commissioning of additional facilities to connect new consumers and eliminate energy deficiency.

Reduction of capital investments in 2013 - 2014 vs 2012 was effected by parameters of RAB regulation (and their revision in 2012, with smoothed RGP), limited growth of tariffs for electricity transmission services, as well as deteriorating economic situation in the Russian Federation on the whole.

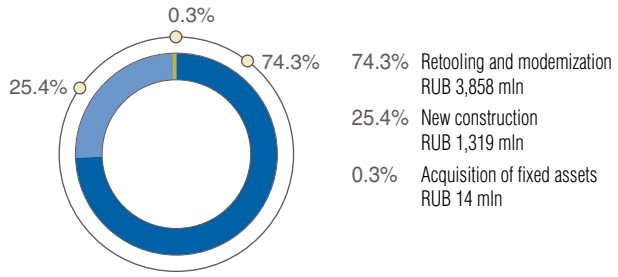
Investment cost and capacity in 2014

Branch/IDGC	Implementation, RUB mln (excl. VAT)	Commissioning of fixed assets RUB mln (excl. VAT)	Financing, RUB million (excl. VAT)	Capacity commissioned	
				MVA	km
Arkhenergo	884.2	836.1	845.3	45.2	150.7
Vologdaenergo	1,025.0	1,062.0	1,253.1	37.9	341.9
Karelenergo	357.7	409.6	398.0	34.9	330.2
Kolenergo	482.9	407.6	433.0	132.6	19.7
Komienergo	1,455.3	1,376.6	1,314.7	125.9	287.5
Novgorodenergo	534.1	477.6	557.9	11.4	262.6
Pskovenergo	433.5	397.6	371.5	11.7	241.2
Executive body	7.9	7.9	17.5		
IDGC of the North-West	5,180.5	4,974.9	5,191.0	399.6	1,633.8

Capital investments in 2010-2014



The financing structure of capital investments in 2014



Areas and Financing Structure of Capital Investment

Despite the decline in the total funds allocated to the investment program in 2014, investments in retrofitting and modernization, decreased insignificantly vs 2013 in percent composition, while the share of funds allocated to retrofitting and modernization amounted to 74% of the total volume of the investment program - against 77% in 2013.

The main reason for acquiring funds aimed at refitting and modernization is driven by the need to reduce the overall wearing of the electric grid equipment. Investments for R&D were not included in the investment program of JSC IDGC of the North-West in 2014.

Commissioned fixed assets amounted to RUB 29.376 million.

Financing structure of capital investments, RUB mln

	2012	2013	2014
Total	8,157	6,634	5,191
Major Investment Projects	1,005	610	798
TRR	345	351	671
NC	661	259	127
Programs of special importance	0	0	0
Programs	7,152	6,024	4,393
TRR	1,348	1,033	801
NC	101	230	140
Grid connection, including:	3,023	2,834	2,545
TC facilities with capacity of over 670 kW	624	64	395
TC facilities with capacity from 150 to 670 kW	398	609	479
TC facilities with capacity from 15 to 150 kW	188	307	231
TC facilities with capacity of under 15 kW	1,813	1,854	1,441
generation	0	0	0
Distribution grids	804	838	332
TRR	0	0	296
NC	804	0	35
Automatization of technological management (except for Automated Informative Electric Power Accounting System)	338	193	107
Means of accounting, control of electricity	257	232	128
Safety programs	30	22	11
The acquisition of electric grid assets, land plots and other facilities	195	47	14
Other programs and measures	1,055	595	315
Reference:			
TRR	5,947	5,139	3,858
New construction	2,009	1,444	1,319
Other	201	51	14

In 2012-2014, financing of the investment program of JSC IDGC of the North-West declined significantly - if we take 2012 as 100%, then in 2013 it was 81%, and in 2014 - 64%. This reduction is due to the slowdown of growth rate of tariffs for electricity transmission services, as well as the deteriorating economic situation in the Russian Federation.

However, the reduction of commissioned fixed assets was minor. In particular, in 2012, commissioned fixed assets amounted to RUB 6,277,041 million, excluding VAT (100%), in 2013 - RUB 6,208.911 million, excluding VAT (99%), in 2014 - RUB 4,974.863 million, excluding VAT (79%). This trend is due to the introduction of techniques reducing investment costs in 2013, which help maintain the level of commissioned fixed assets while reducing the financing of the investment program.

The results of investment program in 2010-2014

Reporting period			2010	2011	2012	2013	2014
The effect from the introduction of techniques to reduce the investment costs (-30%)			–	–	–	–	11.9
Electricity output of IDGC, million kW·h			–	42,990.76	43,239.29	40,687.17	39,715.02
Reduction of losses from the implementation of IDP (including the carryover effect of IDP implementation in previous years), million kW·h			–	4.71	5.0	7.97	3.29
Efficiency within the framework of IDP to supply to the grid,%			–	0.01	0.01	0.02	0.01
Technological connection	streamlining grid connection processes	units	8,229	12,745	16,702	20,749	25,843
		MW	157.7	237.9	449.6	340.0	493.8
		RUB mln	668	884	1,412	955	882
	including the electricity-generating equipment of up to 15 kW	units	7,607	12,109	15,839	19,728	24,381
		MW	62.3	113.7	154.9	198.9	257.2
		RUB mln	4.7	8.9	13.4	15.2	22.1
Opening of closed main substations	SS 110 kV, units		1	3	4	4	2
	SS 35 kV, units		4	2	5	0	1
Decrease/increase in losses in % (effect in ESEEIP[1] from supply to the grid)			–	0.16	0.14	0.26	0.18
The share of equipment with excess service life, (%)			57.11	59.42	61.25	62.14	62.87
The level of depreciation of fixed assets,%			65.14	65.51	65.82	67.52	67.91
The number of accidents (total, overhead lines, substations)			–	11,758	11,684	13,336[2] 3,457 711	10,608 2,348 515
Reliability indicators - specific accident rate			–	12.68	11.79	13.06	9.65

[1] Energy saving and energy efficiency increase program.

[2] Growth in the number of accidents investigated in 2013 compared with 2012 is due to methodological reasons – the commissioning of a program complex "Accident Rate", which allowed to improve the reliability of accident registration.

A more detailed analysis of the decrease/ increase of electricity losses during transmission in grids is available in section “Energy Loss Reduction Measures”.

Long-term Investment Program

Capital investments in 2014-2019 are mostly allocated to refitting and reconstruction of the grid complex (over 84% of the total investments) required due to a high level of wear and tear of fixed assets.

Capital investments in 2014-2019 are mostly allocated to refitting and reconstruction of the grid complex (over 84% of the total investments) required due to a high level of wear and tear of fixed assets. The share of investments in new construction in the long-term investment program accounts for 15% of the total volume of investments.

It is planned to commission the following capacities:

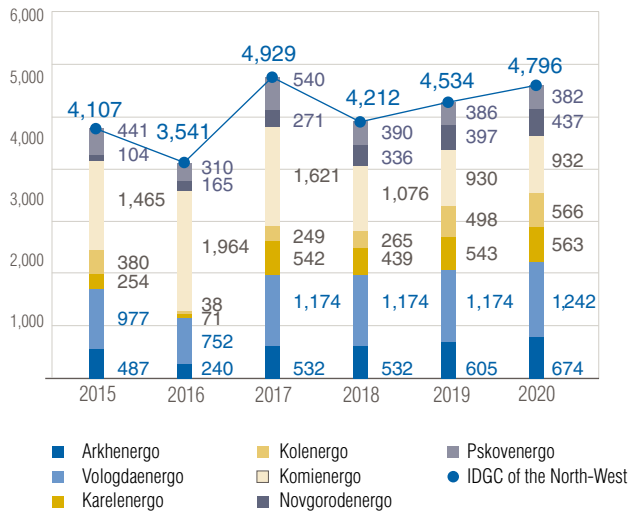
- electric lines 4,264.35 km;
- transformer capacity of 1,938.74 MVA, and the increase in the input capacity will amount to 1,154.27 km and 1,938.74 MVA.

As the diagram shows, the chain annual growth rates are: 2016 – (-14%); 2017 – 39%; 2018 – (-15%), 2019 – 8%, 2020 – 6%. The projected decline in capital investments in 2015-2016 and 2018 is due to the deteriorating economic and financial condition of the Company related to the restriction of growth rates of tariffs for electricity transmission services.

Implementation of the long-term investment program will allow to commission the following capacities:

- *electric lines 4,264.35 km;*
- *transformer capacity of 1,938.74 MVA, and the increase in the input capacity will amount to 1,154.27 km and 1,938.74 MVA.*

The volume of planned capital investments for the period 2015-2020, RUB mln (excluding VAT)



APPENDICES

IFRS financial statements for the year ended 31 December 2014 and information on disclosed GRI G4 Performance Indicators are available in the onlive version of the JSC IDGC of the North-West Annual Report 2014.

1. Reference for shareholders and investors

Company information

Full name:	Open Joint-Stock Company Distribution Grid Company of the North-West;
Abbreviated name:	JSC IDGC of the North-West;
Legal address:	Sobornaya street, 31, Gatchina, Leningrad Region, 188300, 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
Internet address:	www.mrsksevzap.ru
Bank details:	TIN (taxpayer identification number) 7802312751 RRC (registration reason code) 470550001 PSRN (primary state registration number) 1047855175785 Settlement account 40702810539000005887 with subsidiary Operation Department JSC Bank VTB in Saint Petersburg, Saint Petersburg Correspondent account 30101810200000000704 BIC (Bank Identification Code) 044030704

Registrar of IDGC of the North-West, JSC

Full name:	Open Joint-stock Company Registrator R.O.S.T.
Abbreviated name:	Registrator R.O.S.T., JSC
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
Internet address:	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

Separated branch of Registrator R.O.S.T. in St. Petersburg, JSC

Full name:	Open 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) 418-3338
Internet address:	http://www.rrost.com/
E-mail:	rrost-spb@rrost.ru

Abbreviation	Definition
AIS	Automated Information Systems
BOD	Board of Directors
CMP	Cost Management Program
CPI	Consumer Price Index
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

Abbreviation	Definition
PCB	Polychlorinated biphenyls
PD	Production Department
PPE	Personal Protective Equipment
PTL	Power Transmission Line
R&D	Research and Development
RAB	Return on Invested Capital Method
RAS	Russian Accounting Standard
RC	Regulated contranct on electric energy and capacity purchase
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

Abbreviation	Definition
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 unit
km	Kilometer. Length unit

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You can send a completed questionnaire to:

3 Lit. a Constitution Square, St. Petersburg 196247, Russian Federation, attn.: Corporate Governance and Shareholder Relations Department, or email to: ir@mrsksevzap.ru.