



Dear Shareholders and Investors,

Our priorities for the year 2014 became the optimisation of operating expenses, a decrease in electricity losses, and retaining dividend payouts. The Company's resources were directed at eliminating the impact of natural and weather-related occurrences, the modernisation of our resource base, and minimising the negative impact of the economic recession. The Company has once again proven its ability to cope with difficulties and the right to maintain a leading position in quality and reliability of electricity supply in the sector.

FINANCIAL STABILITY

Following the results of 2014 the Company's revenue from electricity transmission in comparable conditions grew by 0.9% to 75.9 billion roubles. Earnings before interest, taxes and amortisation (EBITDA ¹) grew by 35.7% to 15.6 billion roubles. The Company's net profit totals from last year grew more than eleven times to 3.3 billion roubles. Our share in the electricity transmission and grid connection market reached 83.9% and 87.9%, respectively.

GROWTH OF PRODUCTION ASSETS

IDGC of Centre completed a series of important projects relating to power supply of large industrial enterprises and residential construction projects. Putting hi-tech substations into service provided for optimisation of the power supply circuit for consumers, solved the problem of grid limitations, and created a reserve of capacity for dynamically developing regions in its service area. The construction of new power lines and the renovation of old ones allow to significantly increase the transmission capacity of power lines and improve the reliability of consumers' electric power supply.

In the reporting year, the Company commissioned 1,107 MVA of new capacity and constructed 5,110 km of power lines. The investment in 2014 totaled RUB 12.2 billion with 56% spent to retrofit and reconstruct the existing facilities and the remaining portion invested in customer grid connections.

REDUCTION OF ENERGY LOSSES

During the reporting year, the Company managed to reduce electricity losses by 0.1 percentage points as calculated under comparable conditions at the expense of the successful implementation of the program of energy saving and energy efficiency. The net effect from its performance was 196.6 million kWh (529.2 million RUB).

INCREASE IN CONNECTED CAPACITY

As part of activities related to grid connection, the Company has increased the amount of fulfilled agreements for new connections from 43.4 thous. to 50.3 thous. Total connected capacity now amounts to 1,116 MW, which is 9.7% greater than the previous year. Large-scale projects related to the grid connection of a series of enterprises with key significance for the development of locations in the Central Federal District were completed.

SUCCESSFUL IMPLEMENTATION OF THE FUNCTIONS OF A SUPPLIER OF LAST RESORT

An important event in 2014 was the transfer from IDGC of Centre of the functions of a supplier of last resort in the Orel, Bryansk, Kursk, Tver and Smolensk Regions to winners of tenders held by the Russian Ministry of Energy. The Company generated additional revenue of 8.3 billion roubles from sales. Throughout the entire period as the supplier of last resort, IDGC of Centre paid 100% on the electrical energy and power wholesale market, maintaining reliable and uninterrupted power supply to its customers.

REDUCTION OF ADMINISTRATIVE EXPENSES

Within the Expense Management Programme implementation significant results were obtained as concerns a decrease in expenses for rent, finance lease and consulting. Moreover, personnel expenses were optimised and a series of measures were taken to identify non-metered and non-contracted electricity consumption. The aggregate effect of the Expense Management Programme is measured against last year's totals as 1.5 billion roubles. In accordance with a directive from the government of the Russian Federation, administrative expenses at IDGC of Centre were successfully lowered by 15% year-on-year in 2014.

HIGH LEVEL OF CORPORATE GOVERNANCE

IDGC of Centre maintains an invariably high level of corporate governance. In 2014, the non-profit organisation "The Russian Institute of Directors" affirmed the Company's level at 7+ on the National Rating of Corporate Governance, "Developed Corporate Governance Practice". The Company's adherence to the highest standards of corporate governance and disclosure remain our competitive advantages.

We can say with confidence that the main indicators of the Company's activity for the year testify to the stability of the Company's business and confirm the effectiveness of our chosen development model. The Company will continue to fulfil its strategic tasks, focusing on ensuring long-term power supply to consumers, taking into account the interests of all stakeholders.



Oleg Yu. Isaev,

General Director IDGC of Centre, JSC

1: EBITDA - The EBITDA indicator is calculated based on the following formula: net profit + tax on profit and other analogous required payments + interest on payment + interest received + amortisation.