

LENENERGO
FOUNDED IN 1886

Preliminarily approved by
the Board of Directors of
Lenenergo, PJSC on *April 28*, 2016
Minutes No. 49 dd. *May 4*, 2016

Approved by
the General Meeting of Shareholders of
Lenenergo, PJSC on _____ 2016
Minutes No. dd. _____ 2016

Annual Report
of Lenenergo, Public Joint Stock Company of the Power Industry and Electrification
for 2015

Acting
CEO of Lenenergo, PJSC

(signed)

R.N. Berdnikov

Chief Accountant – Head of
Book-Keeping and Tax Accounting and Reporting of Lenenergo, PJSC

(signed)

G.V. Kuznetsova

(sealed)

Saint Petersburg
2016

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Limitation of Liability (Disclaimer)

This 2015 Annual Report of Lenenergo, PJSC (hereafter referred to as the Annual Report) is based on the information available to the Company as of the date of its drafting.

This Annual Report contains information on the Company's performance results for 2015, as well as its authorized management bodies' estimates and forecasts of the future events and/or actions, prospects for development of the industry in which Lenenergo, PJSC operates, future performance results (including the Company's plans), and of the probability of certain events or actions.

Investors should not rely solely on the estimates and forecasts of the Company's management bodies, since they present nothing more than one of multiple possible scenarios. The actual results of the Company's future performance may differ from the projected parameters for various reasons.

Certain statements contained in this Annual Report are not facts of reality, but forward-looking statements.

Words and phrases such as "plan", "will", "is expected", "occur", "estimate", "amount to", "happen", etc., specify forecasts and imply a risk of possible deviation from the planned parameters or even a failure to meet them. Therefore, the Company warns the recipients hereof that the actual results or scenarios may differ substantially from the forecasts contained in herein at the time of its preparation.

Principle risks that are taken into account in the tactical and strategic planning of the Company's operations and that may affect Lenenergo, PJSC's performance are as follows: changes of the rates set by the public authorities for the services provided by the Company; actions taken by the public authorities with respect to the Company; risks associated with the Company's operations; amendments to and changes in the tax laws; risks arising from litigation to which Lenenergo, PJSC is a part, etc. This list of material risks is not exclusive.

SECTION 1. GENERAL INFORMATION ON THE COMPANY

1.1. General Information Assets Properties and Key Indicators

1.2. Structure and Geography of Operations

1.3. Report Period Milestones

1.1 General Information. Assets Properties and Key Indicators

Lenenergo, Public Joint Stock Company of the Power Industry and Electrification is one of the largest distribution grid companies in Russia. Lenenergo, PJSC transmits electric power to the participants of the wholesale and retail electric energy markets in the Leningrad Region and Saint Petersburg.

Lenenergo, PJSC has been established subject to Orders No. 992 (dd. August 14, 1992), No. 923 (dd. August 15, 1992), No. 1334 (dd. November 5, 1992) of the President of Russia and registered subject to Decision No. 2518 dd. January 22, 1993 of the Registration Chamber of the Saint Petersburg City Administration. The Company is the successor of Lenenergo, State Enterprise of the Power Industry and Electrification.

The following are the core activities of the Company:

- electric power transmission and other services integral to the electric power supply to consumers
- grid connection of the power receivers (power plants) of entities and individuals.

Subject to Russian Federal Energy Committee Decree No. 127/8 dd. December 19, 1997, Lenenergo, PJSC has been included into the Register of Natural Monopolists Regulated and Controlled by the State (Section I: Electric and/or Heat Power Transmission).

The state represented by the regional regulators sets the tariffs for the Company's services subject to a decision of the Federal Antimonopoly Service.

Nowadays, Lenenergo, PJSC serves a large market of the city of Saint Petersburg and the Leningrad Region, with the overall area of 86,739 thousand sq.km having 6.97 mn residents (4.8% of the total country population).

The average headcount in 2015 was 6003 people.

History:

1886

July 16, 1886: Emperor Alexander III approved the Charter of Electric Illumination Company established by Carl von Siemens. That day is considered the beginning of the "Electric Era" and the date of Lenenergo, PJSC foundation.

1917

December 16 (29), 1917: 1886 Company was nationalized.

1926

December 19, 1926: the first and the most powerful hydropower plant of the time, Volkhovskaya HPP,

was commissioned.

1932

After several reorganizations and changes of name, the company received the name of Lenenergo that it maintains to this day in 1932.

1933

December 19, 1933: an official ceremony was held for the commissioning of the world's first power plant built on an unstable soil (Devonian clay) foundation, Nizhne-Svirskaya HPP. The HPP power was transmitted to Leningrad substation of Chesmenskaya via the first Russian 220 kV electric power line that was 240 km long.

1941-1945

The War and the Leningrad Siege formed a separate page in the Leningrad power industry history. Over 1500 industry experts died protecting the city and maintaining its energy system.

1942

In winter of 1942, the Lenenergo workers laid four-strand 10 kV cable line to the besieged Leningrad. That cable, over 100 km long, was later named "The Cable of Life": it was that unique technical solution that led to breaking of the energy siege of the city and allowed the city to survive.

1949

During WWII, Lenenergo sustained colossal damage: it lost 2/3 of the energy system capacity. However, the electric power capacity and production reached the pre-war levels by 1949 already due to the selfless commitment of the energy workers.

1964

Twenty-eight local energy operational offices of the agricultural sector (Selenergo) were liquidated, replaced by 8 Lenenergo electric power grid enterprises.

1965

1965 marked the start of the creation of the backbone 330 kV power grid. Vostochnaya, Chudovo, and Yuzhnaya 330 kV substations were commissioned.

1992

In 1992, Lenenergo, Open Joint Stock Company of the Power Industry and Electrification was incorporated by way of privatization.

2000

From 2000 to 2005, the Saint Petersburg power system got 5 new backbone 110 kV substations and reconstructed over 120 km of heat grids and tens of thousands of kilometers of power grids.

2005

Lenenergo, OJSC was reorganized by dividing into the following companies: Petersburg Generating Company, OJSC; North-West Energy Management Company, OJSC; Petersburg Utility Company, OJSC; Petersburg Transmission Systems, OJSC.

2008

Saint Petersburg purchased the blocking shareholding in the Company.

2010

Lenenergo, OJSC acquired TSEK, CJSC (96.95% of the capital) and Kurortenergo, CJSC (98.13% of the capital) as part of creating a single electric power grid company.

2011

Since January 1, 2011, Lenenergo, OJSC switched to a new system of long-term tariff RAB (Regulatory Asset Base) regulation, the primary goal of which is attracting investments to expand and upgrade the infrastructure.

2012

The Agency for Strategic Initiatives partnered up with Lenenergo, OJSC to implement the road map of the Enhancing the Power Infrastructure Accessibility project. Lenenergo, OJSC honed the mechanisms for the grid connection system upgrade that are intended for implementation at a national level.

2014

Federal Testing Center, PJSC was created to become the first Russian center oriented at testing the high voltage equipment.

In December 2014, the Training Center launched in Tervolovo (the Gatchina District). It is a learning and training center that has 12 specialized classes and 2 simulation halls that function all year round, a 0.4, 10, 35, and 110 kV grid testing area, and a 110/35/10 kV substation testing area.

2015

Lenenergo, PJSC became the foundation for consolidation of the largest power transmission market players of Saint Petersburg and the Leningrad Region: St. Petersburg Power Grid, JSC and Petrodvorets Power Grid, OJSC.

Customer Area

Lenenergo, PJSC is a regional distribution grid company, and provides grid connection services in two separately regulated Russian constituent entities: Saint Petersburg and the Leningrad Region. Executive tariff regulation authorities set separate specific tariffs for grid connection for each constituent entity.

As of now, Lenenergo, PJSC is the largest grid company in the area and carries out grid connection at the voltage rating of 0.4-110 kV to its own grids.

The following companies connect consumers to the grid in Saint Petersburg and the Leningrad Region alongside Lenenergo, PJSC:

- North-West MES - a branch of FGC UES, OJSC,
- Leningrad Region Power Grid Management Company, OJSC (LOESK, OJSC),
- several partner grid companies, the responsibility areas of which are set out in the decrees issued by the governments of the relevant Russian constituent entities.

The average headcount in the report period: 6003 people.

Business assets properties

	Installed capacity	Overhead lines on circuits 0.4-110 kV	Cable lines on circuits 0.4-110 kV	35-110 kV substations	6-35 kV transformer substations
2010	20740.5	39418.9	18622.2	372	14361
2011	21427.4	39782.6	19554.2	373	14770
2012	21952.2	40052.8	20400.2	377	15025
2013	23059.0	40407.7	21156.0	379	15531
2014	23950.6	41831.6	21566.7	379	16233
2015	24320.8	42181.1	22160.5	386	16564

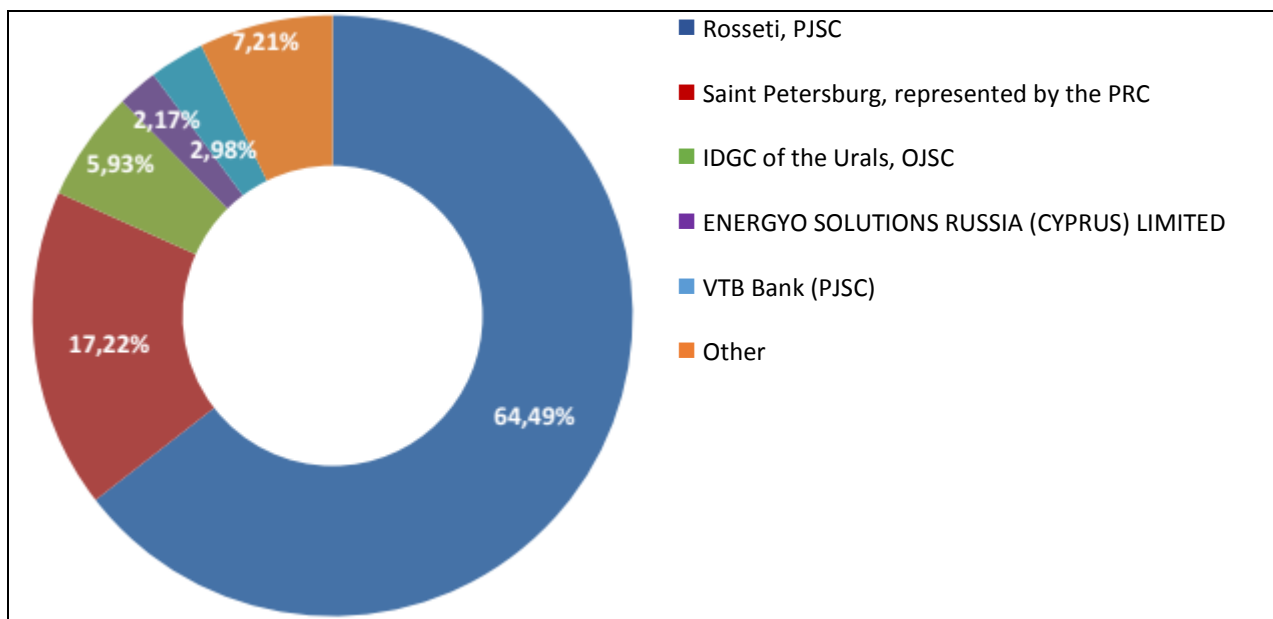
Share Capital Structure

Entity Name	% ordinary shares	% authorized capital
Rosseti, PJSC	68.12	64.49
Saint Petersburg, represented by the PRC	18.18	17.22
IDGC of the Urals, OJSC	4.89	5.93
ENERGYO SOLUTIONS RUSSIA (CYPRUS) LIMITED	2.26	2.17
VTB Bank (PJSC)	1.53	2.98
other	5.01	7.21
Total	100	100

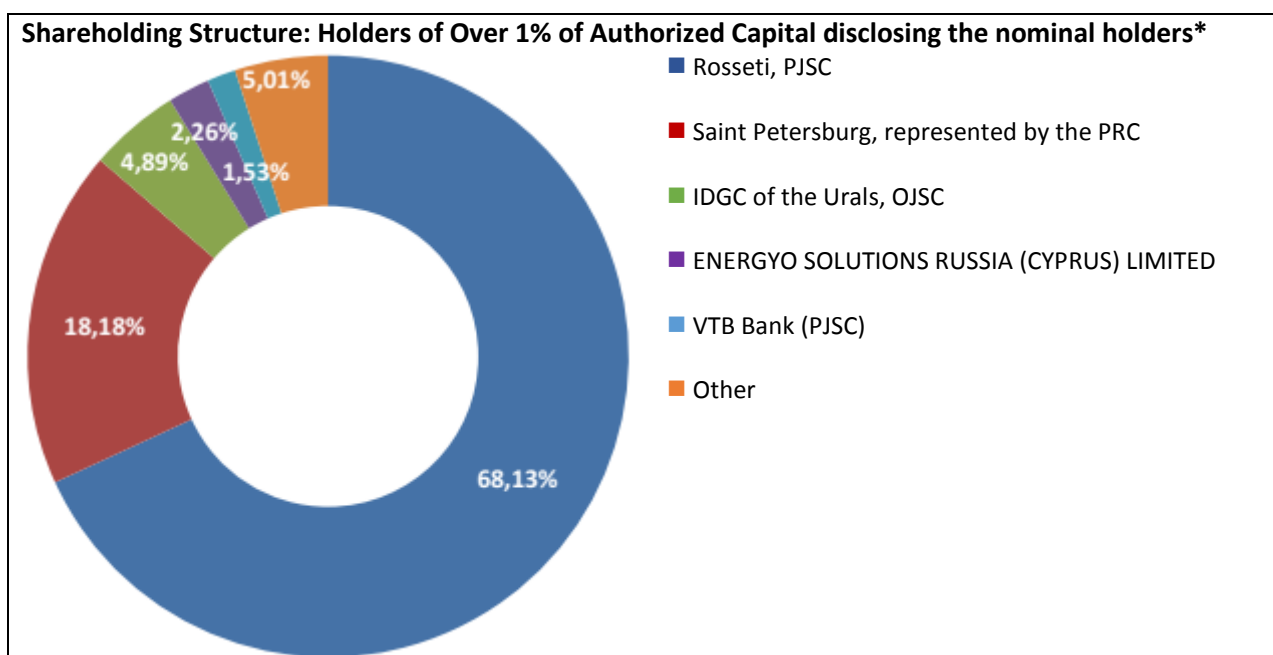
The authorized capital structure is provided as of the register closing deadline on October 19, 2015 (prior to the AGM of November 24, 2015), including the nominal holder disclosure

Shareholding Structure: Holders of Over 1% of Ordinary Shares disclosing the nominal holders

Shareholding Structure: Holders of Over 1% of Ordinary Shares disclosing the nominal holders*



Shareholding Structure: Holders of Over 1% of Authorized Capital disclosing the nominal holders



Information on the Listing and Market Capitalization

Ordinary and preference shares of Lenenergo, PJSC are listed at Level II.

Name	Code	List	Trading Began On
Ordinary shares	LSNG	Level II	July 16, 2003
Preference shares, Class A	LSNGP	Level II	July 16, 2003

Agency	Rating		Rating Date	Rating Action Date	Outlook
	International scale	National scale			
Moody's Investors Service	Ba2	Aa2.ru	November 18, 2009	March 25, 2015	negative

				December 7, 2015	stable
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On December 7, 2015, Moody's confirmed the Company's credit rating as unchanged, but changed the outlook from negative to stable following the similar actions with the rating of the Russian Federation.

Market capitalization as of December 31, 2015: RUB 4,900 mn.

Information on the Paid Dividend Amounts in 2013-2015

Income Type	for 2012 (2013 AGM)	for 2013 (2014 AGM)	for 2014 (2015 AGM)
Ordinary shares, RUB thousand	184,398.00	63,658.38	0
Preference shares, RUB thousand	112,675.26	40,459.87	0

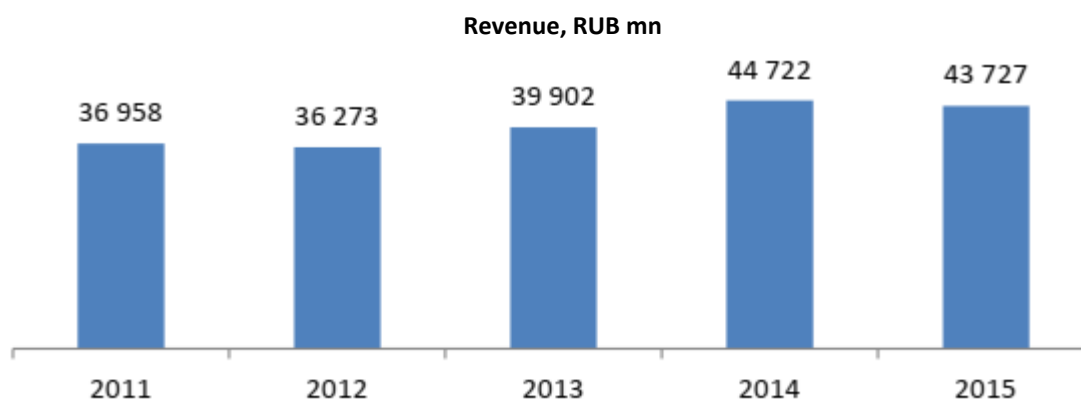
Key Performance Indicators for 5 Years

Parameter	Unit of Measurement	2011	2012	2013	2014	2015	2015 over 2011, % (unless otherwise specified)
Electric power transmission services	mn kWh	28,975	30,007	29,613	28,680	28,249	-2.5%
Power losses	%	10.60%	10.37%	10.11%	11.06%	12.23%	+1.63 p.p.
Connected capacity	MW	321	523	771	679	380	+18.5%
Revenue	RUB mn	36,958	36,273	39,902	44,722	43,727	+18.3%
EBITDA**	RUB mn	8,579	10,029	11,922	11,551	7,325	-14.6%
EBITDA margin	%	23.21%	27.65%	29.88%	25.83%	16.75%	-6.46 p.p.
Net profit	RUB mn	1,367	1,042	425	-7,968	-5,916	- RUB 7,283 mn
Net profit margin	%	3.70%	2.87%	1.06%	-17.82%	-13.53%	-17.23 p.p.

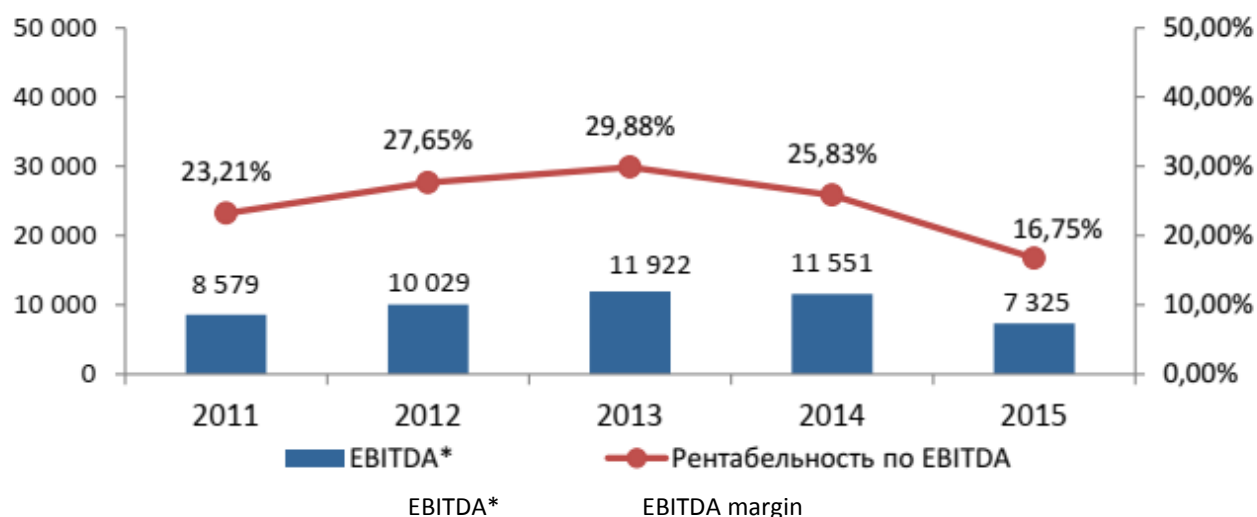
Notes:

* Revenue, EBITDA, EBITDA margin, Net Profit, Net Profit margin for 2011-2015 are presented according to the annual accounting report in view of the historic method of data provision

** Here and further in the text, EBITDA is provided net of the impairment reserves position for the debt-based financial investments (2014, 2015 actual)

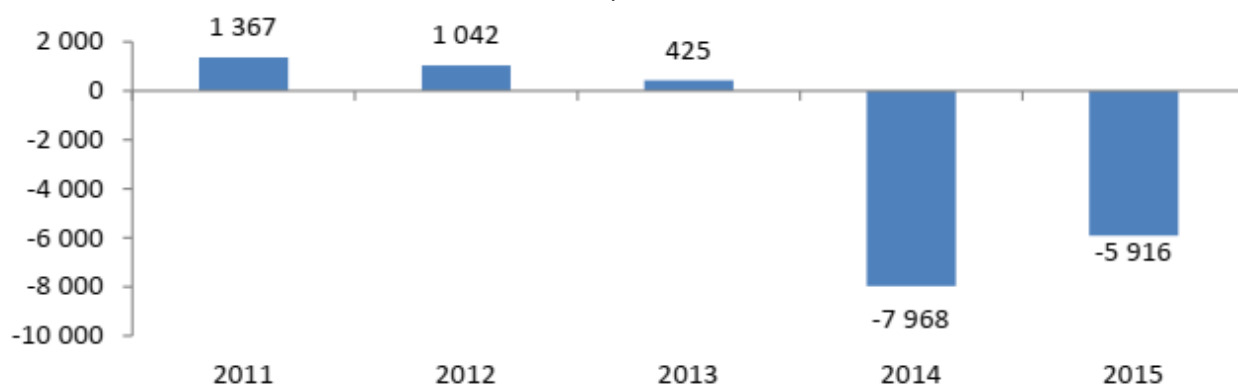


EBITDA, RUB mn, EBITDA margin



* EBITDA is provided net of the impairment reserves position for the debt-based financial investments (2014, 2015 actual)

Net Profit, RUB mn



* 2011-2015 figures in diagrams are presented according to the annual accounting report in view of the historic method of data provision

Key Operating and Financial Parameters

Parameter	Unit of Measurement	2011	2012	2013	2014	2015	2015 over 2011, % (unless otherwise specified)
Electric power transmission services	mn kWh	28,975	30,007	29,613	28,680	28,249	-2.5%
Power losses	%	10.60%	10.37%	10.11%	11.06%	12.23%	+1.63 p.p.
Connected capacity	MW	321	523	771	679	380	+18.5%
Revenue from sales, including:	RUB mn	36,958	36,273	39,902	44,722	43,727	+18.3%
from power transmission services	RUB mn	28,475	28,816	33,207	36,261	40,684	+42.9%
from grid connection	RUB mn	8,311	7,282	6,515	8,249	2,865	-65.5%
from other industrial operations	RUB mn	172	175	180	212	177	-2.8%
Net Cost	RUB mn	31,758	32,830	36,429	39,257	44,060	+38.7%
Gross profit	RUB mn	5,201	3,443	3,473	5,466	-334	- RUB 5,535 mn
Profit before tax	RUB mn	2,311	1,962	1,444	-8,793	-6,529	- RUB 8,840 mn

Parameter	Unit of Measurement	2011	2012	2013	2014	2015	2015 over 2011, % (unless otherwise specified)
Net profit	RUB mn	1,367	1,042	425	-7,968	-5,916	- RUB 7,283 mn
ROE**	%	2.54%	1.57%	0.56%	-10.78%	-6.40%	-8.94 p.p.
EBITDA***	RUB mn	8,579	10,029	11,922	11,551	7,325	-14.6%
EBITDA margin	%	23.21%	27.65%	29.88%	25.83%	16.75%	-6.46 p.p.
Equity to borrowed funds ratio	-	1.09	1.42	1.06	0.77	1.39	+0.30 p.
Net debt****	%	20,197	22,360	23,722	45,546	10,172	-49.6%
Net debt/EBITDA	-	2.35	2.23	1.99	3.94	1.39	-0.97 p.p.

Notes:

* The 2013-2015 indicators are provided subject to the 2015 annual accounting reports and financial statements of the Company under the RAS, in view of the historic method of data provision

** ROE (return on equity) is calculated subject to the guidelines of the Finances Department of Rosseti, PJSC for the 2015 annual report as follows: (Net profit / Average equity)*100% = [Item 2400 F.2 / ((Item 1300 F.1 report + Item 1300 F.1 previous) / 2)]*100%

*** EBITDA is provided net of the impairment reserves position for the debt-based financial investments (2014, 2015 actual)

**** Net Debt is a sum of long-term and short-term borrowings (Items 1410 and 1510), including the debt on interest, net of cash and short-term financial investments.

Assets Properties

Assets Over 2011-2015:

Parameter	Unit of Measurement	2011	2012	2013	2014	2015	2015 over 2011
Installed capacity (MVA)	MVA	21,427.4	21,952.2	23,059.0	23,950.6	24,321.0	13.50%
0.4-110 kV overhead lines (route, km)	km	36,586.8	36,858.7	37,213.8	38,396.0	38,945.4	6.40%
110 kV OL	km	4,611.4	4,611.4	4,611.5	4,675.9	4,674.5	1.40%
35 kV OL	km	3,018.7	3,026.8	3,026.8	3,026.7	3,050.7	1.10%
6-10 kV OL	km	17,194.5	17,356.8	17,487.3	17,842.9	17,976.4	4.50%
0.4 kV OL	km	11,762.2	11,863.7	12,088.3	12,850.5	13,243.9	12.60%
0.4-110 kV overhead lines (by circuits, km)	km	39,782.6	40,052.8	40,407.7	41,831.6	42,181.1	6.00%
110 kV OL	km	7,132.1	7,132.1	7,132.5	7,260.3	7,258.0	1.80%
35 kV OL	km	3,673.8	3,677.7	3,675.7	3,674.9	3,702.9	0.80%
6-10 kV OL	km	17,211.0	17,375.9	17,506.8	17,862.6	17,976.4	4.40%
0.4 kV OL	km	11,765.7	11,867.1	12,092.8	13,033.8	13,243.9	12.60%
0.4-110 kV cable lines (km)	km	19,554.2	20,400.2	21,156.0	21,566.7	22,160.5	13.30%
110 kV CL	km	161.8	167.7	217.0	217.1	242.0	49.60%
35 kV CL	km	369.2	375.6	352.5	352.5	354.5	-4.00%
6-10 kV CL	km	13,085.7	13,869.7	14,501.8	14,843.9	15,112.6	15.50%
0.4 kV CL	km	5,937.5	5,987.2	6,084.8	6,153.2	6,451.4	8.70%
35-110 kV substations (number of facilities)	un.	373	377	379	379	386	3.50%
35-110 kV substations (MVA)	MVA	13,741.6	13,968.9	14,569.8	14,691.6	14,894.0	8.40%
35 kV substations (number/MVA)	number of substations / MVA	167/2173.6	170/2253.6	169 / 2301.7	169 / 2302.0	174 / 2404.0	4.2% / 10.6%
110 kV substations	number of	206/11568.0	207/11715.3	210 /	210 /	212 /	2.9% / 8.0%

(number/MVA)	substations / MVA			12268.1	12390.0	12490.0	
6-35 kV transformer substations	number of substations / MVA	14,770 / 7685.8	15,025 / 7983.3	15,531 / 8489.2	16,233 / 9259.0	16,564 / 9427.0	12.1% / 22.7%

1.2 Structure and Geography of Operations

The following branches form the Group of Lenenergo, PJSC as of December 31, 2015:

Branch	OL_circuits	OL_route	CL	MVA	Numbers
Vyborgskiy Power Grid	8278.7	7488.8	161.8	1706	575
Gatchinskiy Power Grid	7518.1	6877.9	226.5	1874	550
Cable Grid	58.7	58.7	19404.4	7086	1410
Kingiseppskiy Power Grid	7840.8	7459.2	46.6	1194	487
St. Petersburg High Voltage Power Grid	2221.4	1415.8	572.1	10203	867
Novoladozhskiy Power Grid	6863.9	6475.4	119.97	953	550
Prigorodny Power Grid	4455.3	4453.3	1389.2	684	440
Tikhvinskiy Power Grid	4944.4	4714.4	40.0	620	341
Construction Projects Directorate	0	0	0	0	88
Energouchet*	0	0	0	0	0

*not active

The following entities were part of the Group of Lenenergo, PJSC as of December 31, 2015:

1. Kurortenergo, Closed Joint Stock Company

Share of Lenenergo, PJSC: 98.13% (99.75% of the JSC)

Core activities:

- electric power transmission and distribution
- grid connection of new consumers
- street lighting

2. Lenenergospetsremont, Closed Joint Stock Company

Share of Lenenergo, PJSC: 100%

Core activities:

- construction, assembly, design and survey for clients in the Kurortny District of Saint Petersburg

3. Energoservice Company Lenenergo, Open Joint Stock Company

Share of Lenenergo, PJSC: 100%

Core activities:

- consumer service (personal visits and remote): call center, customer service center
- consumer's electric unit inspection
- commercial projects implementation
- identification and elimination of non-contractual power consumption.

4. Tsarskoe Selo Energy Company, Closed Joint Stock Company

Share of Lenenergo, PJSC: 96.95% (98.93% of the JSC)

Core activities:

- electric power transmission and distribution
- network connection of new consumers
- street lighting.

5. Saint Petersburg Power Grids, Joint Stock Company

Share of Lenenergo, PJSC: 100%

Core activities:

- electric power transmission and distribution
- network connection of new consumers

6. Petrodvorets Power Grid, Open Joint Stock Company

Share of Lenenergo, PJSC: 60.1% (80.1% of the JSC)

Core activities:

- electric power transmission and distribution
- network connection of new consumers
- street lighting.

Lenenergo, PJSC serves Saint Petersburg and the Leningrad Region:

Saint Petersburg area: 1.4 thousand sq.km.

Leningrad Region area: 85.9 thousand sq.km.

Population: 6.97 mn residents

Percent of the Russian Federation population: 4.8%

1.3 Report Period Milestones

Period	Events
JANUARY 2015	<p>Lenenergo, OJSC provided almost 1 MW of capacity for the construction of Smolny Prospekt residential compound in the Tsentralny District of Saint Petersburg.</p> <p>The compound has 428 apartments and is to be commissioned in 2017. CHPP-2 was the power center.</p>
FEBRUARY 2015	<p>The Board of Directors of Lenenergo, OJSC unanimously appointed Vasily Nikonov the CEO of Lenenergo, OJSC on February 13, 2015.</p> <p>Lenenergo, OJSC and Saint Petersburg Power Supply Company, OJSC signed an agreement on reducing the grid connection process by two stages. It will reduce the average connection timeline to 51 days.</p> <p>Now the applicants can submit a single set of documents to both companies in "one-stop shop" mode. The representatives of the power supply company will not conduct a secondary inspection of metering units. As a result, the client will simultaneously obtain a power supply agreement and a grid connection certificate. The industry experts are certain this will shorten the grid connection process to 123 days.</p>
MARCH 2015	<p>Lenenergo, OJSC organized drills for preparation to flooding in the Gatchina District of the Leningrad Region.</p> <p>Lenenergo experts trained the interaction when carrying out emergency response works at the substations using special machinery and technologies.</p> <p>Lenenergo, OJSC continues upgrading 35/10 kV substations Obrino (No.9), Mikhalevo (No.10), and Okulovo (No.14) in Boksitogorsk District of the Leningrad Region intended to serve industrial facilities in Pikalevo.</p> <p>Lenenergo experts have already built foundations for common substations' command units at Obrino, Mikhalevo, Okulovo substations. New common substations' command units will be equipped with own needs AC boards and package battery units. Two transformers of the overall capacity of 8 MVA at Obrino substation No. 9 will be replaced with transformers of 6.3 MVA each; 35 kV oil circuit breakers at Obrino, Mikhalevo, Obrino will be replaced with vacuum ones.</p> <p>On March 25, 2015 a Russian National Startup Tour and Startup Village 2015 were opened, organized by Skolkovo foundation. Lenenergo, OJSC is the regional partner to the projects.</p> <p>Lenenergo got Made in Russia award for the creation of the training center.</p> <p>On March 16, Wednesday, winners of Made in Russia contest, and among those - Lenenergo, PJSC, - were awarded in the State Duma of the Russian Federation. The Company received a diploma for Best Project for creating and</p>

	<p>developing the training center in Tervolovo with the wording of "for the high quality of professional activity".</p> <p>Pavel Arutyunov, the Head of the Training Center of Lenenergo, received the diploma from Tamara Pletneva, the Chairperson of the Supervisory Board of Made in Russia contest, the State Duma member.</p>
APRIL 2015	<p>Lenenergo, OJSC prepares the external power supply circuits of the largest museums and theaters for the St. Petersburg International Economic Forum.</p> <p>Lenenergo experts started checking the power supply systems of the State Hermitage Museum, the State Russian Museum, the Mariinsky Theatre, the Peter and Paul Fortress, and palaces in Pushkin, Pavlovsk, and Peterhof. As an additional safety measure for the external power supply circuits, the engineers conduct unplanned inspections and test 44 power lines and the equipment of 12 power centers and 23 transformer substations.</p> <p>Lenenergo, OJSC project won Made in Russia contest. The Company suggested a 35 kV distribution grid development concept involving construction of 330 kV load-center substations.</p> <p>Lenenergo was awarded for working on the metropolitan grids development involving construction of 330 kV load-center substations and use of 35 kV distribution grids. The concept stipulates a gradual decommissioning of old 6-10 kV cable lines and replacing those with 35 kV CL.</p> <p>Lenenergo, OJSC created an online grid connection handbook. The interactive service is integrated into the grid connection portal on the official corporate website.</p> <p>Lenenergo's experts accumulated all the relevant updated information on grid connection in an interactive mode. In particular, the applicants have access to an easy algorithm of grid connection; and a database of regulatory documents is available.</p>
MAY 2015	<p>The technical disturbances elimination operations of 2014 were summarized. The overall number of disturbances in 2014 decreased by 42%. The average time required to eliminate the disturbances in the Lenenergo grids decreased by over 1.5 hour in 2014, amounting to 3 hours 23 minutes.</p> <p>Lenenergo, OJSC held a Youth Innovation Center conference within the Russian International Energy Forum. Recent graduates employed by the Company, students and post-graduates presented their power industry projects.</p> <p>A method of estimating the remaining lifetime of transformer oil was among the innovations presented by Lenenergo. It allows reducing the costs of repair and operation of the equipment.</p>
JUNE 2015	<p>On June 20, 2015, Igor Albin, the Vice-Governor of Saint Petersburg, Oleg Budargin, the CEO of Rosseti, PJSC, and Aleksey Teksler, the First Deputy Minister of Energy, officially started the Federal Testing Center project within the St. Petersburg International Economic Forum. The 3D model was presented in Beloostrov - the site where the Center is to be constructed.</p> <p>The power system of Saint Petersburg successfully carried the load of the 19th St. Petersburg International Economic Forum held from June 18 to June 20, 2015.</p> <p>Lenenergo experts conducted dozens of inspections of the substation equipment and testing of power cable lines, and installed 20 portable backup power sources on Vasilyevsky Island.</p> <p>On Monday, June 29, 2015, the Board of Directors of Lenenergo, OJSC decided to appoint Andrey Sizov the CEO of the Company from June 30, 2015, and to approve his concurrent service as the CEO of Saint Petersburg Power Grids, OJSC, and Petrodvorets Power Grid, OJSC.</p>
JULY 2015	<p>Lenenergo, OJSC dedicated 7.1 MVA for the large port of Bronka in Lomonosov. The facility will become one of the key freight districts of Big port</p>

	<p>Saint Petersburg and will resolve the issue of power capacity deficit in the North-West. Damba 110 kV substation No.223 will serve as a power source.</p> <p>The experts finished the power supply organization work for the construction site in the port of Bronka, and are preparing the 6/10 kV transformer substation equipped with two transformers of the overall capacity of 20 MVA for commissioning.</p> <p>Lenenergo, OJSC provided 2.4 MVA for the generator unit of the municipal solid waste landfill active decontamination facility, Novy Svet-ECO. It is located in the Gatchina District of the Leningrad Region. The landfill will generate power using the renewable source of landfill gas.</p> <p>The experts installed the automatic circuit recloser at the 35 kV high-voltage line. The power transformer neutral of LKF 110 kV substation No.354 was grounded, and the power system protection units were upgraded.</p> <p>On July 20, 2015, the revised Articles of Association of the Company was approved. In accordance with it, the full business name of the Company shall be stated as Lenenergo, Public Joint Stock Company of the Power Industry and Electrification.</p> <p>On July 29, 2015, the management of Lenenergo, PJSC presented the plan of merger of divisions and synchronization of investment activity of the grid companies to Oleg Budargin, the head of Rosseti, at the meeting dedicated to the consolidation of the power grid assets.</p> <p>Synchronization of the investments and procurements, introduction of single standards of work for all divisions of the future structure, and formation of the single technical policy were among the power grid asset consolidation proposals.</p>
AUGUST 2015	<p>Lenenergo, PJSC proceeded to implement the project of field installation of two 110 kV cable lines for Vasileostrovskaya 330 kV substation and Krestovskaya 357 substation in order to increase the reliability of the external power supply circuit of the Zenit-Arena stadium that is to hold one of the 2018 FIFA World Cup semi-finals and the third place play-off.</p> <p>At stage 1, the experts will install the cable from Vasileostrovskaya substation to the embankment of the Little Neva. Work in Zheleznovodskaya street has commenced.</p> <p>Lenenergo, PJSC installed the first charging station for the corporate vehicles. The project was implemented jointly with the Saint Petersburg engineering enterprise and will provide for the increase of the share of the environmentally safe vehicles in the Company's fleet.</p> <p>The charging station of 22 kW and 32 A provides for a full control of the charging and for the power metering. It was assembled in the indoor parking area for the executives of the company.</p> <p>In H1 2015 Lenenergo, PJSC increased the number of fulfilled grid connection contracts 2.2-fold yoy - up to 8567. Of that amount, the Saint Petersburg parameter grew almost 7-fold (from 720 to 4935 contracts); while the Leningrad Region parameter grew by 15.7% (to 3632).</p> <p>The capacity under fulfilled contracts grew by 20% and reached 150 MW. The growth for Saint Petersburg was 68%. Capacity of 78 MW was connected in the city.</p>
SEPTEMBER 2015	<p>On Monday, September 7, 2015, Aleksandr Drozdenko, the Vice-Governor of the 47th region, Oleg Budargin, the CEO of Rosseti, and Andrey Sizov, the CEO of Lenenergo, PJSC, signed a trilateral cooperation agreement in the Tosno City Administration.</p> <p>The document stipulates the organization of efficient and mutually beneficial cooperation between the parties aimed at ensuring the reliable power</p>

	<p>supply to the consumers, grid connection of new consumers, increase of the efficiency of, and development of the distribution power grid in the Leningrad Region in 2015 and up to 2020.</p> <p>Lenenergo, PJSC commemorates the 73th anniversary of lifting of the Leningrad Siege. On Wednesday, September 23, 2015, the Company veterans visited the Broken Circle Memorial. Three hundred meters from that location the "cable of life" installation began in 1942 along the bottom of the Lake Ladoga.</p> <p>On Monday, September 28, 2015, Lenenergo, PJSC organized the most wide-scale drill for the resource providers and transportation infrastructure enterprises in the history of Saint Petersburg. Heads of administrations of all districts of the city and experts from St. Petersburg Metropolitan, SUE, Northern Capital Air Gates, LLC, Vodokanal of St. Petersburg, SUE, Teploset, OJSC, and TEK SPB, SUE participated.</p> <p>Lenenergo, PJSC team took first prize in the professional competition for the employees of grid entities of Saint Petersburg and the Leningrad Region that was held on September 28 and 29 in the Training Center in Tervolovo.</p> <p>On September 29, 2015, the Russian National Grid Connection Forum (Accessible Grids: Projects, Experience, Current Issues) was held. Rosseti, PJSC organized the event together with its subsidiary, Lenenergo. Over 200 persons participated in the Forum, including the representatives of the industry-specific ministries and agencies: Rosseti, PJSC and its subsidiary, Lenenergo, PJSC, the Ministry of Energy, the Ministry of Economic Development, the Federal Antimonopoly Service, the Federal Tariff Service, the Agency for Strategic Initiatives, the administrations of the Russian constituent entities, the Saint Petersburg Energy and Building Services Committee, and business communities.</p>
OCTOBER 2015	<p>From April to October 2015, Lenenergo, PJSC employees conducted over 300 lessons on electric power safety in schools, children's homes, and kindergartens of Saint Petersburg and the Leningrad Region. Safe taking of selfies in front of power facilities was one of the principal topics of the lessons.</p> <p>In particular, in September 2015, the experts of Lenenergo, PJSC held 104 such lessons. The goal of the campaign is to draw the attention of students, teachers, and parents to the necessity of observing the electric power safety rules in the vicinity of power facilities.</p> <p>On October 9, the award ceremony was held for the employees of Lenenergo who took active part in organizing the reliable power supply of the sports facilities in Sochi during the 22nd Winter Olympics.</p> <p>Four Lenenergo employees were awarded commemorative 2014 Sochi Winter Olympics and 2014 Sochi Winter Paralympics medals under the Order of the Ministry of Sports.</p> <p>Lenenergo, PJSC participated in the international power industry forum RUGRIDS-ELECTRO. Russian Grids. New Opportunities, that began on October 20, 2015 in Moscow.</p> <p>The power grid company presented the project of the Saint Petersburg facility - the power system protection signal transfer unit (PSP STU).</p> <p>On October 21, Lenenergo, PJSC conducted joint drill to check Kronstadt's readiness for the fall-winter season together with the Saint Petersburg Energy and Building Services Committee.</p> <p>The industry experts trained actions for the emergency response works at Mayak 35 kV substation, the damaged 6 kV cable line of Oboronenergo, OJSC, and the main boiler of Kronstadt (Tsitadelskaya).</p> <p>Lenenergo, PJSC obtained the readiness passport for the fall-winter season of 2015-2016. The grid company's certificate of readiness for the peak load</p>

	<p>season was signed by a special committee chaired by Andrey Chernov, the Deputy Minister of Energy, with no comments.</p> <p>All Lenenergo branches completed their preparations for the fall-winter season by September 23, 2015. The Company plans to spend RUB 1.1 bn for the repair program implementation (which is a key element of the fall-winter season preparation) in 2015.</p> <p>The 2014 Annual Report of Lenenergo, PJSC took second prize at the 18th Annual Contest of Annual Reports held by the Moscow Exchange in the category of The Best Annual Report of a Company with Capitalization of Under RUB 30 bn. The results of the contest were announced in Moscow in October 2015.</p>
NOVEMBER 2015	<p>Lenenergo, PJSC ensured the additional reliability of the power supply of the Lenexpo exhibition center that is to hold the sixth session of the conference of the parties to the UNCAC from November 2 to November 6. The teams of Cable Grid, the Lenenergo branch, are on duty at the Lenexpo facilities.</p> <p>On November 19, 2015, Andrey Sizov, the CEO of Lenenergo, PJSC spoke on the results of simplification of the grid connection procedure at the 4th International Energy Efficiency and Energy Development Forum of ENES 2015 in Moscow.</p> <p>The participants of the discussion, including the representatives of the Ministry of Energy of Russia, the power grid entities, and non-profit partnerships, remarked Lenenergo's efforts in improving Russia's performance in Doing Business rating.</p>
DECEMBER 2015	<p>On December 7, a Customer Service Center of Lenenergo, PJSC and St. Petersburg Power Grid, JSC commenced its operations in the Single Center for Documents at 10, ulitsa Krasnogo Tekstilshchika.</p> <p>The Center is expected to serve over 600 clients a day.</p> <p>Aleksandr Kurilkin, the Lenenergo veteran, made a traditional artillery cannon shot at the Peter and Paul Fortress on December 18.</p> <p>The shot marked the beginning of celebrations of the Power Engineers' Day attended by the experts and veterans of the power industry and all resource providers of Saint Petersburg.</p> <p>On December 23, the Board of Directors of Lenenergo, PJSC resolved on terminating the powers of Andrey Sizov as the CEO of the Company by way of an in absentia meeting. Roman Berdnikov, the First Deputy CEO of Rosseti, PJSC, was appointed Acting CEO.</p>
JANUARY 2016	<p>On January 11, the Company reached one of the highest "winter peak" over the past three years in Saint Petersburg and the Leningrad Region. The power consumption reached 7585 MW at the average daily temperature of -16.3°C, according to the daily data of the system operator. The energy system withstood the 2016 peak successfully, without any serious failures that affected the grid reliability.</p> <p>On January 15, Georgy Poltavchenko, the Governor of Saint Petersburg, inspected the engineering and power sector entities' machinery and equipment at the showing at the Peter and Paul Fortress. Lenenergo, PJSC presented its two special vehicles.</p> <p>The showing took place after the meeting of the committee for emergency prevention and liquidation and fire safety, attended by Georgy Poltavchenko.</p> <p>Aleksandr Novak, the Minister of Energy of Russia, visited the NCC of Lenenergo on Thursday, January 28, 2016, and held a production meeting with the management of Rosseti, PJSC and its subsidiary, Lenenergo, PJSC.</p> <p>The Minister inspected the operations of the Lenenergo NCC, the key division of the grid company that ensures the energy system of Saint Petersburg and the Leningrad Region operate consistently during the peak load season.</p>
FEBRUARY 2016	<p>Lenenergo, PJSC designs a project for creation of a smart distribution grid</p>

	<p>in the Tsentralny and Kurortny Districts of Saint Petersburg. The concept of the power sector program was discussed at the Training Center in Tervolovo. The largest manufacturers of the power grid equipment (Siemens, Schneider Electric, Tavrida Electric Group, CJSC) are to be invited to participate in the innovative project.</p> <p>Lenenergo, PJSC (a member of the Rosseti Group) and Saint Petersburg Power Supply Company, JSC signed an agreement on simultaneous making of grid connection contracts and power supply contact with all annexes.</p> <p>Roman Berdnikov, the Acting CEO of Lenenergo, PJSC, mentioned this when meeting Stanislav Voskresensky, the Deputy Minister of Energy Development of Russia.</p> <p>The meeting held by Lenenergo, PJSC was attended by the representatives of the Ministry of Energy of Russia, the Agency for Strategic Initiatives, the Government of Saint Petersburg, and Saint Petersburg Power Supply Company, JSC.</p> <p>Lenenergo, PJSC obtained the license to carrying out activity in the field of vocational and additional education.</p> <p>Now Lenenergo will be able to give its employees standard form documents on vocational education or further vocational education.</p>
MARCH 2016	<p>At work meeting on March 4, Roman Berdnikov, the Acting CEO of Lenenergo, PJSC, and Aleksandr Abrosimov, the Business Rights Commissioner for Saint Petersburg, agreed on regular holding of the Business Owners' Day in Saint Petersburg.</p> <p>The events will include opportunities for the business community representatives to obtain issue-specific consultations, discuss any issued of grid connection, and learn about the specifics of the applicable laws in the field of grid connection and the steps taken to simplify the infrastructure access.</p>

SECTION 2. STRATEGY

- 2.1. Macroeconomic Environment and the Company's Position in the Sector
- 2.2. Mission and Strategy
- 2.3. Business Model and Competitive Environment
- 2.4. Investment Activity
- 2.5. Internal Control System

2.1 Macroeconomic Environment and the Company's Position in the Sector

Main Global Economic Trends and Macroeconomic Situation in Russia

The macroeconomic environment in Russia worsened in 2015 with respect to certain parameters: according to the preliminary estimates, the GDP decreased in 2015 by 3.7% yoy - the volume index was 96.3% compared to 2014.

The overall macroeconomic situation in Russia in 2015 reflected the global economic trends with respect to certain parameters. The oil prices that tended to decrease and the various political factors had a substantial adverse impact on the macroeconomic environment.

The other important macroeconomic parameters had negative trends as well: the actual gross payroll and the actual disposable cash income decreased, the foreign trade turnover parameter worsened, the investment activity dropped. In 2015, the scope of capital investments decreased by 8.4% yoy, whereas in 2014 that decrease was 1.5%.

The industrial production scope (index) that determines the power demand was 96.6% yoy, which signifies its decrease. The low demand remained the main issue of the industrial enterprises in 2015.

The retail turnover decreased (by 10.0%) along with the decrease of consumer demand.

Thus, in 2015, the Russian economy displayed a decrease for the first time in a few years, after the economic growth rate slowed down.

Against the background of high prices of the imported investment goods, the drop in the financial performances of companies, retained restricted accessibility of the long-term financial resources, and tightening of loan terms, the capital investments continued to decrease.

It led to the drop in the actual payroll and slowing down of retail lending growth, which, in its turn, resulted in the decrease of the consumer activity.

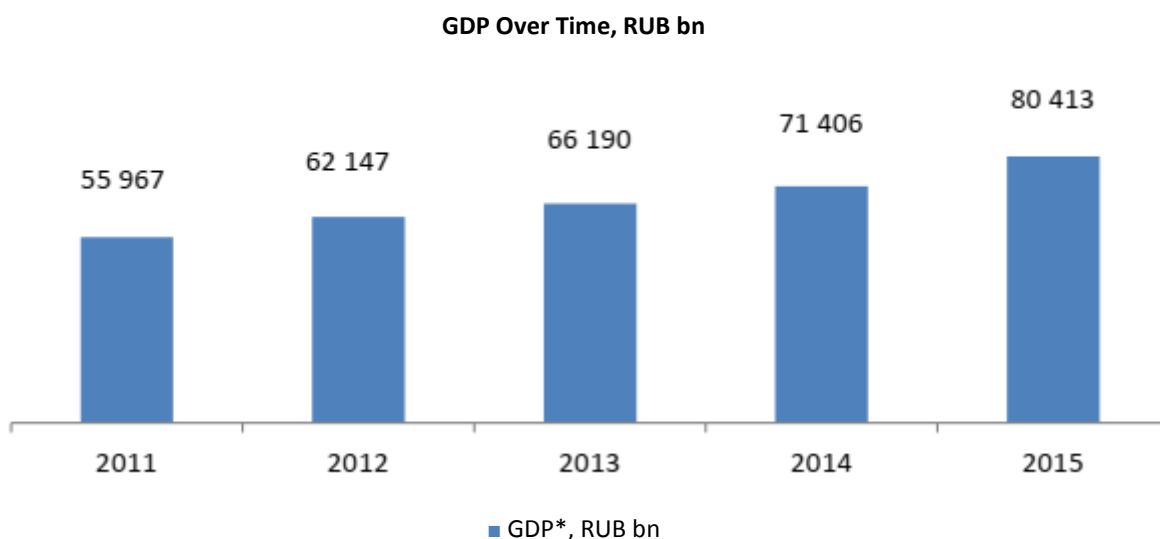
Macroeconomic Parameters in Russia Over 2014-2015, %*

Parameters	2015 in % over 2014
Actual gross payroll	90.5%
Actual disposable cash income	96.0%
Industrial producer price index	112.4%
Consumer price index	115.5%
Imports	63.0%
Exports	68.4%
Retail turnover	90.0%
Agricultural goods	103.0%
Capital investment	91.6%
Industrial production output (index)	96.6%
GDP**	96.3%

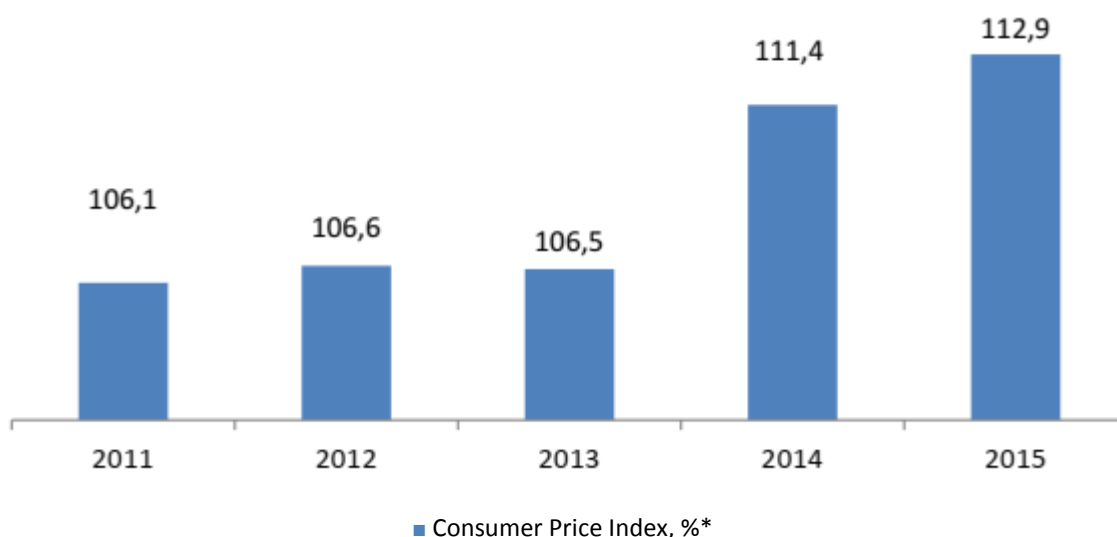
*Note: the main Russian economic and social parameters presented in the Table are provided according to the official website of the Federal State Statistics Service at <http://www.gks.ru>, and the Social and Economic Indicators of Russia official report published there.

** The volume index in percent over the respective period of the previous year.

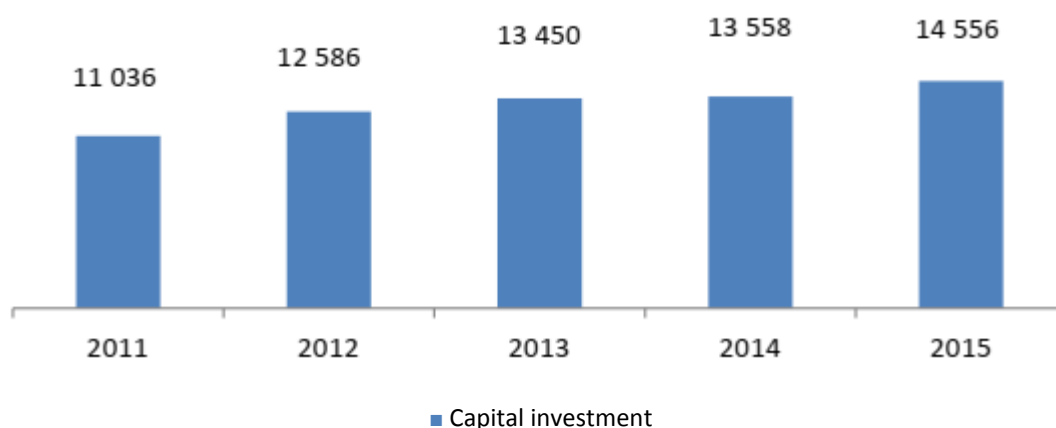
The diagrams below contain the behavior of the key parameters (GDP, capital investment, consumer price index) over 5 years.



CPI Over Time



Capital Investment, RUB bn



* The GDP is shown in present (market) prices, RUB bn, for 2015, according to the first assessment of the Federal State Statistics Service. The 2011-2014 data are presented in accordance with the statistics of the Federal State Statistics Service contained in National Accounts of Russia in 2007-2014.

** The CPI is presented December 2015 over December 2014 according to the analytical tables from the website of the Federal State Statistics Service.

Position of the Company in the Industry

The Russian Power Industry Structure

The existing power sector in Russia includes approximately 700 power stations of over 5 MW unit capacity that all form the Unified Energy System.

GENERATION <i>Production of electric power and heat</i>		TRANSMISSION AND DISTRIBUTION <i>High-voltage and low-voltage electric power grids</i>	SALES <i>Sale of electric power to consumers</i>
Nuclear power plants	Hydropower plants	Rosseti, OJSC	End consumers: <i>Industrial</i>

Rosenergoatom, OJSC ¹ <i>Electric power (capacity) generation at nuclear power plants</i>	RusHydro, OJSC ¹ <i>Electric power (capacity) generation at hydropower plants</i>	FGC UES, OJSC <i>Backbone high voltage networks (of over 220 W)</i> <i>Electric power transmission through the grids of the Federal Grid</i>	Interregional Distribution Grid Companies (IDGCs) Distribution grid companies (DGCs) <i>Electric power transmission through the regional distribution grids</i> Lenenergo, OJSC is included in the list of IDGCs	<i>consumers and residents</i>
Thermal power plants				
TGC ¹ <i>territorial generating companies</i>	WGC ¹ <i>thermal generating companies in the wholesale market</i>			
Retail generation				
RAO Energy Systems of the East, OJSC All companies of the energy system of the Far East			Partner grid companies	
¹ Backbone power generating entities				

The national unified energy system of Russia consists of 69 regional grids that form 7 integrated power grids (East, Siberia, Urals, Central Volga, South, Center, and North-West). The Russian grids that form the unified energy system of the country are interconnected by high voltage power lines of over 220-500 kV and function synchronously.

Principal Infrastructure Entities of the Industry

System Operator of the Unified Power System, OJSC is the dedicated entity that singlehandedly carries out the centralized supervisory control over the unified energy system of Russia. www.so-ups.ru

The Market Council for Organizing an Efficient Electric Power and Capacity Wholesale and Retail System non-profit partnership (Market Council, NP) is a non-profit entity that unifies the power industry entities and the large electric power consumers by offering them membership. www.np-sr.ru

Inter RAO Group is a diversified energy holding that manages the generating and supply assets in Russia, the European states, and the CIS. It is the sole Russian operator in the electric power exports and imports. www.interrao.ru

Russian Grids, Public Joint Stock Company (Rosseti, PJSC) is the operator of power grids in Russia and one of the largest power grid companies in the world. It manages 2.2 mn km of power lines, and 473 thousand substations with the transformer capacity of 743 GW. The asset portfolio of Rosseti, PJSC includes 43 subsidiaries and dependent companies, including 14 interregional and 1 transmission grid entity. The state, represented by the Federal Agency for State Property Management of Russia, is the controlling shareholder. Rosseti, PJSC is the principal shareholder of Lenenergo, PJSC. www.rosseti.ru

Key Indicators of the Russian Power Sector

As of December 31, 2015, the overall installed capacity of the Russian power plants was 243.2 GW, which was 1.2% higher than the result of 2014. The installed capacity of the electric power stations exceeded the peak load 1.61 times.

The installed capacity growth at the power plants of the Russian Unified Energy System due to introduction of the new and upgrading of the existing generating equipment reached 4.7 GW. Introduction of new capacities in 2015 at the Russian UES power plants (including the power plants of the industrial enterprises) was 4.4 GW. 2.4 GW of outdated and ineffective generating equipment was decommissioned.

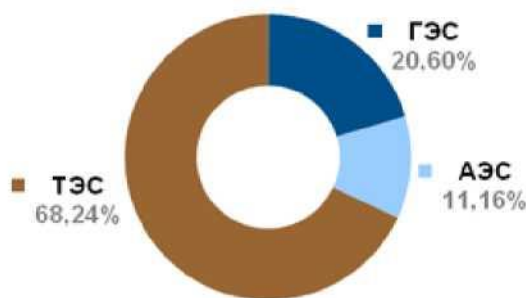
Broken down by the generation types, the installed capacity of the active electric power stations in 2015 had the following structure: thermal power plants - 66.09%, hydropower plants - 17.07%, nuclear power plants - 16.84%.

The Russian power plants generate over 1 trillion kWh of power every year. In 2015, the power production was 1,049.9 bn kWh, which is 0.2% more than in 2014.

According to the Ministry of Energy of Russia, the state's share in the global production of electric power in 2015 decreased from 4.7% to 4.4%, which remains to be the fifth position in the world after Japan, the US, China, and

India.

Installed Capacity Structure of the Russian UES Power Plants as of the End of 2015, %¹

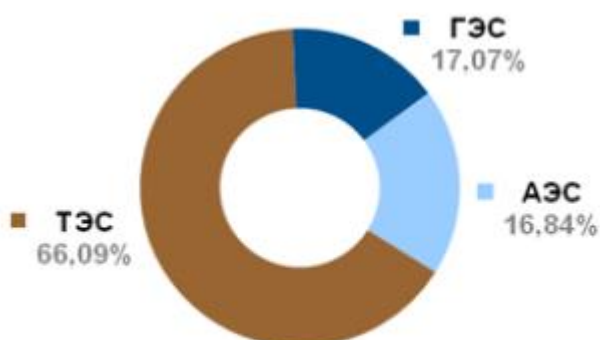


Структура установленной мощности электростанций ЕЭС России, % (на 01.01.2016 года)

The installed capacity structure of the Russian UES power plants, % (as of January 1, 2016)

ГЭС	Hydropower plants
ТЭС	Thermal power plants
АЭС	Nuclear power plants

Power Production Structure, Broken Down by the Russian UES Power Plant Types, as of the End of 2015, %²

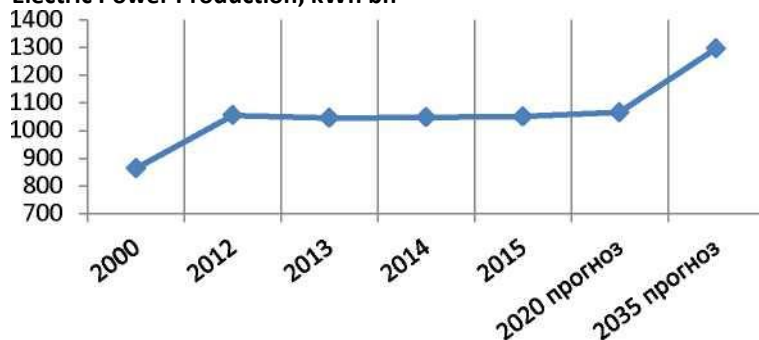


Структура выработки электроэнергии в ЕЭС России, % (на 01.01.2016 года)

Power production structure of the Russian UES, % (as of January 1, 2016)

ГЭС	Hydropower plants
ТЭС	Thermal power plants
АЭС	Nuclear power plants

Electric Power Production, kWh bn



¹ According to SO UPS, OJSC <http://so-ups.ru/index.php?id=ees>

² According to SO UPS, OJSC

прогноз	forecast
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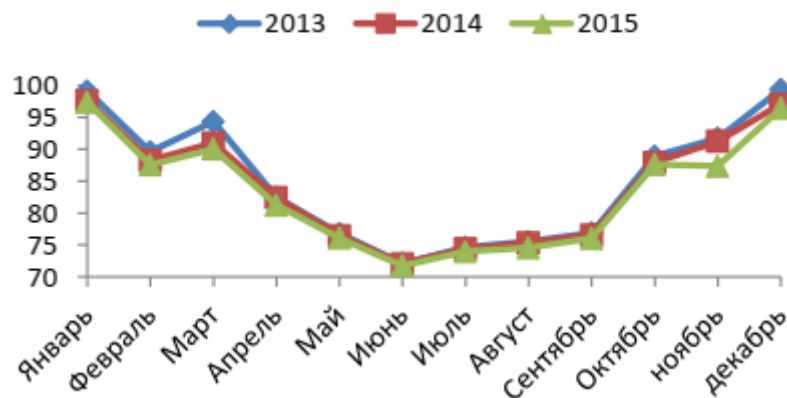
*According to BP, OPEC, EIA, the Ministry of Energy of Russia, Central Supervision Office of the Fuel and Energy Sector

Electric Power Consumption in 2010-2015, kWh bn, and Peak Consumption for the Russian UES, MW thousand³



потребление электроэнергии	power consumption
максимум потребления мощности	capacity peak consumption

Russian UES Electric Power Consumption Over 2013-2015, broken down by months, kWh bn⁴



Январь	January
Февраль	February
Март	March
Апрель	April
Май	May
Июнь	June
Июль	July
Август	August
Сентябрь	September
Октябрь	October
Ноябрь	November
Декабрь	December

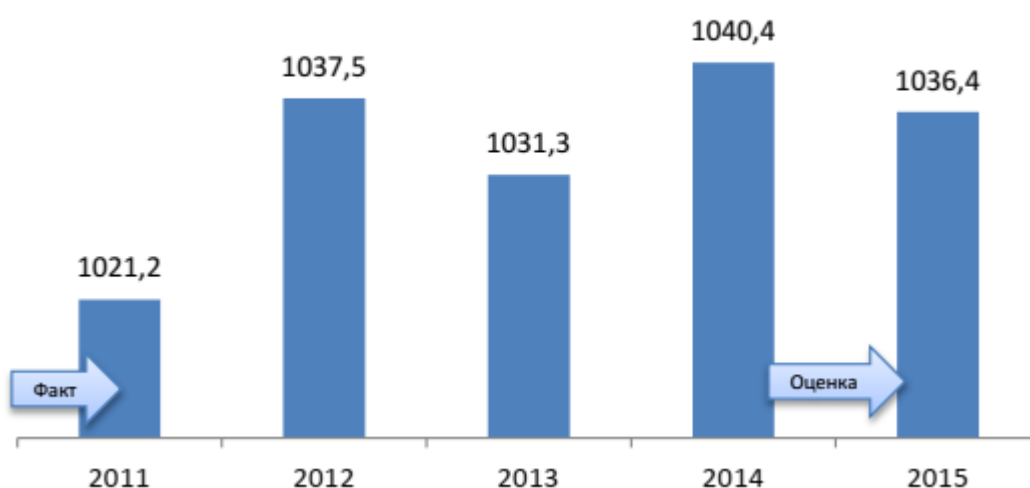
³ According to SO UPS, OJSC

⁴ The Ministry of Energy's presentation: The Russian Fuel and Energy Sector Performance in 2015

Generation and Grid Sector Development Investments Over Time, RUB bn⁵



Generation and Grid Sector Development Investments Over Time, kWh bn⁶



Факт	Actual
Оценка	Estimate

According to the Ministry of Energy of Russia, the overall investment scope for the power grid and generating companies into the generation and grid sector development in 2015 decreased by 3.6% and was 778.8 RUB bn.

A Unified Energy System of Saint Petersburg and the Leningrad Region

The energy systems of Saint Petersburg and the Leningrad Region form a unified energy system of the North-West and a basis for the Leningrad Regional Dispatch Supervisory Control.

The energy system of the North-West consists of 8 energy systems in 10 constituent entities of Russia (of the North-West Federal District): Saint Petersburg, Murmansk Region, Kaliningrad Region, Leningrad Region, Novgorod Region, Pskov Region, Arkhangelsk Region, Karelia, Komi, and the Nenetsk Autonomous District.

The aggregate installed capacity of the power plants of the Saint Petersburg and Leningrad Region power sector is 12595.014 MW as of February 1, 2016.

The Saint Petersburg and Leningrad Region power sector includes 566 power lines of 110-750 kV with the overall length of 11720.54 km, 363 transformer substations and 28 distribution units of power plants of 110-750 kV with the aggregate installed transformer capacity of 47515 MVA.

According to the reports, the electric power production by the power plants of the Leningrad Regional

⁵ The Ministry of Energy's presentation: The Russian Fuel and Energy Sector Performance in 2015, data for 2015 are preliminary

Supervision Office in 2015 was 55413.6 kWh mn, and the power consumption was 43522.1 kWh mn.

Company Geographical Reach

Lenenergo, Public Joint Stock Company of the Power Industry and Electrification is one of the largest distribution grid companies in Russia. It serves a rather large market of Saint Petersburg and the Leningrad Region.

The principal social and economic development indicators for the Company's served area for 2015 are presented in the table below:

Parameter Name	Saint Petersburg	Leningrad Region
Consumer price index		
Change in December 2015 over December 2014, %	113.2	113.3
Reference: Change in December 2014 over December 2013, %	113.3	111.5
Industrial Production Index		
Change in December 2015 over December 2014, %	92.7	99.1
Reference: Change in December 2014 over December 2013, %	91.8	100.1
Actual cash income over time		
Change in January-December 2015 over January-December 2014	92.6	101.0
Reference: Change in January-December 2014 over January-December 2013	103.7	96.8
Consolidated budget performance in 2015, RUB bn, including	7.7	11.7
income (growth over the same period of 2014, %)	447.4 (103.2%)	132.5 (108.3%)
expense (growth over the same period of 2014, %)	439.7 (98.1%)	120.8 (110.9%)
public debt of the constituent entity as of December 31, 2015, RUB bn (yoy growth, %)	14.7 (100.8%)	9.6 (87.8%)
foreign trade turnover (goods), USD mn USA, including:	33,127 (66.1%)	12,843 (65.0%)
exports (yoy growth, %)	13,837 (68.1%)	9,798 (63.2%)
imports (yoy growth, %)	19,290 (64.7%)	3,045 (71.9%)
Capital investment for 2015, RUB bn (yoy growth, %)	521.9 (89.0%)	199.7 (104.6%)
Residential buildings commissioning, total area, thousand sq.m. (yoy growth, %)	3,030.7 (92.9%)	2,323.0 (144.9%)

*The Tables contain information according to the territorial body of the Federal State Statistics Service for Saint Petersburg and the Leningrad Region (Petrostat), the Finances Committee of Saint Petersburg, the Official Portal of the Leningrad Region Administrations (<http://lenobl.ru/finance>) and Saint Petersburg Administration (<http://www.gov.spb.ru>), the Ministry of Regional Development (<http://www.minregion.ru>), the Ministry of Economic Development of Russia (<http://www.economy.gov.ru>), including the data of operative statistics as of the date of the annual report preparation.

The method for fixing the majority of parameters is presented on the official portal of Petrostat at <http://petrostat.gks.ru>

Information on the percentage change in the table provided in parentheses is calculated as follows: Report period parameter / Base period parameter * 100

Since the Company's prospects directly depend on the overall economic environment in the country and the specific economic environment in the regions where the Company is present, taking consideration of the regional economic situation is an integral part of the Company's strategic development.

The worsening of certain parameters and figures due to the economic crisis in the Company's area of operations negatively affect the Company's functioning and the overall performance.

2.2 Mission and Strategy

We are dedicated to the reliable and uninterrupted supply of high-quality and "green" electricity to our consumers, and meeting the increasing demand for power and electric capacity.

The development areas of the region are defined by the Russian Power Sector Development Strategy approved by Russian Government Instruction No. 511-r dd. April 3, 2013.

According to the Strategy, the principal objective (mission) of the power sector is to provide a long-term reliable, efficient, and accessible supply of power to the consumers in Russia. The sector is strategically aimed at organizing the most efficient grid infrastructure that complies with international standards. At the same time, the power transmission tariff rates should ensure the power expenses are acceptable for the Russian economy, and the sector is attractive for investors due to a satisfactory return on capital.

The key objectives of the state policy in the electric power sector include creation of economic methods

of promoting the power grid entities' efficiency, provision for stabilization of tariffs, and attracting new capital to the integrated power grid in the amount sufficient for modernization and reconstruction of the power grids to ensure the power supply reliability.

The following are the strategic objectives of the power sector in Russia:

- provision of the reliable power supply to consumers
- ensuring the high quality of service rendered to consumers
- development of infrastructure to support the economic growth of Russia
- competitive tariffs for electric power to develop the industry
- development of research and innovative potential of the grid sector, including to promote development of adjacent industries
- return on investment favorable for investors.

In order to fulfill its strategic goals, the Company uses HR, finance, corporate, investment, and production policy tools.

The strategic priorities of Lenenergo, PJSC are in line with the development strategy of the Russian power sector:

- providing a reliable, efficient, and accessible supply of power the consumers
- establishing and developing a grid infrastructure that meets the needs of the specific region
- keeping a high level of administrative, operating, and investment efficiency
- advancing the research and innovations potential of the Company, contributing to the innovative development of the power sector
- increasing the investment attractiveness of the Company, strengthening its reputation, improving interaction and cooperation with stakeholders.

Lenenergo, PJSC strives to satisfy all the engaged parties (stakeholders), including the partner grid companies, personnel, consumers, government agencies, and the investment community.

The following are the priorities of Lenenergo, PJSC aimed at meeting the needs of the key stakeholders:

- **Consumers.** Creating a system for accurate electric power supply quality and reliability measurement subject to the international standards; increasing the responsibility to reach the set quality and reliability standards. Providing for a high load of the introduced capacities due to a more efficient demand planning, adjustment of the power centers closure criteria, introduction of a stage-by-stage construction.
- **Investment Community.** Maintaining the tariff regulation system based on the return on investment (RAB regulation); enhancing the transparency of the tariff and investment programs formation.
- **Personnel.** Career growth (including training and knowledge exchange). Raising commitment to reaching the KPI. Efficient assessment and promotion of the best employees.
- **Partner grid companies.** Ensuring the power sector of the region develops uniformly. Implementing a uniform technical policy of stage-by-stage construction.
- **Government Bodies.** Meeting the economic needs of Saint Petersburg and the Leningrad Region for the new grid connections.

Lenenergo, PJSC Development Prospects:

- growth in wealth of shareholders through the mechanisms for the return of investments by increasing the efficiency and profitability of the business processes of Lenenergo, PJSC
- increase of the share of the power transmission market of Saint Petersburg and the Leningrad Region through consolidation of grid assets and conducting an efficient competition for consumers
- improvement of the investment attractiveness of the Company and transparency of its operations, and building on its financial, social, intellectual, and other capitals.

The Board of Directors' Report on the Development Results in Priority Areas of Operations:

Subject to the Articles of Association of Lenenergo, PJSC, identification of the priority areas of operation falls within the competence of the Company's Board of Directors. The Company's General Meeting of Shareholders is presented with the information on the results of the Company's development within the said priority areas annually in the form of an annual report.

In 2015, the Board of Directors determined the following areas to be the priority ones:

- 1) centralization and automation of the treasury function (Minutes No. 28 dd. March 17, 2015).

The creation of single treasuries for the companies with state participation and their subsidiaries is conducted under the Russian President's Instructions (No. Pr-1032 dd. May 7, 2014), the Russian Government Instruction (No. ISh-P13-3464 dd. May 13, 2014), and the Russian Government Directive (No. 5110p-P13 dd. August 8, 2014). For this purpose, Rosseti, PJSC and Lenenergo, PJSC established designated work groups to arrange the procedures and create the Single Treasury.

In order to fulfill the set objective, the Company carries out stage-by-stage implementation of pilot projects of information infrastructures that provide for the Single Treasury functions' expansion.

The Board of Directors approved the documents that govern the interaction between the Single Treasury of Rosseti, PJSC and Lenenergo, PJSC: the Regulations for the Company's Payments and the Regulations for Internal Funding (Minutes No. 40 dd. June 20, 2015).

2) measures to improve the financial and economic position of the Company, including the restructuring of the obligations of Tavrishesky Bank, the Saint Petersburg joint stock commercial bank, to the Company (Minutes No. 29 dd. March 30, 2015, No. 32 dd. April 21, 2015).

In 2015, within work to improve the internal control and risk management system, and develop of the internal audit functions (Minutes No. 6 dd. September 9, 2014), the Board of Directors reviewed the report on the efficiency of the internal control system of the Company in 2014 (Minutes No. 31 dd. April 14, 2015).

2.3 Business Model and Competitive Environment

Lenenergo, PJSC transmits electric power to the participants of the wholesale and retail electric energy markets in the Leningrad Region and Saint Petersburg. Power transmission services are rendered to the default providers, independent utility companies and direct consumers who are participants of the wholesale power market.

Lenenergo, PJSC electric power transmission share of the overall electric power consumption by the own consumers of the utility companies operating in Saint Petersburg and the Leningrad Region, in view of the consumers directly connected to the electric plants of the generating companies, is as follows for the latest three years:

- 2013: 65.72%
- 2014: 71.14%
- 2015: 68.5%.

The change in the market share of Lenenergo, PJSC will be due to:

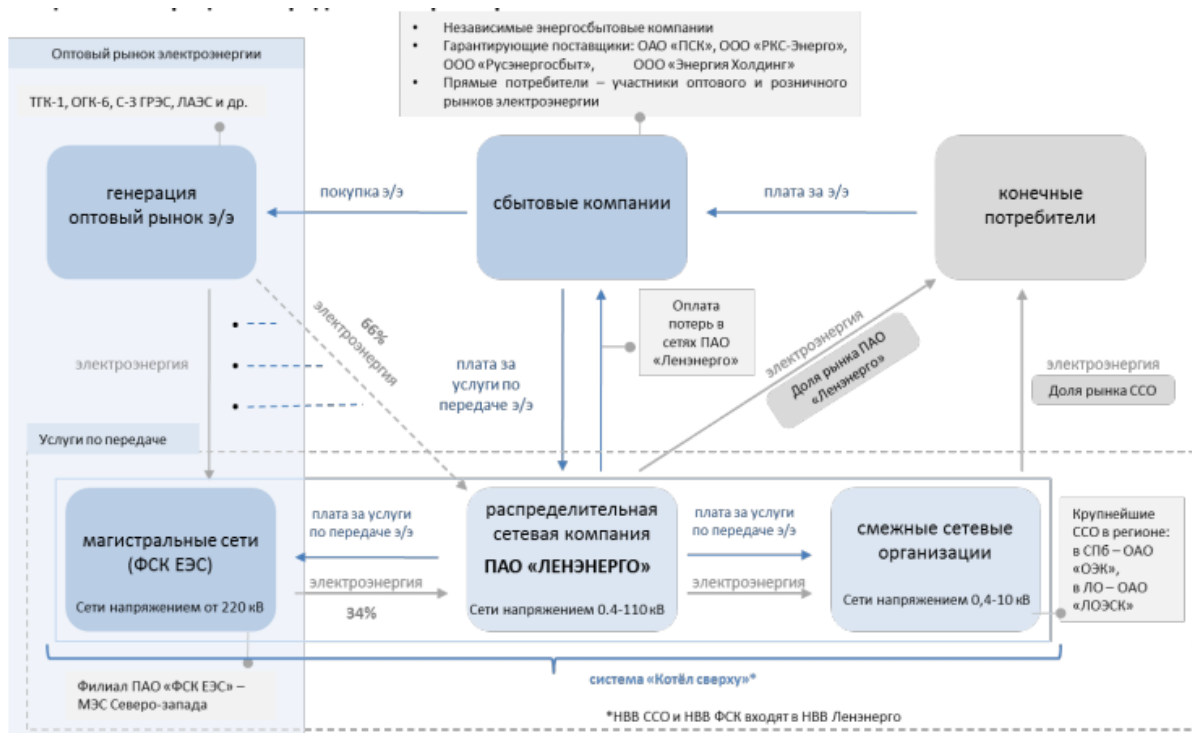
1. the increase of the supply to the end consumers by LOESK, OJSC, mainly in the category of "residents", due to the significant increase of the residential construction in the Leningrad Region where LOESK, OJSC operates
2. the increase of the scope of services of SPb ES, JSC (SDC of Lenenergo, PJSC) in connecting new consumers to new substations
3. maintenance of the net supply of RZD, OJSC against the background of the overall reduction in the net supply.

The operating areas of the territorial grid entities and Lenenergo, PJSC did not change substantially, which should result in the growth of the Company's market share in view of the stabilization of the economic situation in the country and, therefore, the increase of the rates of power consumption by large industrial consumers.

In view of the net supply to the end consumers by the Company's SDCs (Kurortenergo, CJSC, TSEK, CJSC, SPb ES, JSC), the market share of the Lenenergo, PJSC Group is as follows:

- 2013: 71.19%
- 2014: 73.20%
- 2015: 75.85%.

General Power Transmission Process



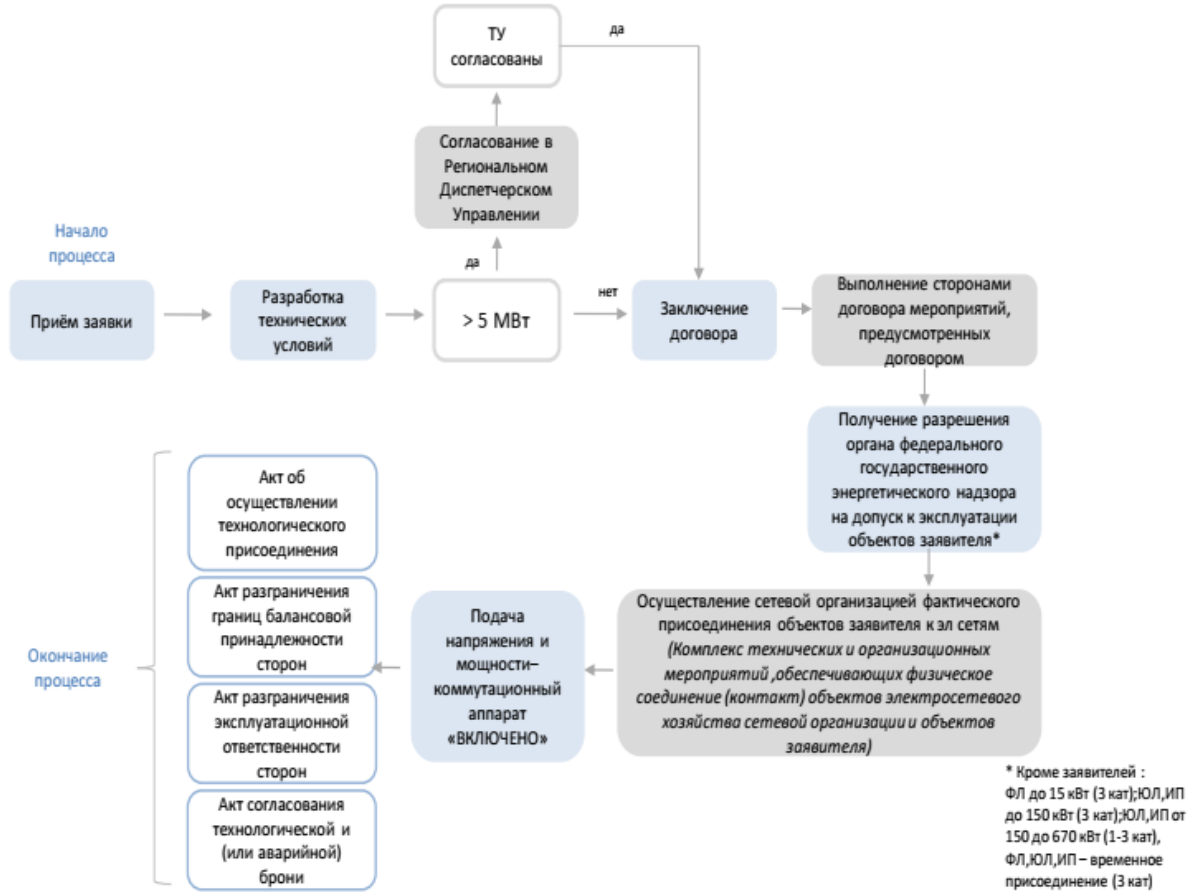
Оптовый рынок электроэнергии	Wholesale electric power market
ТГК-1, ОГК-6, С-3 ГРЭС, ЛАЭС и др.	TGC-1, OGC-6, North-West GRES, LAES, etc.
Независимые энергосбытовые компании	Independent power supply entities
Гарантирующие поставщики: ОАО «ПСК», ООО «РКС-Энерго», ООО «Русэнергосбыт», ООО «Энергия Холдинг»	Default providers: PSK, OJSC, RKS-energo, LLC, Rusenergosbyt, LLC, Energy Holding, LLC
Прямые потребители - участники оптового и розничного рынков электроэнергии	Direct consumers: participants of the wholesale and retail electric power markets
генерация оптовый рынок э/э	generation, wholesale electric power market
покупка э/э	purchase of electric power
сбытовые компании	utility companies
плата за э/э	payment for electric power
Конечные потребители	End Consumers
Электроэнергия	electric power
Плата за услуги по передаче э/э	payment for electric power transmission
Оплата потерь в сетях ПАО «Ленэнерго»	Payment for power losses in Lenenergo, PJSC grids
Доля рынка ПАО «Ленэнерго»	Lenenergo, PJSC market share
Доля рынка ССО	Partner grid companies' market share
Услуги по передаче	Transmission services
Магистральные сети (ФСК ЕЭС)	Transmission systems (FGC UES)
Сети напряжением от 220 кВ	Grid of over 220 kV
Распределительная сетевая компания ПАО «Ленэнерго»	LENENERGO, PJSC distribution grid company
Сети напряжением 0,4-110 кВ	Grids of 0.4-110 kV
Смежные сетевые организации	Partner Grid Companies
Сети напряжением 0,4-10 кВ	Grids of 0.4-10 kV
Крупнейшие ССО в регионе: в СПб – ОАО «ОЭК», в ЛО – ОАО «ЛОЭСК»	Largest partner grid companies in the area: Saint Petersburg - UNECO, OJSC; the Leningrad Region - LOESK, OJSC
Система «котел сверху»*	"Top-down" model*
Филиал ПАО «ФСК ЕЭС» - МЭС Северо-Запада	North-West MES - a branch of FGC UES, PJSC
*НВВ ССО и НВВ ФСК входят в НВВ Ленэнерго	* the required gross proceeds of the partner grid companies and FGC are included in the RGP of Lenenergo

The graphic representation of the "grid connection" business process model reflects the process from

the applicant's filing of the application to the actual grid connection. The grid connection graphic representation of the Company includes the description of the process and cash flows.

The graphic representation of the "grid connection" business process model reflects the process from the applicant's filing of the application to the actual grid connection.

General Grid Connection Process



		Technical specifications approved	yes		
		Approval at the Regional Supervision Office			
Start		yes			
Receipt of an application	Design of technical specifications	>5 MW	no	Making of the contract	Fulfillment of steps under the contract by the parties
					Obtaining of the federal state power supervision body's clearance for operations for the applicant's facilities*
End	Certificate of Grid Connection	Power and capacity supply - switching unit ON		Actual connection of the applicant's facilities to the power grid by the grid entity (a set of technical and organizational	
	Balance boundary setting				
	Operational responsibility				

	boundary setting		<i>measures ensuring the physical connection between the power facilities of the grid entity and the applicant's facilities)</i>	
	Approval of process and/or emergency reserved quota			*Except for the following applicants: individuals of up to 15 kW (Category 3); entities and sole proprietors of up to 150 kW (Category 3); entities and sole proprietors of 150 to 670 kW (Categories 1-3); individuals, entities and sole proprietors requesting temporary connection (Category 3).

Competition

The following companies connect consumers to the grid in Saint Petersburg and the Leningrad Region alongside the Lenenergo, PJSC Group:

- North-West MES - a branch of FGC UES, OJSC
- Leningrad Region Power Grid Management Company, OJSC (LOESK, OJSC)
- several partner grid companies, the responsibility areas of which are set out in the decrees issued by the governments of the relevant Russian constituent entities.

2.4 Investment Activity

Investment Program Implementation in 2015

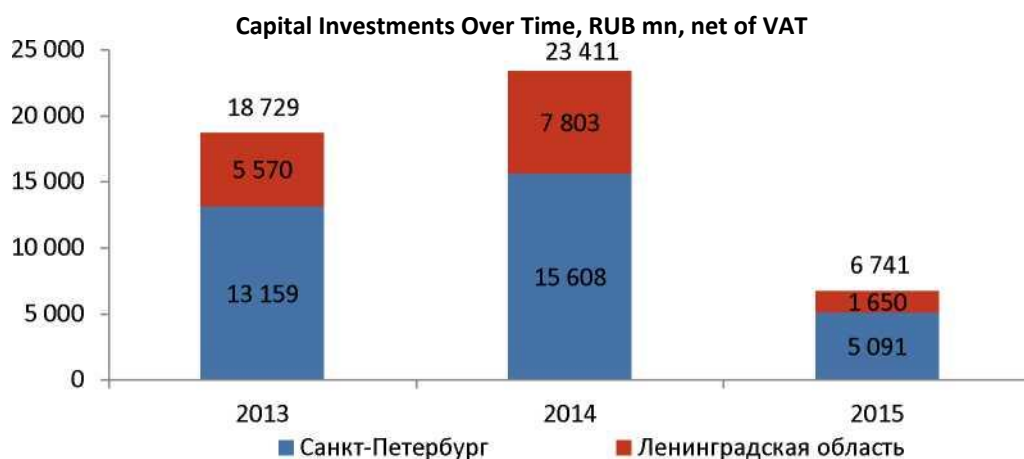
The Lenenergo, PJSC investment program for 2015 includes the objectives of the Uniform Technical Policy for Power Distribution Sector and the provisions of the applicable laws.

The investment activity is the key component of the Company's successful operations. Timely and sufficient investments improve the power sector reliability and efficiency, decrease the grid losses, and allow to reduce the operating costs and to introduce additional capacities to connect new consumers, as well as to bridge the power deficit.

The 2015 investment program is approved by the Ministry of Energy of Russia (Order No. 999 dd. December 21, 2015) subject to Government Decree No. 977 dd. December 1, 2009; and the investment funding scope is set to RUB 16,488 bn.

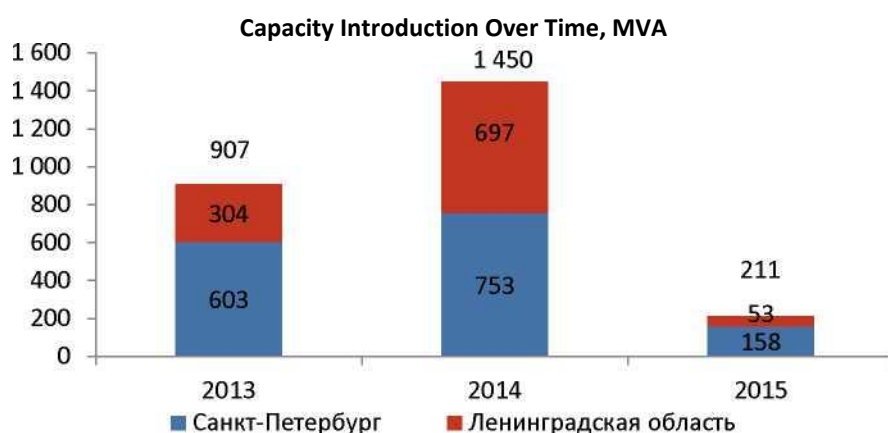
Principal Investment Program Performance Indicators

	Capital Investments	Fixed Assets Introduction	Funding	Capacity Introduction		Capacity Growth	
	RUB mn, net of VAT	RUB mn	RUB mn, VAT incl.	MVA	km	MVA	km
2015							
Saint Petersburg	5,091	2,619	8,776	158	218	150	176
Leningrad Region	1,650	1,066	4,369	53	234	42	143
Lenenergo, PJSC, total	6,741	3,685	13,145	211	452	192	319
2014							
Saint Petersburg	15,608	16,042	16,858	753	836	660	636
Leningrad Region	7,803	8,272	8,320	697	1,654	314	797
Lenenergo, PJSC, total	23,411	24,314	25,178	1,450	2,490	975	1,433
2013							
Saint Petersburg	13,159	14,355	13,940	603	764	529	620
Leningrad Region	5,570	4,299	5,405	304	1,082	181	539
Lenenergo, PJSC, total	18,729	18,654	19,345	907	1,846	709	1,159

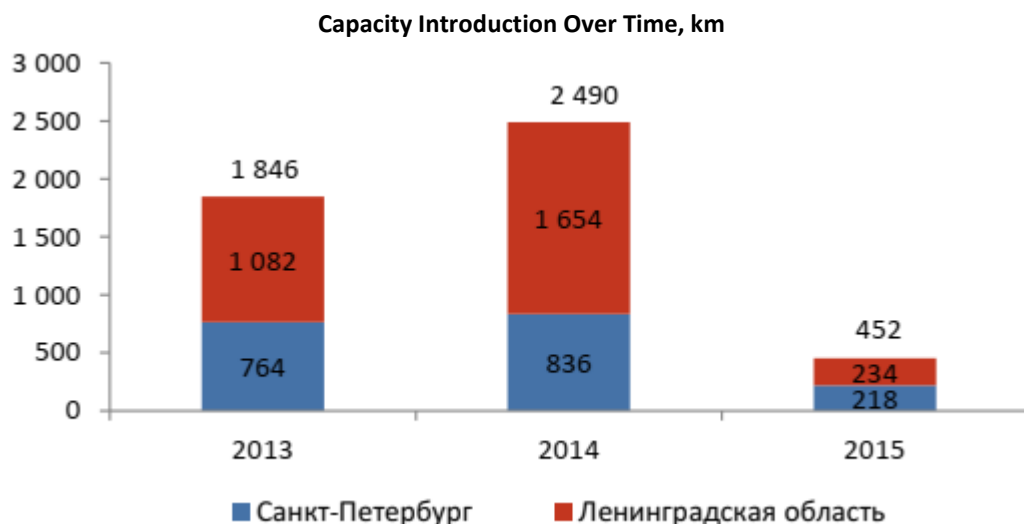


Saint Petersburg	Leningrad Region
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Compared to 2014, the growth of capital investments decreased by 71%, which is RUB 16,670 mn.



Saint Petersburg	Leningrad Region
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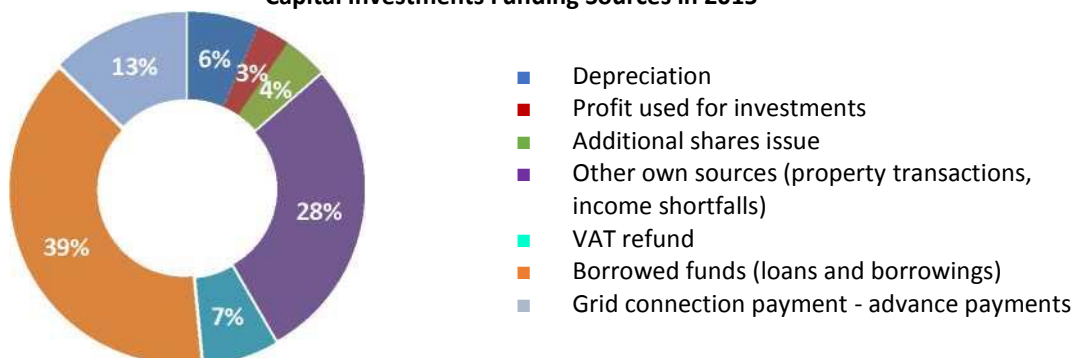
Saint Petersburg	Leningrad Region
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Investment Program Funding Sources, RUB mn, VAT incl.

	2013	2014	2015
Investment sources (funding), total	19,345	25,178	13,145
Own funding sources	7,525	6,115	6,345
Depreciation	1903	100	868
Profit used for investments			395

Additional shares issue	1770	672	471
Other own sources (property transactions, income shortfalls)	1,318	1,412	3,711
VAT refund	2,533	3,930	900
Attracted funding sources	11,820	19,063	6,799
Borrowed funds (loans and borrowings)	7,032	13,391	5,115
Grid connection payment - advance payments	4,788	5,672	1,684

Capital Investments Funding Sources in 2015



The following are the main funding sources for capital investments of Lenenergo, PJSC in 2015: borrowings, grid connection payment and property transactions, recovery of the bank file of overdue payments of Tavrichesky Bank, depreciation, and VAT refund.

Investment Program Funding Structure Broken Down by Key Areas, RUB mn, VAT incl.

Name	2013	2014	2015
Crucial projects	734	3,252	2,432
Retrofitting, upgrading, reconstruction	187	2,164	777
New construction	547	1,088	1,655
Important programs	2,162	1,947	492
Retrofitting, upgrading, reconstruction			
New construction	2,162	1,947	492
Programs	1,912	2,667	1,342
Retrofitting, upgrading, reconstruction	1,266	2,575	1,313
New construction	645	92	28
Grid connection, including	11,556	12,103	5,960
- grid connection facilities of over 670 kW	5,554	6,250	3,167.5
- grid connection facilities of 150 to 670 kW	3,992	2,459	746.5
- grid connection facilities of 15 to 150 kW	479	1,097	695
- grid connection facilities of under 15 kW	1,531	2,298	1,351
- generation			
Distribution grids	1,284	1,430	673
Automation of process management (except for AS EPA)	740	881	166
Electric power metering and control units	134	285	175
Safety programs	250	387	510
Purchase of power grid assets, land plots, and other items	2	2	2
Other programs and measures	570	2,223	1,393
Reference:			
Retrofitting, upgrading, reconstruction	6,358	12,478	5,591
New construction	12,935	12,650	7,475
Other	51	50	78

Funding of the various areas of the investment program in 2015 was as follows:

- Reconstruction, retrofitting, upgrading is 21% of the overall investment program scope
- New construction is 13% of the overall investment program scope
- Important programs are 4% of the overall investment program scope
- Grid connection is 45% of the overall investment program scope
- Other areas are 17% of the overall investment program scope.

Important programs

6-110 kV cable grid retrofitting program in Saint Petersburg funded through the federal budget

The primary steps to retrofit the 6-110 kV cable lines that are funded by budget funds in order to improve the reliability of the cable grid of Saint Petersburg and to ensure uninterrupted power supply to the city districts.

Program	Implementation Timeline		Full Construction Cost	Construction Cost, RUB mn, VAT incl.						
				2010	2011	2012	2013	2014	2015	2010-2015
				actual	actual	actual	actual	actual	actual	actual
6-110 kV CL retrofitting	2010	2016	7,605	68	1,195	1,052	2,161	1,947	159	6,582

Implementation of the project of preparation to the 2018 FIFA World Cup - Krestovskaya - Vasileostrovskaya 110 kV CL

Subject to Russian Government Decree No. 518 dd. June 20, 2013

On Preparation for the 2018 FIFA World Cup in the Russian Federation, the Company's investment program includes the construction of the Krestovskaya - Vasileostrovskaya 110 kV CL of the overall length of 6.4 km for the purpose of supplying power to the infrastructure facilities used during the 2018 FIFA World Cup in Saint Petersburg.

Name	Implementation Timeline		Full Construction Cost	Construction Cost, RUB mn, VAT incl.		
				2014	2015	2010-2015
				actual	actual	actual
Krestovskaya - Vasileostrovskaya 110 kV CL	2014	2016	902.1	0.1	332.7	332.8

Investment Program Performance Results in 2015

The Company's target performance indicators reflect the results of the investment program implementation in 2015:

- reduction of the specific cost of construction as compared to 2012:
 - 0.4 OL (LV) by 16.08%
 - 3-10 kV CL (MV2) by 4.9%.
- reduction of the specific accident rate in 2015 over 2014 by 10%: from 7.78 to 7.0
- growth of the power grid losses by 1.17% by the beginning of 2016 (relative values of 12.23% vs 11.06%) due to the change of the supply to the grid calculation method for Lenenergo, PJSC - FGC UES, OJSC; at the same time, the losses reduced by 0.37% under comparable conditions
- increase of the share of the equipment with longer useful life in 2015 yoy by 5.5% (2015: 61.9%; 2014: 56.4%)
- increase of the physical deterioration of fixed assets in 2015 over 2014: 67% overall for the Company (2014: 61%)
- capacity load in 2015 was 29% (4,172 MVA of the installed capacity of 14,308 MVA); the increase in the number of open power centers (1 - Alekseevka 35 kV substation)
- the number of fulfilled grid connection contracts in 2015 was 18,817 (including 9,739 with subsidized clients)
- the scope of fulfilled grid connection contracts in 2015 was 0.4 GW (including 0.12 GW for subsidized clients).

Long-Term Investment Program

The Ministry of Energy of Russia approved the long-term investment program of Lenenergo, PJSC for 2016-2020 on December 28, 2015. (Order No. 1042).

According to the approved investment program for 2016-2020, the capital investments are planned in the amount of RUB 132.9 bn, net of VAT. The funding scope is RUB 154.2 bn, VAT incl.

The Company's Investment Program principal objectives:

- ensuring retrofitting of the grid assets of the Company
- fulfilling the network connection obligations, including to the subsidized consumers in Saint Petersburg and the Leningrad Region
- introducing innovative projects and energy efficiency programs
- creating a technological infrastructure to maintain the competitiveness of the power and capacity market.

The investment program is designed in view of the following:

- anti-crisis plan aimed at improvement of efficiency of operations and the financial and economic position of Lenenergo, PJSC, approved by V.M. Kravchenko, the Minister of Energy of Russia, on April 29, 2015
- resolutions of the meeting with V.V. Putin, the President of Russia, on the issue of regulation of operations and financial rehabilitation of Lenenergo, PJSC
- consolidation of assets of Lenenergo, PJSC, Petrodvorets Power Grid, OJSC, and St. Petersburg Power Grid, JSC, including the investment programs of the Company
- redistribution of duplicate investment projects between the investment programs of St. Petersburg Power Grid, JSC and Lenenergo, PJSC, in view of the funding sources restrictions of the investment program of St. Petersburg Power Grid, JSC due to lack of approval for transitioning to the funding sources to the method of regulatory asset base control.

The investment program of Lenenergo, PJSC for 2016-2020 plans the measures funded by attracting sources obtained through the issue of additional shares of Lenenergo, PJSC, including:

- to fulfill the accumulated grid connection obligations in 2016 in the amount of RUB 670.5 mn, VAT incl. (RUB 14,975.0 mn, net of VAT):
 - Construction of the power layout for grid connection of new or additional capacity of applicants in the amount of RUB 17,352 mn, VAT incl. (Saint Petersburg: RUB 8,043 mn; the Leningrad Region: RUB 9,310 mn).
 - Reconstruction of Lensovetovskaya 110 kV substation No. 210 in the amount of RUB 318 mn, VAT incl., in Saint Petersburg.
- Construction of Krestovskaya - Vasileostrovskaya 110 kV CL as part of creating infrastructure for the 2018 FIFA World Cup, subject to Russian Government Decree No. 1076 dd. October 8, 2015, in the amount of RUB 231.6 mn, VAT incl.

Long-Term Investment Program Key Parameters Over Time

	2016	2017	2018	2019	2020
Saint Petersburg					
Capital investments, RUB mn, net of VAT	15,991	21,243	16,334	17,300	14,248
Funding, RUB mn, VAT incl.	15,323	21,330	21,446	20,743	17,864
Fixed assets introduction, RUB mn	17,226	21,911	16,537	18,482	16,005
Commissioning of transformer capacity, MVA	704	1,539	1,503	1,456	920
Commissioning of power lines, km	931	1,099	827	830	1,002
Leningrad Region					
Capital investments, RUB mn, net of VAT	14,724	11,283	8,757	7,154	5,892
Funding, RUB mn, VAT incl.	14,311	13,738	11,817	9,986	7,670
Fixed assets introduction, RUB mn	14,568	11,424	9,559	7,674	6,139
Commissioning of transformer capacity, MVA	1,523	1,076	803	436	389
Commissioning of power lines, km	3,308	2,075	1,857	906	643
Lenenergo, PJSC, total					
Capital investments, RUB mn, net of VAT	30,715	32,525	25,091	24,453	20,140
Funding, RUB mn, VAT incl.	29,634	35,067	33,263	30,728	25,534
Fixed assets introduction, RUB mn	31,794	33,336	26,096	26,156	22,144
Commissioning of transformer capacity, MVA	2,227	2,615	2,307	1,892	1,308
Commissioning of power lines, km	4,239	3,174	2,685	1,737	1,645

The investment program implementation for 2016-2020 should result in the increase of fixed assets by RUB 139.5 bn, introduction of additional transformer capacity of 10,349 MVA, and increase of power lines length by 13,479 km, which will increase the output, reduce the number of accidents, improve the reliability of the energy

system, and allow for consumers' grid connection.

Approved Long-Term Investment Program Funding Structure Broken Down by Key Areas, RUB mn, VAT incl.

Name	2016	2017	2018	2019	2020	Total 2016-2020
Crucial projects	2,871	8,439	8,421	11,477	9,662	40,870
Retrofitting, upgrading, reconstruction	1,079	3,409	5,665	6,093	7,060	23,305
New construction	1,791	5,031	2,756	5,384	2,603	17,564
Important programs (federal, etc.)	18,824	648	410			19,881
Retrofitting, upgrading, reconstruction	318	648	410			1,376
New construction	18,506					18,506
Programs	626	1,408	2,447	3,051	3,946	11,478
Retrofitting, upgrading, reconstruction	623	1,350	2,072	2,405	2,981	9,431
New construction	2	58	375	646	965	2,048
Grid Connection	4,345	18,334	14,451	6,077	3,939	47,145
over 670 kW	2,670	13,838	11,006	3,321	2,208	33,043
150 to 670 kW	373	2,147	958	645	378	4,500
15 to 150 kW	757	1,081	990	726	457	4,011
up to 15 kW	544	1,269	1,496	1,386	895	5,591
Generation						
Distribution grids	874	1,952	4,025	6,774	5,367	18,993
Retrofitting, upgrading, reconstruction	870	1,952	4,025	6,774	5,367	18,989
New construction	4					4
Automation of process management (except for AS EPA)	301	1,032	917	1,256	1,512	5,018
Electric power metering and control units	347	559	471	636	401	2,414
Safety programs	389	696	765	142	2	1,993
Purchase of power grid assets, land plots, and other items	2	2	2	2	2	9
Other programs and measures	1,055	1,998	1,355	1,313	703	6,424
Total	29,634	35,067	33,263	30,728	25,534	154,226
Reference:						
Retrofitting, upgrading, reconstruction	5,326	12,789	15,261	15,984	15,924	65,284
New construction	24,275	22,216	18,000	14,743	9,608	88,842
Other	33	62	2	2	2	101

2.5 Technical Upgrades, Modernization, and Innovations

The Company's Technical Policy. Innovations and RD&T

The Board of Directors of Lenenergo, OJSC approved the Rosseti Regulation on Uniform Technical Policy as an internal corporate document (Minutes No. 19 dd. December 30, 2013).

The goal of the Single Technical Policy of the power grid sector is to determine the main technical areas that ensure the short-term and medium-term improvement of reliability and efficiency of the power grid and the due industrial and environmental safety based on the innovative development principles allowing for indiscriminate access to the power grid for all market participants.

The principal objectives of the Uniform Technical Policy in the Power Sector are:

- arranging and improving the power grids readiness to transmit and distribute electric power to ensure the reliable supply of electric power to consumers, functioning of the wholesale and retail electric power markets, parallel operation of the unified energy system of Russia and the power systems of other countries
- ensuring the power output into the grid by the power generating facilities

- creating options for connecting the wholesale and retail market participants to the grids and providing indiscriminate access to the grids when there is technical possibility thereof, and when such persons observe the access rules
- improving the efficiency and development of the diagnostic systems of the facilities, and use the results thereof in algorithms of the automated systems of regular mode and accident prevention management
- developing the structure of operative and process management of the facilities, and participating in the management of operating modes of flexible elements of the grid infrastructure and power consumers
- developing the information and telecommunication infrastructure, improving the visibility of the grid and the quality of the information exchange with SO UPS, OJSC and other entities of the power wholesale and retail markets
- reducing the investment and operational costs related to the facilities by optimizing the technical solutions when preparing design documents, applying innovative equipment, structures, and saving the floor spaces occupied by the power facilities
- improving the energy efficiency of the technology, equipment, materials, and systems applied and used, forming the energy preservation program, and reducing the process power losses in the grids
- overcoming the fixed assets of the grids and grid equipment becoming obsolete by modernizing them, and optimizing their reconstruction, retrofitting and upgrading, as well as by using the equipment with extended useful life
- automating the substations, introducing and developing the modern process state control, automated diagnostics, process equipment monitoring, power system protection and accident-prevention, communication, utility, power accounting and technical record-keeping systems; transitioning to the digital substations without permanent operating staff
- upgrading technology used in operation, maintenance, and repair of power facilities. Providing for professional training of the operating and repair staff in view of new technology applied and innovative equipment used
- minimizing the environmental impact of the new construction, reconstruction, operations, and repairs of the power facilities
- creating drivers for manufacture of cutting-edge equipment and building structures, as well as for growth of research and project potential.

Science and Engineering Board Activities

Lenenergo, PJSC has a Science and Engineering Board subject to Orders No. 358 dd. August 8, 2011 and No. 542 dd. August 5, 2014. The Board reviews issues of RD&T, pilot operation of the equipment and materials, use of equipment, resolution of research and technical problems in the Lenenergo grids, and other issues at its meetings. In 2015, the Science and Engineering Board held seven meetings and reviewed 22 issues, including:

Topic	Issues discussed
RD&T	<ul style="list-style-type: none"> • Proposals for the 2016-2018 RD&T Program of Lenenergo, PJSC • Update on the RD&T project of Design of Spun-Cast Sectional Frame Reinforced Concrete Towers for 110 kV OL.
Pilot operation of equipment and use of materials and technology	<ul style="list-style-type: none"> • Discussion of the results of pilot operation of the equipment installed at the branches of Lenenergo, PJSC.
Use of the equipment	<ul style="list-style-type: none"> • Use of fault indicators for 6-10 kV OL. • Use of CYNTECH anchor systems and screw piles. • Specifics of use of dry 110 kV power transformers manufactured by ABB. • Operation of metal towers manufactured by ELSI Group. • Updating of the list of equipment productively operated by Lenenergo, PJSC. • Use of innovative equipment (supercapacitors, Li-ion batteries, etc.). • Use of high and aesthetic towers in Lenenergo, PJSC (subject to Minutes No. AS-26 dd. November 17, 2015).
Various issues of the power sector	<ul style="list-style-type: none"> • 0.4-6.10 kV OL wooden and reinforced concrete diagnostics and control system development concept. • Requirements to the contents of Innovative Solutions section of the project documents.

	<ul style="list-style-type: none"> • Requirements to the calibration of 35-110 kV OL (installation of transition points, restrictions for CL cross-sections, etc.). • Use of optimum insulation type at 0.4-110 kV OL, and methods of insulation cleaning and protection in an active environment, and monitoring thereof. • Review of the project of electric transportation development program for the Company, and proposals for development of charging infrastructure and electric transportation in Saint Petersburg. • Requirements to the fire safety for 6-10 kV switchboards, including with respect to creation of firebreaks and separations. • Technical specifications for the ducts for 6-110 kV power cables installed by horizontal directional drilling. • Fulfillment of Rosseti, PJSC Management Board Minutes No. 364pr dd. July 6, 2015 with respect to applying the requirements of Rosseti, OJSC Regulations for the Uniform Technical Policy in the Power Sector. • Changes to the regulations governing the quality of electric power. Design of methodology. Introduction of new technical means of control over the quality of power. Interaction between the branches of Lenenergo, PJSC, LenPMES of North-West MES, the branch of FGC UES, PJSC, and Nevsky branch of TGC-1, OJSC, with respect to ensuring the power quality. • Analysis of the results of repeated diagnostics of the 6-10 kV CL with static power supply units. Feasibility of diagnostics of the 6-10 kV CL with static power supply units by partial discharge.
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Practical Implementation of the Technical Policy

The Technical Policy is implemented by Lenenergo, PJSC in several key areas, including use of new technology and equipment in various segments of business.

Business Segments	Areas
1. 0.4-10 kV distribution grids	<ul style="list-style-type: none"> • use of cables with cross linked polyethylene insulation • use of self-supporting insulated and covered wires • use of package integrated transformer substations • use of advanced switching units (automatic circuit reclosers) • switching to vacuum circuit breakers • use of gas-insulated small-size cubicle switchboards • use of cutting-edge pulse and lightning surge protective devices.
2. 35-110 kV distribution grids	<ul style="list-style-type: none"> • switching to vacuum and gas-insulated circuit breakers • use of 110 kV gas-insulated small-size cubicle switchboards (subject to a feasibility study) • use of 35-110 kV cell-type and compact switchgear • use of gas-insulated or air-insulated small-size cubicle switchboards of medium voltage • use of cables with cross linked polyethylene insulation • use of transmission towers of complex shapes or elevated towers • a design model of 110 kV grid was created and introduced in order to optimize the power modes.
3. Power system protection, supervisory control system, communications, telemechanics, monitoring systems	<ul style="list-style-type: none"> • use of microprocessing protection • automation of process management • introduction of SCADA systems • introduction of updated control centers with automatic supervisory control systems of different levels • use of power lines isolation monitoring systems • use of power equipment monitoring systems.

Pilot Operation of Equipment and Use of Materials and Technology

Lenenergo, PJSC has Regulations for Pilot Introduction of New Machines and Technology approved by Order No. 758 dd. December 29, 2012.

The Company actively commissions the most cutting-edge technical solutions, innovative technologies, revolutionary equipment and materials for pilot operation.

In 2015, the pilot operation of the following equipment was completed at Lenenergo, PJSC facilities:

Equipment	Purpose	Pilot Operation Results
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1. Eltima 10 kV outdoor small-size cubicle switchboard manufactured by Electronmash, CJSC installed at Kronshtadtskaya 110 kV substation No. 257 of Gatchinskiye Power Grid, the branch of Lenenergo, PJSC.	Receipt and distribution of three-phase AC 50 Hz 6(10) kV power.	The pilot operation is deemed having positive results after elimination of defects and improvement of constructive issues.
2. TMG(2)-400/10/0.4 kV power transformers manufactured by Tolyatti Transformer, LLC installed at TS-36033 and TS-36113 of the South-West Power Distribution Zone of Cable Grid, the branch of Lenenergo, PJSC.	Electric power transformation.	Pilot operation is deemed having positive results.
3. VGP-110 gas insulated circuit breaker manufactured by VO Electroapparat, OJSC installed at Ryabovo 110 kV substation No. 484 of Gatchinskiye Power Grid, the branch of Lenenergo, PJSC.	Switching of electric circuits in regular and emergency modes; operation in automatic reclose cycles for three-phase AC 50 Hz 110 kV grids.	Pilot operation is deemed having positive results.
4. TGF-110 current transformers manufactured by Energomechanic Plant, OJSC, installed at Ryabovo 110 kV substation No. 484 of Gatchinskiye Power Grid, the branch of Lenenergo, PJSC.	Transmission of measurements to the metering units and power system protection and control units in the AC 50 Hz 110 kV grids.	Pilot operation is deemed having positive results.

Innovations

Innovative Development Program

Lenenergo, PJSC created, approved with IDGC Holding, OJSC, and approved at the meeting of the Board of Directors of Lenenergo, PJSC (Minutes No. 2 dd. July 29, 2011) the Innovative Development Program of Lenenergo, PJSC for 2011-2016.

In Q3 2012, the Board of Directors reviewed and approved the adjustments of the Innovative Development Program of Lenenergo, PJSC for 2011-2016 (Revision 2) (Minutes No. 8 dd. August 27, 2012).

In order to improve the efficiency of the innovative development, Lenenergo, PJSC introduced the Innovative Development, Energy Preservation and Energy Efficiency Improvement Policy as an internal document of the Company (Order No. 338 dd. July 29, 2014).

As of now, Lenenergo, PJSC works to create the Innovative Development Program for 2016-2020, in view of the criteria of determining the innovative and/or high-technology solutions (Annex No. 3 to the Regulations for the Procedure and Rules of Introduction of Innovative Solutions in Rosseti, OJSC, approved by Rosseti, OJSC Instruction No. 350r dd. August 14, 2014).

The goal of the Program is to improve the economic and power efficiency of the power supply to the consumers by introducing the cutting-edge innovative technology, business process, and inventions.

The Program objectives are as follows:

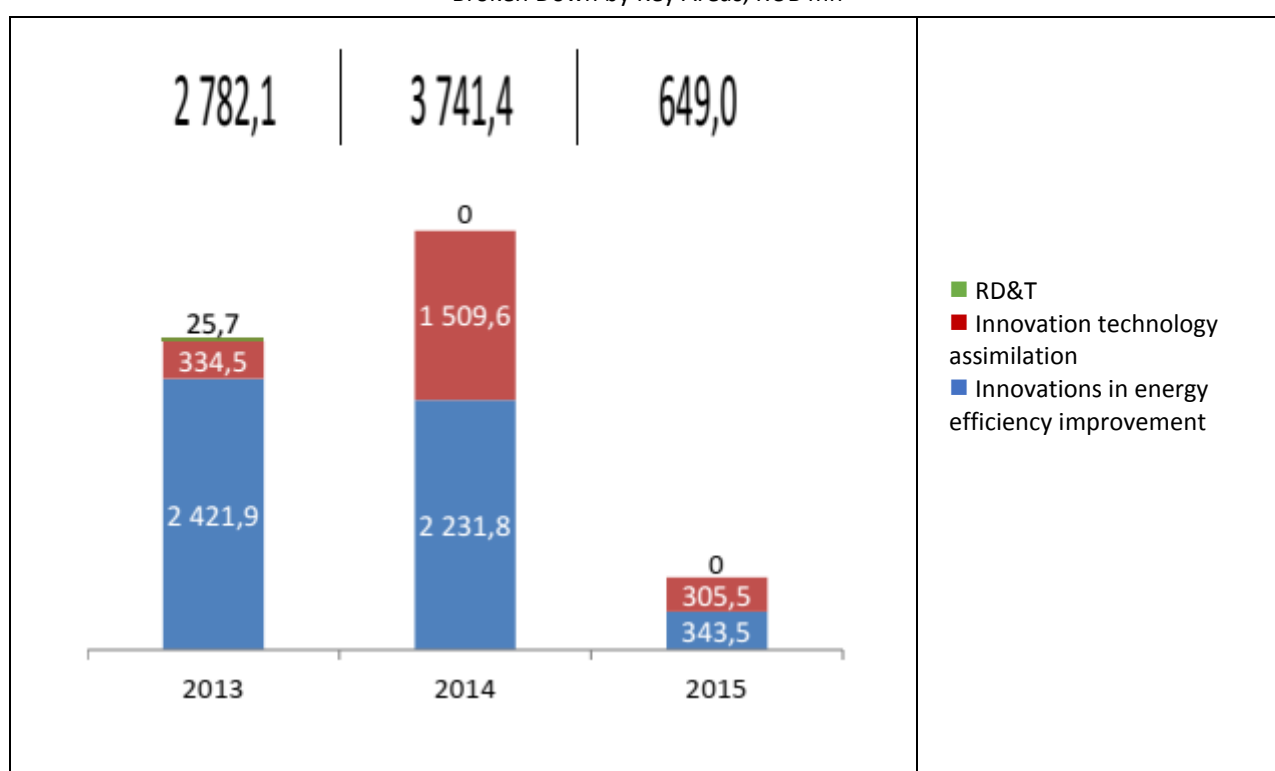
- to form a corporate governance system that is focused on upgrading and introducing new technology, innovative products and services
- to reduce the grid deterioration down to the levels demonstrated by the developed countries
- to create a system of search and selection of the fundamental innovative solutions
- to develop and introduce the mechanism for selection of priority topics of the RD&T to be implemented by the interregional distribution grid companies
- to create the mechanism for implementation of pilot innovative projects and launch of pilot productions of the sets of high-tech electrical equipment
- to ensure the proper conditions for replication of innovations in Lenenergo, PJSC and Rosseti, PJSC
- to perfect the mechanism for innovations funding through own funds and attraction of interested third parties
- to ensure the integration of the Program with the principal business processes of Lenenergo, PJSC
- to ensure the required HR potential of Lenenergo, PJSC
- to ensure the protection of the Lenenergo, PJSC intellectual property

- to provide for an information support system for the innovative processes management and innovations introduction monitoring in Lenenergo, PJSC
- to promote innovative projects aimed at energy preservation, energy efficiency, cost efficiency, and power supply reliability within the power sector
- to optimize the operating costs and reduce the expenses incurred by the Company.

The Innovative Development Program Funding by Key Areas:

Parameter	2013	2014	2015
Costs of the Program implementation, RUB mn	2782.1	3741.4	649.0
<i>RD&T</i>	25.7	0	0
<i>Innovation technology assimilation</i>	334.5	1509.6	305.5
<i>Innovations in energy efficiency improvement</i>	2421.9	2231.8	343.5

Innovative Development Program Implementation Costs Over Time
Broken Down by Key Areas, RUB mn



The Innovative Development Program implementation costs in 2015 decreased as compared to 2013 and 2014 due to the fact the Investment Program of Lenenergo, PJSC was reviewed, and the 2015 business plan was adjusted along with the 2016-2019 forecast in view of the Company's economic situation. As a result, the terms and scopes of funding of several innovative actions were adjusted.

Pilot Operation of Innovative Equipment

In order to confirm the operating parameters of the samples of new machinery and technology, and to assess the efficiency and feasibility of the large-scale introduction thereof at the power grid facilities in 2015, Lenenergo, PJSC conducted pilot operation of the following at its facilities:

Equipment	Expected Result of Introduction
1. Power system protection signal transfer unit (PSP STU) for 6-110 kV power lines manufactured by Avangard, OJSC. Installation location: Volkhov-Vasileostrovskaya 35 kV substation No. 13 and Vasileostrovskaya 110 kV substation No. 104 of Saint Petersburg Power Grids, the branch of Lenenergo, PJSC.	The PSP STU allows retaining the available power system protection units of the 6-110 kV power lines when replacing the expired copper cord communication cables with FOL.

The device has been commissioned for pilot operation in 2014.	
2. The system for analysis of the diluted gases in the transformer oil, Smart-9 series. Installation location: Petrogradskaya 110 kV substation No. 165 of Saint Petersburg High-Voltage Power Grids, the branch of Lenenergo, PJSC. The system has been commissioned for pilot operation in 2014.	Early detection of the defects in the power transformers and prolongation of their useful lives, improvement of power supply reliability.
3. System of continuous monitoring of gas contents in the transformer oil, Serveron TM8 series. Installation location: 110 kV substation No. 370 of Saint Petersburg High-Voltage Power Grids, the branch of Lenenergo, PJSC. The system has been commissioned for pilot operation in 2014.	Early detection of the defects in the power transformers and prolongation of their useful lives, improvement of power supply reliability.
4. Current conductors with cast insulation, phase insulated, TPLA-10 type (manufacturer: Tokoprovod, LLC). Installation location: Severnaya Dolina 110 kV substation No. 216 of Saint Petersburg High-Voltage Power Grids, the branch of Lenenergo, PJSC.	Improvement of power supply reliability, fire safety, electric safety of the operating staff.
5. Automated monitoring system for insulation pollution of the overhead lines (OL IMS), MetySense-4000 (manufacturer: Metrikom, Israel). Installation location: Obukhovskaya-3,4 110 kV OL; Murinskaya-1/2; Murinskaya-3/4; Gorelovskaya-1/2; Lakhtinskaya-5,6; Yuzhnaya-3/5; Yuzhnaya-14/20; Yuzhnaya-14/1, etc. of Saint Petersburg High-Voltage Power Grids, the branch of Lenenergo, PJSC. The system has been commissioned for pilot operation in 2014. In 2015, 24 additional indicators and 5 gates of the OL IMS were installed.	The OL IMS allows remotely controlling the OL insulation pollution and promptly clean it in the aggressive environments.

List of Parameters for the Innovative Development Program Implementation Monitoring

There were no research and development costs in 2015 (see Table below).

Indicator Name	Unit of Measurement	Year
Cost of research and development performed by the third parties, including contractors (higher education institutions, research facilities, innovative SME entities)	RUB thousand	0
of those: projects implemented within		
the process platforms	RUB thousand	0
higher education institutions	RUB thousand	0
research institutions	RUB thousand	0
Costs of further professional training and retraining of employees in the higher education institutions, per employee	RUB/person	12,630

RD&T

The RD&T Program objectives are as follows:

The RD&T Program includes design of new breakthrough technology aimed at creating the entirely new designs, technology, methods, as well as of application methods aimed at improving the existing technology.

The RD&T Program's main goal is to create and expand the smart power system with a smart grid.

The RD&T Program objectives are as follows:

- to introduce new technologies, innovative products and services
- to reduce the grid deterioration down to the levels demonstrated by the developed countries

- to preserve energy and increase energy efficiency
- to increase the cost efficiency and reliability of power supply in the distributive power sector
- to optimize the operating costs and reduce the expenses incurred by the Company.

RD&T Design and Funding

The RD&T projects were not designed and funded in 2015 due to insufficient funding sources for the Investment Program of Lenenergo, PJSC and the need for it to be sequestered under Par. 4.7 of Rosseti, OJSC Order No. 01 dd. January 2, 2015.

The Investment Program of Lenenergo, PJSC involves obtaining the patent for the utility model of power system protection signal transfer unit. The unit is a result of completed development and testing project of Power System Protection Signal Transfer Unit Design for 6-110 kV Overhead Lines.

In March 2015, an application was filed with Rospatent for the patent for the utility model of power system protection signal transfer unit. In December, Rospatent confirmed the issue of the patent. The title of protection is expected to be obtained in Q1 2016.

List of Facilities Having RD&T Results Implemented

Equipment, Technology, Material, System	Details of Agreement Governing the Design	Type of Use (Introduction / Pilot Operation / Use in Operations)	Facility of Introduction / Facility of Pilot Operation / Division Using in Operations	Results of Introduction / Pilot Operation / Use in Operations	Effect
Power system protection signal transfer unit (PSP STU) for 6-110 kV power lines	Agreement No. 11-12863 dd. November 15, 2011 with Avangard, OJSC	Pilot operation (2014-2015)	Volkhov-Vasileostrovskaya 35 kV substation No. 13; Baltiyskaya 110 kV substation No. 14; Vasileostrovskaya 110 kV substation No. 104 (Saint Petersburg High-Voltage Power Grids, the branch of Lenenergo, PJSC)	Subject to the result of pilot operation	Subject to the result of pilot operation
Switching the 10 kV distribution grid to resistance neutral grounding	Agreement No. 12-1947 dd. February 9, 2012 with STC UPS, JSC	Introduction	Lakhta 110 kV substation No. 75; Piskarevka 110 kV substation No. 155; Rzhhevka 110 kV substation No. 24; Ozero Dolgoye 110 kV substation No. 96 (Saint Petersburg High-Voltage Power Grids, Cable Grid, Prigorodnye Power Grid, the branches of Lenenergo, PJSC)	1. The damage rate of the power grid equipment is decreased. 2. The reliability of cables and other grid components is improved.	The effect is to be determined subject to the result of comprehensive introduction and continuous use

List of Exclusive Right Documents (Patents, Registration Certificates) Obtained in the Report Period for the RD&T Results

Design Protected by Exclusive Right Documents	Details of Exclusive Right Documents	Details of Agreement Governing the RD&T	Exclusive Right Documents Status (Protected / Applied for)
Power system protection signal transfer unit (PSP STU) for 6-110 kV power lines	Application No. 2015108462/07(013510) dd. March 4, 2015	Agreement No. 11-12863 dd. November 15, 2011 with Avangard, OJSC	Applied for

Information Technology and Telecommunications

1. General Information

Lenenergo, PJSC operations today are integrally linked with information technology, telecommunications, and automation tools. Introduction of new, development of the existing, and maintenance of implemented IT-projects are a part of continuous operations under the IT and Telecommunication Strategy of the Company (hereafter referred to as the ITT Strategy) for 2012-2016. The ITT Strategy sets out the IT development goals of the Company, the strategic initiatives and implementation thereof, as approved by the Board of Directors on July 31, 2012. The ITT Strategy implementation measures are drafted and approved by the Board of Directors of the Company. The Board of Directors also controls the fulfillment of such measures.

Implementation of the ITT-Strategy provisions governing the creation and use of IT-resources is aimed at:

- providing the Company with accessible and high-quality IT-services to improve the operating cost efficiency
- maintaining a required level of reliability of power transmission and distribution by efficiently using the resources and managing the business assets based on balancing the costs, risks, and assets' productiveness
- reducing time required to liquidate emergencies and prevent them from reoccurring by using the updated data from the information support systems for power grid equipment maintenance
- improving the accessibility of the power infrastructure to consumers, and reduction of time required to handle the clients' applications and feedback.

In 2015, the Company implemented projects in the following areas subject to the ITT Strategy and other regulations governing the information technology:

1. General office management: the automated office management system of Lenenergo, PJSC was upgraded; transparent document exchange with all the SDCs of Rosseti, PJSC was provided for.
2. Technical document keeping: an automated project document management system was introduced for power grid facilities construction and reconstruction documents; timeline of project documents approval was reduced; approval control tool was obtained for approval both by the contractors and by Lenenergo divisions.
3. Infrastructure: a server virtualization set was assembled, adjusted, and commissioned based on the server chassis from world's leading manufacturers. A concurrent backup set was assembled, adjusted, and commissioned based on the backup disk system and controlled tape library. Alfa Uniform Information System cluster was migrated to new servers.

Integration measures for information infrastructures of Lenenergo, PJSC subsidiaries are planned for 2016, along with updating of Lenenergo, PJSC Strategy for Information Technology, Automation, and Telecommunications for up to 2020. Imports phasing out steps will continue in IT with respect to introduction of new and development of the existing projects. Preparation for potential transition to the Russian-made IT solutions under restricted funding and in view of the adjustments of the ITT Strategy roadmaps and other regulations of the Company is a priority for future projects.

2. The APMS results in 2015

In 2015, a Substations' Data Collection and Transmission Systems Upgrade and Expansion Program of Lenenergo, PJSC for 2016-2020 was designed. A communication and data transmission system was introduced at Nikolskaya LSR 110 kV and Agat 35 kV substations.

- Number of 110 kV substations with introduced remote control: 211 (100%).
Number of 110 kV substations with introduced remote control (meeting modern requirements): 98 (46.4%).
- Number of 35 kV substations with introduced remote control: 104 (89.8%).
Number of 35 kV substations with introduced remote control (meeting modern requirements): 7 (4%).
- - Number of 110 kV substations equipped with automated control system (APCS): 20 (9.5%).
- - Number of 35 kV substations equipped with automated control system (APCS): 2 (1.1%).

3. Automation Results of the 2015 Business Plan

In 2015, the following centralized and local projects for operations automation were implemented:

1. connection to the Single Treasury of Rosseti, PJSC Group
2. connection to Federal Correspondence System of Rosseti, PJSC Group in order to ensure the transparency of general office management and control over observation of compliance standards along the Group

3. upgrading of the internal document flow system of Lenenergo, PJSC
4. automation of technical document keeping for power grid facilities construction and reconstruction projects.

4. The technological control and information and telecommunications infrastructure results in 2015

In Q2 2015, the corporate telephone network of Lenenergo, PJSC was completed, which allowed reducing costs, using own network for communication, etc.

In Q4 2015, Vyborgsky transit construction was completed. Access to Lenenergo corporate data transmission network (CDTN) was arranged for the employees of the branch of Lenenergo, PJSC at speed of up to 1G.

The following software and hardware packages were assembled, adjusted, and commissioned:

- a server virtualization based on the server chassis from world's leading manufacturers
- a concurrent backup set based on the backup disk system and controlled tape library.

Alfa Uniform Information System cluster (owned by Lenenergo, PJSC) was migrated to new software-hardware platform.

5. The ITT Costs Reduction

The comprehensive development of the ITT as part of the uniform Strategy allowed cutting the costs of the Company for the ITT use in 2015 with respect to the centralized projects of Rosseti, PJSC Group. As such, the centralized hosting of the business assets management system (BAMS) allowed avoiding the purchase of expensive computing equipment to implement the BAMS automation project.

6. Further Actions with Respect to the ITT

Development in the field of imports phasing out and cost reduction will continue. The ITT activity vectors in 2016 will remain in line with maintaining the reliable functioning of automation tools. Added measures will include preparation for the 2018 FIFA World Cup, and automation of the grid connection projects funded by the federal bonds.

Ensuring Reliability, and Repairs

Reliability

Ensuring the reliable power supply to the consumers is the ultimate strategic priority for Lenenergo, PJSC. The reliability indicators are included in the list of key performance indicators of the Company.

Lenenergo, PJSC implements the following target-specific programs in order to improve the reliability of power facilities:

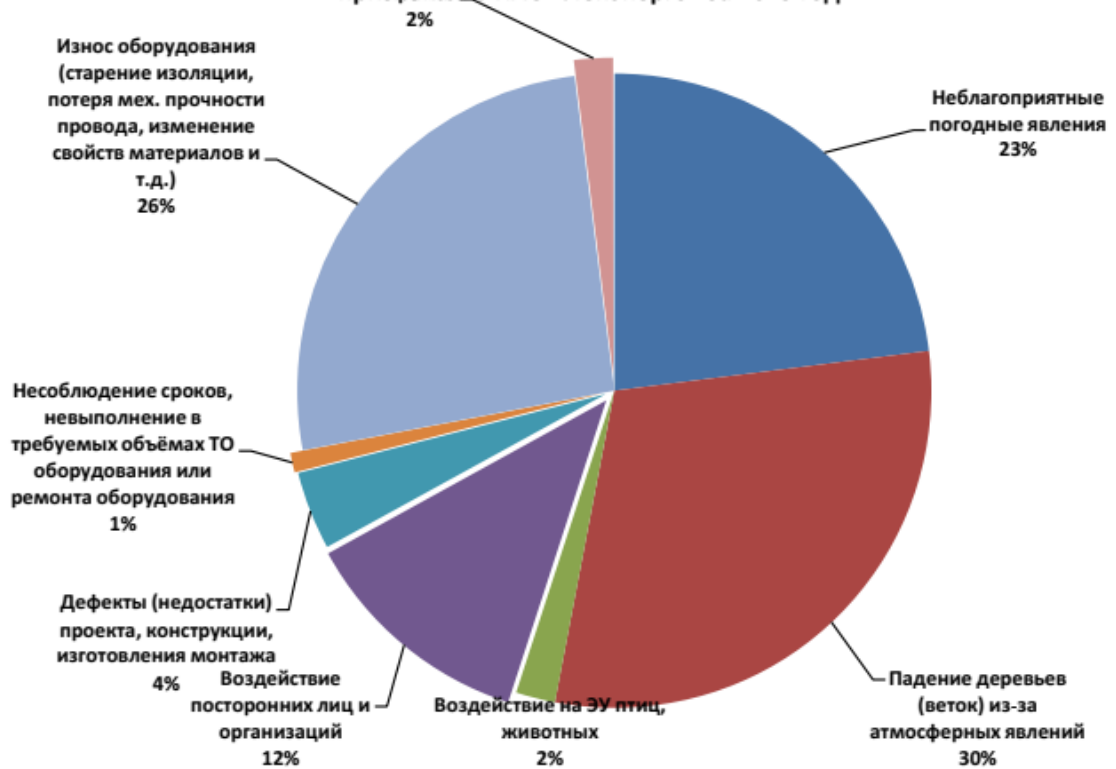
Program	Implementation	Implementation Effect
Automatic circuit reclosers installation at 6-10 kV overhead lines	Fifty-three reclosers are installed and commissioned.	Implementation of this program will provide for an automatic identification and separation of a damaged sector without depowering other consumers when technical disturbances occur in the network, and in some cases will allow for an automatic recovery of the power supply (automatic reclose and automatic transfer switch) and improvement of the power supply reliability. Installing reclosers in the distribution network will allow reducing the duration of interruptions in the power supply to certain consumers by up to 60%.
Forest clearing expansion program for overhead lines	Forest clearing expansion was done for the area of 294.2 ha.	The implementation of this program allows reducing significantly the number of technical disturbances resulting from falling trees, and bringing the overhead lines clearings in compliance with the regulatory documents. In the course of the past 3 years, 3,731 ha of clearings were expanded, which allowed reducing the number of emergencies at OLS caused by fallen trees by almost 40%.
Lenenergo, OJSC program for replacing 6-10 kV oil circuit breakers	Project works are in progress.	The implementation of this program will phase out the oil (fire hazardous) equipment and increase the electric safety of the equipment use by the operators. It is also worth mentioning that the program involves replacing 817 6-10 kV circuit breakers at 35-110 kV substations of the Leningrad Region, which is over 20% of the overall number of breakers with expired standard service

		life.
A program for isolating and grounding switches replacement with circuit breakers in 35-110 kV grids	Isolating and grounding switches were replaced with circuit breakers in 35-110 kV grids at two substations	The implementation of this program will allow reducing the number of technical disturbances at the substations, decrease the lost power load, eliminate "bottle neck" weak points in the substations layouts, and decrease the deterioration of the equipment. Overall, the branches of Lenenergo, PJSC in the Leningrad Region (as of January 1, 2015) operate 145 isolating and grounding switches (110 kV) and 45 isolating and grounding switches (35 kV). Eleven isolating and grounding switches (110 kV) with expired standard service life are planned to be replaced, which is 7.6%.
Power grid facilities (distribution transformer substation, transformer substations) reconstruction		Implementation of this program will provide for elimination of injury and fire potential equipment and for grid connection of consumers and reduction of undersupply of power. As of January 1, 2015, Lenenergo, PJSC in Saint Petersburg operates 7158 DTSs and TSs, over 50% of which have the operating life of 30 years. The implementation of the program allows reducing the number of DTSs and TSs with excessive operating life by 6%.
A program for replacing non-insulated wires with self-supporting insulated wires	The non-insulated wires were replaced, and 19.02 km of SIW were commissioned.	This investment project is of a crucial nature because it is aimed at increasing the reliability and quality of power supply to the facilities and residents of the Gatchina District of the Leningrad Region, the socially significant facilities, the consumers of reliability categories 1 and 2, as well as at increasing the output of the 6-10 kV grid, lowering the probability of the equipment failure, reducing the power losses, and ensuring the required safety levels. From 2017 to 2020, 283 km of wires are planned to be replaced, which is approximately 10% of the OLs with expired standard service life.
Reinforcement of 0.4-10 kV CL grid	Project and construction and assembly work is in progress	Implementation of the project will allow removing the limit for the grid connection of consumers, eliminating fire potential equipment, and improving the reliability of the power supply to consumers. The program stipulates the reconstruction of 3.7% of CL.
Capacitance compensation program	Project and construction and assembly work is in progress	This program implementation will allow for bringing the short circuit currents' values in compliance with the regulatory standards (Operating and Maintenance Rules (PTE): CO 153-34.20.501-2003; par. 5.11.8, 5.11.9, 5.11.10, 5.11.11, 5.11.12), fulfilling the recommendations of the supervisory bodies, and improving the reliability of equipment operation at the substations, and, therefore, the reliability of the power supply to the consumers.

Technical Disturbances (Emergencies) Over Time:

Comparatives	Absolute value			2015 over 2014, %
	2013	2014	2015	
Emergencies investigated by Rostekhnadzor committees	1	0	0	0
Emergencies investigated by Lenenergo, PJSC committees	6884	3941	3753	- 5
Undersupply of power, kWh thousand	1824.44	1463.43	1311.86	-10
Economic cost, RUB mn	35.523572	78.085885	103.770628	33
Average duration of power supply interruptions, h	5.0	3.39	3.76	11
SAIDI, p.p.	0.018368519	0.006525026	0.005719394	- 12

Распределение технологических нарушений (аварий) по организационным признакам в ПАО "Ленэнерго" за 2015 год



Technical Disturbances (Emergencies) in Lenenergo, PJSC Broken Down by Organizational Properties in 2015	
Other 2%	
Equipment deterioration (insulation wear, cable mechanical integrity loss, materials' properties change, etc.) 26%	Adverse weather conditions 23%
Delays, failure to perform the required maintenance or repair of the equipment 1%	
Defects (deficiencies) of the project, structure, assembly 4%	Trees (branches) falling as a result of atmospheric phenomena 30%
Impact of third parties and entities 12%	Impact of birds, animals on the electric equipment 2%

The following are the main causes of technical disturbances:

- Trees (branches) falling as a result of atmospheric phenomena.
- Adverse weather conditions.
- Equipment deterioration.

Repair

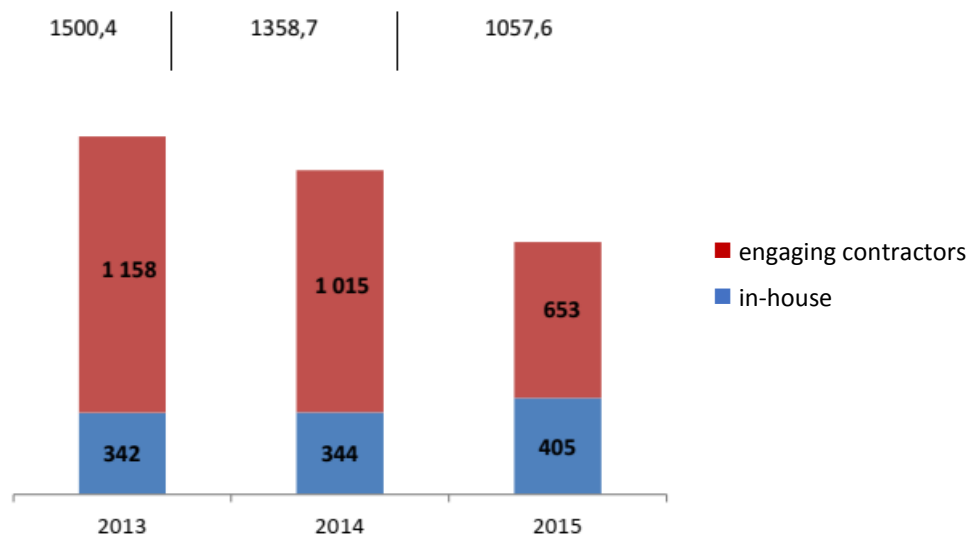
The Repair Program of Lenenergo, PJSC is formed every year based on the multi-year equipment repair schedules, 0.4-110 kV power lines state analysis, primary and auxiliary substation equipment status analysis, inspection reports, instructions from supervisory bodies, and identified reliability risks within the distribution grids.

Repair Costs Over Time, Broken Down by Main Areas and Implementation Methods, RUB mn

Parameters	2013	2014	2015	2015 over 2014, %
110-0.4 kV OL	277.6	360.5	269.8	75
110-0.4 kV CL	571	347.3	388.5	112
Substation equipment	412.2	460.5	304.2	66
Property and plant	220.2	170.4	74.2	44
Other facilities	19.4	20	20.9	105
Total, repair costs	1500.4	1358.7	1057.6	74

including in-house	342.3	344.2	404.7	118
engaging contractors	1158.1	1014.5	652.9	64
Tariff and balance decisions	946.2	1020.5	1115.3	

Repair Program Costs Over Time by Implementation Method, RUB mn



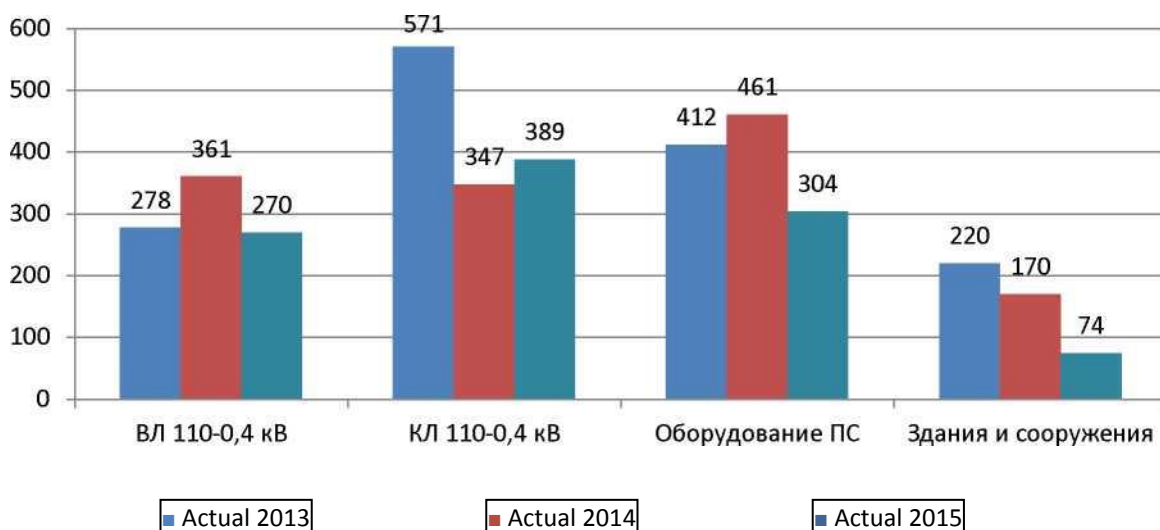
In 2015, funds of RUB 1,057.6 mn were used by the repair program, including RUB 404.7 mn for in-house repair, and RUB 652.9 mn for repair engaging contractors.

As compared to 2013 and 2014, the repair costs reduced by 30% and 22%, respectively. It was due to the fact that in 2013 and 2014 a program for additional technical measures was implemented within the repair operations. In 2013-2014, the tariff regulatory authorities of the Government of Saint Petersburg considered the actual costs of additional technical measures when calculating for future period, while in 2015, the regulator decided not to include the costs exceeding the tariff and balance decision in the tariff. Therefore, in 2015, the repair costs lean towards the tariff and balance decision.

As for the repair methods, the in-house repair grows steadily. As compared to 2013 and 2014, the in-house repair cost grew in 2015 by 18% (with respect to two periods). The growth of the in-house method is due to the grow of consumer prices and certain growth of the number of own personnel against the growth of equipment on the Company's balance by 3.8% (over 2014) and 11% (over 2013).

As for the repair engaging contractors, the costs reduce by 44% and 36% over 2013 and 2014, respectively. This is due to the fact that in 2013-2014 the repair program included additional technical measures, and additional repair of the equipment of the 110-35 kV substations, 110-0.4 kV power lines, transformer substations, distribution points, package transformer substations, PSP units was carried out to successfully prepare for the fall-winter season. Implementation of additional technical measures over the previous years allowed for a reduction in accident rate in 2015 by 5% over 2014, and by 45% over 2013. In 2015, no measures were designed and implemented.

Repair Program Costs Over Time by Main Areas, RUB mn, for 2013-2015



ВЛ 110-0,4 кВ	110-0.4 kV OL
КЛ 110-0,4 кВ	110-0.4 kV CL
Оборудование ПС	Substation equipment
Здания и сооружения	Property and plant

The analysis of the costs for main repair areas in 2013-2015 demonstrates reduction in each category against the background of the overall cost reduction.

The cable line repair costs grew by 12% against the background of the overall repair program funding decrease. It is due to the fact that 96% of the cable line repair is carried out in Saint Petersburg in view of the current operating schedule and emergency backup for the facilities. In 2015, 17% more of the 35-110 kV CL were repaired than in 2013 and 2014. Since the 35-110 kV cable line repair is expensive, the cost of repair grew by 41% over 2013, and by 189% over 2014, which resulted in the overall increase of the CL repair costs.

Actual Implementation of the 2015 Repair Program, as compared to the plan

Name	Unit of Measur	Planned	Actual	% of the annual plan
35-110 kV substations	units	17	17	100
10/0.4 kV transformer	units	1729	1729	100
35-110 kV circuit breakers	units	138	147	107
35-110 kV CL	units	28	34	121
35-110 kV OL	km	783	779	100
10 kV OL	km	2035	2101	103
0.4 kV OL	km	1272	1281	101
Repair costs	RUB mn	1100	1058	96

The physical parameters of the repair program were fulfilled 100% and more. The overachievement of the 35-110 kV circuit breaker repair plan by 7% is due to the unscheduled (in view of the technical state) repair of 35 kV breakers at Shum substation No. 377, Arbuzovo substation No. 728, Petrokrepost substation No. 727, Ivanovskaya substation No. 207, Domozhirovo substation No. 32, Lodeynopolskaya substation No. 31, Nikolskaya substation No. 368. The overachievement of the 10 kV OL repair plan by 3% is due to the emergency response works conducted. In view of the late making of contracts and in order to fulfill the forest clearing plan unconditionally, a portion of the clearing scope was transferred from the contract-based to the in-house segment, which resulted in saving funds allocated for the contract-based method.

Client Service Standard Introduction

The policy of interaction with consumers of the grid company includes the client-focused approach: forming the client needs and satisfying those to the fullest extent. In short-term and long-term, the client-focused

approach will help Lenenergo, PJSC in forming the service consumers' loyalty.

The client-focusedness is implemented by creating and operating a system of centralized service of the consumers.

The Board of Directors adopted the Centralized Customer Service standard (Par. 6 of Minutes No. 13 dd. December 19, 2011).

1. *The following are the main principles of the centralized customer service:*

- sufficient information on the Company and its services provided to the consumers
- geographical accessibility and comfortable service in the offices
- comfortable and prompt remote and online interactive services
- competent service
- transparent business processes of customer service and objective handling of complaints.

2. *Main Forms and Services for Customer Support*

The centralized service system of Lenenergo, PJSC includes three main forms of service:

- in person (by personal contact in the large client centers of Lenenergo, PJSC at: 10-12, lit. O, ul. Krasnogo Tekstilshchika, and 1, pl. Konstitutsii, as well as at report centers of the Company's branches)

- remote (without personal contact between the client and the Company's employees; the remote service includes call center, mail, client inbox, and interactive services)

- interactive services (personal profile, online front desk, and services related to the use of e-mail).

In 2015, the following measures aimed at improving the client-focusedness of the Company were taken:

✓ Procedures aimed at updating the regulations governing the business process of grid connection.

✓ Measures aimed at reducing the timelines and the number of stages of grid connection:

- a cooperation agreement was made between Saint Petersburg Power Supply Company, JSC and Lenenergo, PJSC on February 16, 2015, under which the draft grid connection contract is to be issued together with the draft power supply contract within 10 days from the date the grid connection application is filed with Lenenergo, PJSC, and the power supply contract annexes are to be given simultaneously with the grid connection certificate on the day the applicant's electric plant is inspected (for the client category with electric plants of up to 150 kW, power supply reliability category 3)

- guidelines for grid connection of applicant with electric plants of 15-150 kW to the power grids of Lenenergo, PJSC within 90 days were drafted and approved by the Company (Order No. 219 dd. May 29, 2015). Order No. 530 dd. November 23, 2015 *On Fulfilling the Grid Connection Contracts Made with Doing Business Category of Clients in Saint Petersburg* sets out the procedure of serving clients meeting the criteria of the World Bank's rating, as well as the persons responsible for the grid connection of power receivers of such a client category.

✓ An outsourced call center using the common phone number of Lenenergo, PJSC provides information for all the main areas of the Company's operations.

✓ An opportunity of grid connection application filing by phone is provided (for power receivers of up to 15 kW); an additional service of ready-to-operate grid connection without visiting the grid company is also available.

✓ The grid connection application may be filed using the personal profile at the grid company's website, allowing for tracking the progress of the application handling.

✓ The geoinformation system is available that provides information on the power centers in Saint Petersburg and the Leningrad Region.

✓ All subprocesses of grid connection are being automated for the purpose of continuous improvement.

✓ The official website of the Company contains information on the passports of the provided services (processes) of Lenenergo, PJSC, that provides the applicants with details on all types of services rendered by the Company, including the timelines, procedures, and conditions of such services.

✓ Guidelines for handling complaints and representation of the Company's interests when dealing with government agencies and prosecution bodies with respect to administrative legal arrangements was drafted and approved by Lenenergo, PJSC (Order No. 531 dd. November 23, 2015). It sets out the procedure for handling complaints and claims from the applicants, the deadlines for drafting and approving responses to such complaints and claims, and the responsibility of the Company's divisions when working on amicable and court dispute resolution.

✓ Lenenergo, PJSC has a Council of Customers and a reception office in the Business Owner Center.

In order to ensure the customer loyalty to Lenenergo, PJSC, a set of measures is to be taken, including:

1. Raising the applicants' awareness of the grid connection procedure of Lenenergo, PJSC.

- Providing the applicants with information on the available options for support and disclosure on the official website of the Company pertaining to the grid connection progress at all stages through Personal Profile, in

person and remote customer service, including the call center at 8-800-700-14-71. Providing the applicants with information on the ready-to-operate grid connection option.

- In order to raise the consumers' awareness of the grid connection procedures, all in-person client service offices are equipped with information boards that contain printed versions of the passports of provided services (processes) of Lenenergo, PJSC, the uniform service quality standards for the grid entities, and other information pertaining to the Company's operations, in line with the requirements set to the arrangement of the client service offices by the Ministry of Energy of Russia (Order No. 186 dd. April 15, 2014 *On Single Quality Standards for the Grid Entities' Service of Clients*).

- Conducting phone surveys with the applicants in order to determine their level of awareness of the grid connection procedure, and the level of satisfaction with the quality of the Company's services, and identifying the areas that require adjustments and corrective measures to meet the clients' needs with respect to the quality of services.

2. Creation of favorable conditions for the SME in Saint Petersburg and the Leningrad Region, improvement of parameters of the National Investment Climate Index in Saint Petersburg and the Leningrad Region, and the World Bank's Doing Business rating for Saint Petersburg.

- Drafting/updating the local regulations of the Company that govern work with applicants meeting the criteria of the National Investment Climate Index in Saint Petersburg and the Leningrad Region, and the World Bank's Doing Business rating for Saint Petersburg.

- Ensuring measures aimed at fulfillment of obligations for grid connection of this category of applicants within 90 calendar days.

- Ensuring control over the applicants' facilities grid connection progress.

- Ensuring the operative issues arising from fulfillment of grid connection obligations to the applicants meeting the criteria of the National Investment Climate Index in Saint Petersburg and the Leningrad Region, and the World Bank's Doing Business rating for Saint Petersburg are being promptly resolved, and the letters/emails are sent to the applicant with respect to such issues.

Furthermore, within developing the client online services, the processes related to the grid connection are to be automated subject to the Disclosure Standards for the wholesale and retail power markets approved by Russian Government Decree No. 24 dd. January 21, 2004, and Russian Ministry of Energy Order No. 186 dd. April 15, 2014 *On Single Quality Standards for the Grid Entities' Service of Clients*.

The actual quality parameters of the services rendered define the principal operations of the Company (grid connection and power transportation), and are calculated based on the Methods approved by the Ministry of Energy. The quality parameters calculation is based on the overall number of correspondence from the consumers (applications, service contracts, information requests, etc.). The government agencies of the relevant constituent entity of Russia set the long-term target service quality parameters. Such parameters are deemed to have been met in 2015, which resulted from our customer-focused approach.

Consolidation of Power Grid Assets

Interaction with proprietors and other lawful owners of the power facilities that do not meet the criteria for allocating the power facility owners to the territorial grid entities approved by Russian Government Decree No. 184 dd. February 28, 2015 with respect to the power grid assets management, was carried out by entering into donation and lease agreements.

Implementation of the Power Grid Assets Consolidation Program*

IDGC/DGC (IDGC, DGC, IDGC SDC branch)	2013			2014			2015		
	Power grid assets consolidation scope			Power grid assets consolidation scope			Power grid assets consolidation scope		
	VA	m	prov. un.	VA	m	prov. un.	VA	m	prov. un.
1						8	0	1	2
Saint Petersburg	4	221	110	5	233	3,244	6	252	314
Lenenergo, PJSC	8.4	9.1	42.2	8.0	8.9	640.2	8.0	8.9	40.2
Purchase of power grid assets	.4	.2	.0						
Power grid assets lease	8.0	8.9	40.2	8.0	8.9	640.2	8.0	8.9	40.2
Other (permanent ownership and use rights)									

Other (temporary ownership and use rights)									
TSEK, CJSC	.0	37.8	147.4	.0	41.4	1,225.1	.1	41.4	229.7
Purchase of power grid assets									
Power grid assets lease	.0	37.8	147.4	.0	41.4	1,225.1	.1	41.4	229.7
Other (permanent ownership and use rights)									
Other (temporary ownership and use rights)									
Kurortenergo, CJSC	7.9	94.5	320.7	8.5	03.0	1,378.9	9.8	21.2	443.8
Purchase of power grid assets	.0	.0	.5		.6	5.1			
Power grid assets lease	7.9	94.5	318.2	8.5	01.5	1,373.8	9.8	21.2	443.8
Other (permanent ownership and use rights)									
Other (temporary ownership and use rights)									
Leningrad Region	.1	6.1	2.9	60.4	.5	368.7	40.0	.0	16.5
Lenenergo, PJSC									
Purchase of power grid assets	.1	6.1	2.9	.4	.5	9.1			
Power grid assets lease				60.0	.0	359.6	40.0	.0	16.5
Other (permanent ownership and use rights)									
Other (temporary ownership and use rights)									
TOTAL for Lenenergo, PJSC	7.5	237.5	193.2	15.1	235.9	3612.8	96.0	251.5	130.1

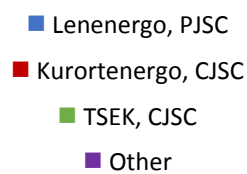
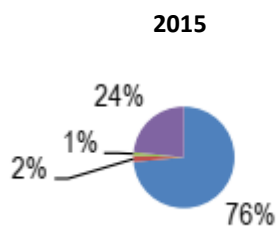
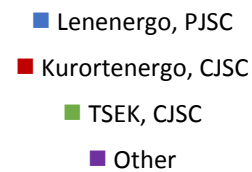
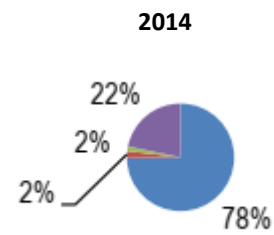
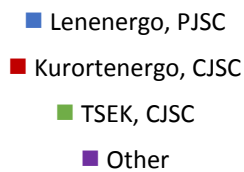
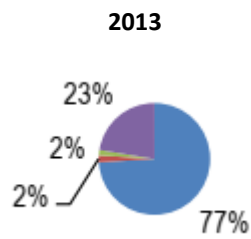
Lenenergo, PJSC is the largest power grid company in Saint Petersburg and the Leningrad Region. The share of power transmission through the grids of Lenenergo, PJSC of the overall power consumption for own consumers of the utility companies operating in Saint Petersburg and the Leningrad Region is 72%.

Lenenergo, PJSC share in the required gross proceeds of the served areas:

- Saint Petersburg

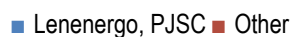
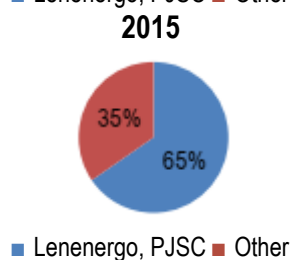
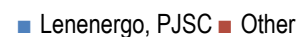
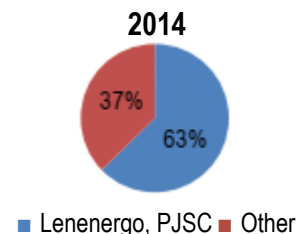
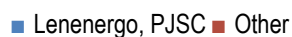
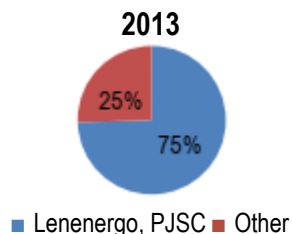
Lenenergo, PJSC, Saint Petersburg	RUB mn, net of VAT		
	2013	2014	2015
Lenenergo, PJSC required gross proceeds (including the controlled payment for losses)	14 113	1 7,236	19,737
Kurortenergo, CJSC required gross proceeds, net of payment for losses	37 6	4 69	518
TSEK, CJSC required gross proceeds, net of payment for losses	30 1	3 39	324

Aggregate required gross proceeds of the grid entities, net of payment included in the approved common "top-down" tariff for the Russian constituent	18 383	2 2,233	25 993
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• Leningrad Region

Lenenergo, PJSC, Leningrad Region	RUB mn, net of VAT		
	2013	2014	2015
Parameter Name	2013	2014	2015
Lenenergo, PJSC required gross proceeds, net of payment for losses	278 ⁸	669 ⁷	342 ⁹
Aggregate required gross proceeds of the grid entities, net of payment included in the approved common "top-down" tariff for the Russian constituent	11 108	1 2241	14 283



2.6 Internal Control System

The Internal Control System of the Company (the IC) is the component of the overall management system of the Company. The IC includes all areas of the Company's operations. The control procedures are continuously carried out for all processes (areas) at all management levels. They are aimed at reasonably guaranteeing the Company's objectives in the following areas are met:

- efficiency and productivity of the operations; soundness of assets
- compliance with the laws and corporate regulations applicable to the Company, including in carrying out business and accounting
- accuracy and timeliness of the accounting reports and financial statements, and other types of reports.

**The IC is being upgraded and improved at all management levels
with respect to the following aspects of control:**



Preliminary (preventive) control	Current control	Follow-up control
<ul style="list-style-type: none"> • creating the controlled environment for the processes, including: verification of sufficiency of procedures aimed at preventing and mitigating the outcomes of risk implementation, and fulfilling the objectives of the business processes; introduction of the control procedures 	<ul style="list-style-type: none"> • implementing the control procedures integrated in the business processes and aimed at fulfilling the objectives of said processes 	<ul style="list-style-type: none"> • conducting internal audit, audit of the reporting accuracy, soundness of assets, compliance control, independent audit, self-assessment.

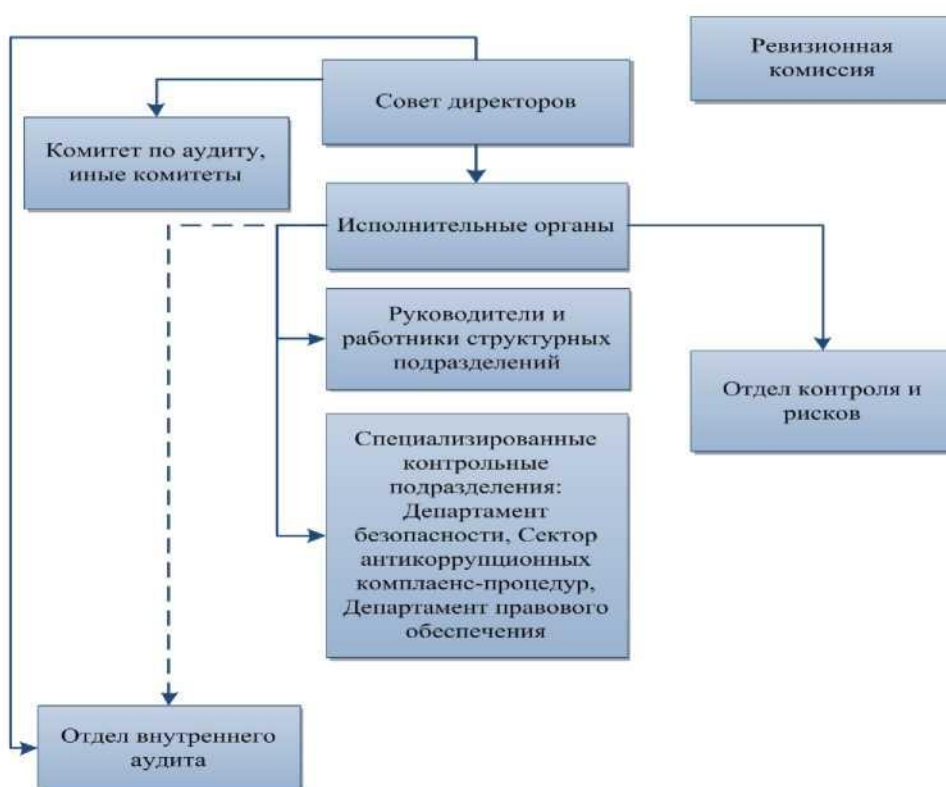
Figure 3. The Internal Control System

In order to implement the Internal Control System Development and Upgrade Strategy of Rosseti, PJSC and its SDCs approved by the Board of Directors of Rosseti, PJSC on February 10, 2014 (Minutes No. 143), the Board of Directors of the Company approved the revised Internal Control Policy of Lenenergo, PJSC on September 5, 2014 (Minutes No. 6 dd. September 9, 2014). The Internal Control Policy sets out the goals, principles, and components of the IC of the Company, the principal functions and responsibilities of its members, and the procedure for the IC efficiency assessment.

The Company also has the following internal documents in place that govern the IC issues:

- the Risk Management Policy (Board of Directors' Minutes No. 6 dd. September 9, 2014)
- the Internal Audit Policy (Board of Directors' Minutes No. 6 dd. September 9, 2014)
- the Method for the Internal Control System and the Risk Management System Efficiency Assessment (Order No. 17 dd. January 22, 2016)
- the Risk Assessment Method (Order No. 386 dd. August 28, 2015)
- Instructions for Planning and Implementing the Risk Management Measures (Order No. 603 dd. December 22, 2015)
- the Internal Audit Guidelines (Order No. 12 dd. January 18, 2016)
- Instructions for the Uniform Breach Classifier Creation and Use (Order No. 318 dd. July 17, 2015)
- Regulations for the Controlled Environment and Risks in the Power Accounting and Transmission (Order No. 460 dd. October 5, 2011)
- Regulations for the Controlled Environment and Risks in the Grid Connection (Order No. 192 dd. April 28, 2012)
- Regulations for the Controlled Environment and Risks in the Procurement Management (Order No. 460 dd. October 5, 2011)

- Regulations for the Controlled Environment and Risks in the Operational Activity (Order No. 631 dd. November 23, 2012).



	The Board of Directors	The Internal Audit Board
The Audit Committee, other committees	Executive bodies	
	Officers and employees of divisions	Control and Risks Office
	Specialized control divisions: Safety and Security Department, Anti-Corruption Compliance Department, Legal Department	
Internal Audit Department		

Figure 4. The Internal Control System Participants

The Internal Control System Participants' Functions

Table 2

Name	Main Internal Control Functions
The Internal Audit Board	<ul style="list-style-type: none"> Controls the business and financial operations of the Company, resulting in preparations of suggestions/recommendations aimed at the internal control system improvement. Independently assesses the validity and accuracy of the information contained in the Company's annual report and accounting report.
The Board of Directors	<ul style="list-style-type: none"> sets out the internal control system organizational principles and approaches arranges the internal control system assessment controls and arranges the internal audit activity controls the executive bodies' operations with respect to the main (priority) areas
The Audit Committee of the Board of Directors	<ul style="list-style-type: none"> pre-reviews the internal documents of the Company that set out the organizational structure and development strategy of the internal control system pre-reviews the results of the internal control system efficiency assessment

	<p>based on the internal auditor's report, as well as pre-reviews the results of the external independent assessment of the internal control system efficiency prior to their approval by the Board of Directors, and prepares suggestions/recommendations aimed at the internal control system improvement</p> <ul style="list-style-type: none"> • pre-reviews the issues of arrangement and results of the internal audit procedures prior to their review by the Board of Directors • supervises the reliability and efficiency of the internal control system with respect to the issues of supervision of the accuracy of the accounting and financial statements, selection of the independent auditor and supervision of the independent audit, monitoring compliance with the legal regulations that govern the review of the Management Board's report on the organization and functions of the internal control system, as well as issues related to the analysis and assessment of the fulfillment of the Internal Audit Policy
Other Committees of the Board of Directors	<ul style="list-style-type: none"> • within their competence as set out by the Board of Directors, control the fulfillment of the set financial and operating targets, monitor the compliance with the applicable laws, as well as rules and procedures set out in the local regulations, and supervise the accuracy and timeliness of the Company's reports
The CEO, the Management Board	<ul style="list-style-type: none"> • provide for the creation and daily functioning of the efficient internal control system in the Company
Heads of Departments, Blocks and Structural Divisions	<ul style="list-style-type: none"> • arrange the creation of the efficient controlled environment of the curated procedures (operating areas), are accountable for the efficiency of fulfillment of the operating goals of the curated procedures (operating areas) and fulfillment of the control procedures
Employees of the structural divisions of the Company that implement the control procedures in the line of their duties	<ul style="list-style-type: none"> • implement the control procedures within the internal control system subject to their job descriptions and applicable regulations • provide for the prompt notification of their superior officers on the cases when the control procedures are impossible to implement for any reason, and/or the control procedures design needs changing due to the changes being introduced to the internal and/or external environment of the Company, including the drafting and submission for approval of the control procedures proposals for the relevant areas
Anti-Corruption Compliance Sector	<ul style="list-style-type: none"> • drafts anti-corruption standards; coordinates the actions of the divisions with respect to the implementation of the Anti-Corruption Policy • carries out control procedures aimed at discovering corruption and other offences; carries out anti-corruption control of the Company's procurements • conducts regular and unscheduled inspections of the Anti-Corruption Policy compliance.
Safety and Security Department	<ul style="list-style-type: none"> • arranges for the creation of the efficient security system for the Company's property and intellectual property • arranges for and holds the inspections and control measures with respect to security (information, economic, counter-terrorism)
Legal Department	<ul style="list-style-type: none"> • drafts methodologies and standards with respect to legal issues • conducts legal reviews of and approves the documents (administrative documents, contracts, etc.)
Control and Risks Office	<ul style="list-style-type: none"> • designs and provides for the implementation of principal and methodological documents regulating the creation and improvement of the internal control system • coordinates the maintenance and monitoring of the target-compliance of the internal control system • prepares information for the internal control system state for the stakeholders
Internal Audit Department	<ul style="list-style-type: none"> • prepares recommendations to improve the control procedures, separate elements of the internal control system, and the system in general, based on the results of the internal audit • carries out the internal independent assessment of the internal control system efficiency and provides recommendations to improve the efficiency

In order to guarantee the IC efficiency and correspondence with the objectively changing conditions and requirements, the Company assesses the IC efficiency: its compliance with the target and maturity level.

The Internal Control System Development and Upgrade Strategy of Rosseti, PJSC and its SDCs approved by the Board of Directors of Rosseti, PJSC on February 10, 2014 (Minutes No. 143), hereafter - the IC Development Strategy, sets out 6 maturity levels for the Internal Control System (from 1 "zero" to 6 "high").

The Company took the following key measures aimed at the IC improvement in the report period in order to develop, upgrade and improve the maturity of the IC:

- the Board of Directors' competence were supplemented in the Articles of Association of the Company. The Board of Directors sets out RMS and IC principles and approaches; assesses the key operating risks and sets out the acceptable risk levels; arranges for analysis and assessment of the RMS and IC at least once a year; annually reviews the organization, functioning, and efficiency of the RMS and IC; controls and arranges the Internal Audit activity; controls the compliance of the executive bodies with the Company's strategy

- the personal accountability with respect to the risk management is set out in the CEO's employment contract; in order to improve the personal accountability of the Company's top managers with respect to the making and efficient implementation of the decisions with respect to the management of the controlled business processes of the Company, regulations for the financial incentives for the branch heads were amended

- in order to improve the system of identification and reporting of the violations and breaches, the following documents were approved: Inspection Regulations for the external control bodies (Order No. 53 dd. February 11, 2015), a Uniform Breach Classifier and Breach Significance Assessment Method (Order No. 318 dd. July 17, 2015), the template for the Report and Instructions for Drafting the Internal Audit and Control Report on Fulfillment of the Plan and Results of the Internal Audit (approved by the Audit Committee of the Board of Directors - Minutes No. 54 dd. April 20, 2015), the Guidelines for Internal Audits (Order No. 12 dd. January 18, 2016); a section for Anti-Corruption Policy was created on the official website of the Company containing, among other information, the details and feedback forms for reports of possible offences by the employees of Lenenergo, PJSC and its SDCs; a Procedure for Receiving, Reviewing, and Resolving the Reports (from Employees, Contractors of Lenenergo, PJSC and Other Individuals and Entities) on Possible Corruption Cases was approved (Order No. 159 dd. April 14, 2015)

- The RMS is integrated into the business planning system. The Board of Directors of the Company approved the Standard and Guidelines for Business Planning (Minutes No. 31 dd. April 14, 2015) that stipulate the assessment of the Company's key operating risks when forming the business plan, and the quarterly monitoring of such risks and reporting thereon to the Board of Directors. A new Method of Operating Risk Assessment was also approved (Order No. 386 dd. August 28, 2015) that sets out the approaches to risk assessment and classification, the methods and algorithms of risk assessment, and the reporting format (risk passport), as well as determines the risk significance scale, and formalizes the process of creation of the risk management action plan and the process of reporting on its fulfillment by the management (Order No. 603 dd. December 22, 2015).

- in order to improve the efficiency of the Company's business processes, several regulations were drafted and updated for such key processes as Procurement Management, and Grid Connection

- in order to improve the information security, a Comprehensive Security Policy was approved (Order No. 207 dd. May 13, 2015) together with the instructions for information security compliance (Order No. 582 dd. December 14, 2015). The Board of Directors approved the revised Regulations for Insider Information of Lenenergo, PJSC as well (Minutes No. 24 dd. December 4, 2015)

- in order to improve the efficiency of the mechanism for informing the responsible parties of the relevant orders, a modernized automated document flow system was introduced

- as a result of the internal inspections and audits, and the inspections of the external supervision bodies, the Company approves of the corrective action plans; and in order to improve the control over their fulfillment, a practice of the management reports review by the Audit Committee of the Board of Directors was implemented.

As a result of the Internal Audit's assessment of the efficiency of the existing internal control system of Lenenergo, PJSC in 2015, in view of the maturity levels of each system component set out by the Internal Control Policy of Lenenergo, OJSC, the overall maturity level of the IC is set as intermediate between "satisfactory" and "moderate".

The internal independent assessment of the IC efficiency was carried out by the internal auditor of the Company, while the external independent assessment (by a third party consultant) was not carried out.

The Audit Committee of the Board of Directors reviewed the issue of the IC efficiency in 2015 (Minutes No. 66 dd. April 26, 2016) and will submit it to the Board of Directors.

In order to further implement the IC Development Strategy in 2016, the following actions are planned aimed at the IC improvement:

- updating of the organizational and administrative documents that allocate powers and responsibility of the officers, regulations on the divisions and job descriptions of employees, and incentive systems in order to make

the remuneration of the officers dependent on the RMS and IC assessment

- establishment of the requirements to design, implementation, monitoring, and efficiency assessment of the corrective actions
- automation of the internal audit
- improvement and optimization of the business processes, formalization and automation of the controlled environment
- introduction of the annual self-assessment of the efficiency and the internal control of business processes
- development of the internal information resources and internal communications, development of the cross-functional interaction
- updating of the requirements to the drafting, unification, and standardization of the internal documents
- upgrading of information technology
- improvement of the performance control system
- conducting corporate training with respect to RMS and IC.

The Internal Audit Office of the Internal Audit and Control Department is the division that is responsible for the internal audit in the Company.

The Internal Audit reports to the Board of Directors, which means that the Board of Directors controls and organizes the internal audit activity, including the approval of the internal audit plan, report on the fulfillment of such plan and the internal audit budget, and the approval of appointment, termination of powers, and remuneration of the head of internal audit.

The Internal Audit Policy of Lenenergo, PJSC (revised) approved by the Board of Directors (Minutes No. 6 dd. September 9, 2014) contains the goals, principles, functions, and powers of the Internal Audit.

The Company has the following documents regulating the internal audit:

- Regulations for Internal Audit (approved on August 2, 2012)
- Regulations for Internal Audit and Control Department (approved on June 18, 2015)
- the Internal Audit Policy (approved by the Board of Directors: Minutes No. 6 dd. September 9, 2014)
- Guidelines for the Department (approved by Order No. 579 dd. October 16, 2013)
- the template for the Report and Instructions for Drafting the Internal Audit and Control Report on Fulfillment of the Plan and Results of the Internal Audit (approved by the Audit Committee of the Board of Directors - Minutes No. 54 dd. April 20, 2015)
- the Internal Audit Guidelines (approved by Order No. 12 dd. January 18, 2016)
- Instructions for the Uniform Breach and Defects Classifier Creation and Use (approved by Order No. 318 dd. July 17, 2015)
- the Method for the Internal Control System and the Risk Management System Efficiency Assessment (approved by Order No. 17 dd. January 22, 2016)
- the Guidelines for Interaction with the Internal Audit Board of the SDCs of Lenenergo, PJSC (approved by Order No. 260 dd. June 17, 2015).

The following are the main goals of the internal audit:

- 1) providing the Board of Directors / the Audit Committee of the Board of Directors and the executive bodies of the Company with independent and objective guarantees that the Company has adequate internal control, risk management, and corporate governance systems
- 2) assisting the management with the creation of the efficiency internal control, risk management, and corporate governance systems by providing consultations.

In 2015, the headcount of the internal audit function was 3 persons.

In 2015, the Internal Auditor conducted 29 control actions.

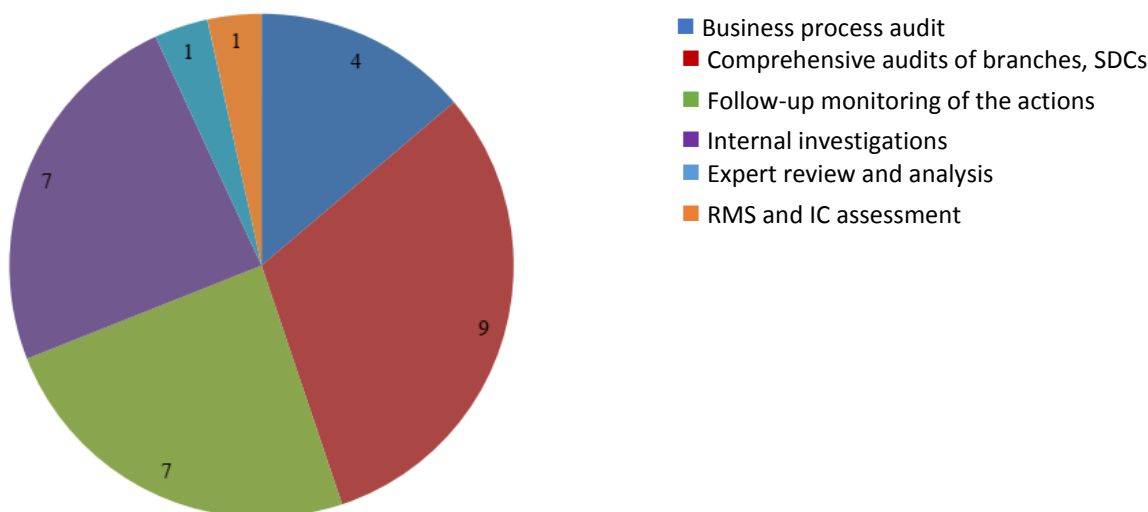


Diagram 1. Results of the Control Actions of the Internal Audit in 2015

As a result of the Internal Audit control actions in 2015, 277 corrective actions were approved aimed at elimination and prevention of reoccurrence of breaches and defects identified by the internal audit.

Of 229 actions scheduled for 2015, 150 were fulfilled.

Overall corrective actions	227
Scheduled for 2015	229
Fulfilled	150

Diagram 2. Corrective Actions

The Audit Committee of the Board of Directors controls the fulfillment of the corrective actions by reviewing the regular reports from the Company's management on the fulfillment of the corrective action plans to eliminate the defects uncovered by the Internal Audit Board, the Internal Auditor of the Company, or the independent control bodies.

Risk Management System

The Company has a Risk Management System (hereafter referred to as the RMS) in place to ensure the consistent and continuous Company functioning and development by promptly identifying, assessing, and efficiently managing the risks that threaten the Company's productive operations and reputation, the employees' health, the environment, as well as the property interests of the shareholders and investors.

In order to improve the risk management system, the Board of Directors adopted a Risk Management Policy (Minutes No. 6 dd. September 9, 2014). The RMS is integrated into the business planning system. The Board of Directors of the Company approved the Standard and Guidelines for Business Planning (Minutes No. 31 dd. April 14, 2015) that stipulate the assessment of the Company's key operating risks when forming the business plan, and the quarterly monitoring of such risks and reporting thereon to the Board of Directors. A new Method of Operating Risk Assessment was also approved (Order No. 386 dd. August 28, 2015) that sets out the approaches to risk assessment and classification, the methods and algorithms of risk assessment, and the reporting format (risk passport), as well as determines the risk significance scale, and formalizes the process of creation of the risk management action plan and the review of reporting on its fulfillment by the management (Order No. 603 dd. December 22, 2015).

Risk Management System Participants

The following are the main participants of the risk management process:




- the Board of Directors
- the authorized committee of the Board of Directors
- the executive bodies of the Company: CEO, Management Board
- the risk owners
- the risk management office
- the risk management measures actors.

The Company regularly identifies, assesses and controls the risks, and adapts its operations in order to



decrease the probability and mitigate the potential consequences of the risks, as well as informs the shareholders and other stakeholders accordingly.




Below is the list of the most substantial risks that may affect the Company's operations, as well as the measures for the mitigation thereof and minimization of the adverse effects thereof.



The significance of the risk is assessed subject to the following scale:





Significance		Behavior Over Time	
Critical		No (or insignificant) changes	
Significant		<i>Significance growth</i>	↑
Moderate		<i>Significance reduction</i>	↓



Significance assessment




No.	Risk	Description	Effect Minimization Procedures	Risk Significance Assessment and Behavior Over Time, yoy
Industry Risks:				
1.	Tariff regulation risks	<p>The core activities of the Company are electric power transmission via distribution grids, and grid connection. They are regulated by the government. The regulatory bodies set out the tariffs for such services, which directly affects the gained revenue. The main risks are:</p> <ol style="list-style-type: none"> 1. Restriction/prevention of the tariff growth (average aggregate, the voltage rating specific for different consumer categories) and, therefore, lack of full inclusion of the feasible expenses in the tariff revenue. 2. Risks related to the changes introduced to the laws that govern the pricing with respect to the electric and thermal power in retail markets. 3. Reduction of the revenue due to the regulator's increasing the contracted capacity parameters and, therefore, reducing the grid maintenance tariff rate. 4. Reduction of the revenue due to the changes in the actual electric power transmission structure with respect to the voltage ratings as compared to the tariff structure. 	<ol style="list-style-type: none"> 1. Systematic interaction with the regional regulators in order to set the feasible tariffs that include, if possible, all of the Company's expenses. 2. Interaction with the Federal Tariff Service and the Federal Antimonopoly Service in order to introduce changes to the Russian laws with respect to pricing for electric power in retail markets, etc. 3. Control over the tariff and balance decisions in the Company's area of operations; use of the means of protection of the Company's legal rights in the Federal Antimonopoly Service. 4. Participation in the creation of the long-term development programs for the territories and approval of the scopes and sources of funding of the Company's investment programs with the local authorities. 	
2.	Risk of Electric Power Transmission Scope Reduction	<p>This risk is related to the reduction of the electric power and capacity demand from the large consumers due to the reduction of the production scope, optimization of the consumers' external power supply systems, development of their own generating facilities, or reduction in the payment capacity.</p>	<p>In order to minimize the risk, the Company takes steps to improve the accuracy of the electric power transmission forecast used for the pricing and business planning purposes in view of the economic development statistics and forecasts for Russia and Russian constituent entities, as well as forecasts of the large consumers' behavior.</p> <p>In order to improve the competitiveness of the power supply by connecting the Company's grids, the Company takes steps to improve the reliability, quality, and safety of the power supply and to simplify the grid connection process, as well as implement the customer-focused policy of the consumer interaction, and takes measures to improve the efficiency of the power grid.</p>	


No.	Risk	Description	Effect Minimization Procedures	Risk Significance Assessment and Behavior Over Time, yoy
3	Grid connection risks	<p>1. A large scope of the grid connection obligations, the revenue from which does not cover the required investment expenses, creates grounds for delays in the grid connection obligation fulfillment. That may result in the risks of breach of the antimonopoly laws with respect to the grid connection timelines.</p> <p>2. Insufficient receipt of the potential revenue from power transmission due to the applicants' failure to fulfill their obligations (including their refusal from grid connection) and, therefore, lack of use of the newly constructed equipment.</p> <p>3. The risk of funding source deficit for the actions under the grid connection contracts due to the grid connection payment rates being set by the regulatory bodies below the feasible level.</p>	<p>1. Fulfillment of accumulated grid connection obligations within the federal bonds program.</p> <p>2. Optimization of the Company's expenses related to the construction of the distribution grid for the consumers to be connected to.</p> <p>3. Improvement of the grid connection business process using information technology and standard solutions aimed at lowering the number of stages and reducing the timelines for the grid connection, and improvement of the interactive services.</p> <p>4. Implementation of the Action Plan for reaching the key parameters of the Doing Business rating in the category of grid connection.</p> <p>5. Handling the complaints from the applicants with respect to the grid connection expenses compensation.</p> <p>6. Interaction with the regulatory bodies of the Russian constituent entities in order to include the expenses related to the connection of the subsidized category of applicants into the power transmission tariff.</p> <p>7. Applying to the regulatory bodies for an individual grid connection tariff.</p>	
4	Risks of growth of the overdue and bad receivables	Risks of lost income related to the lack of payments from the utility companies due to disputes with respect to the power and capacity consumption scopes used for tariff calculation	<p>1. Work with contractors aimed at the timely fulfillment of the contractual obligations and repayment of the overdue debt amounts.</p> <p>2. Complaint handling aimed at recovery of the receivables (penalties for the delay) and creation of the favorable court practice.</p> <p>3. Implementation of the comprehensive Energy Preservation and Energy Efficiency Improvement Program including installation of the metering units and implementation of measures to discover the non-contractual consumption.</p>	
5	Risk of growing scope of power transmission	A significant risk of growth in the scope of power transmission services provided to the partner grid companies is due to the leasing out of certain equipment between the grid entities,	1. Implementation of measures to resolve the discrepancies and repay the overdue debt (including in court) for the power transmission services of the partner grid	



No.	Risk	Description	Effect Minimization Procedures	Risk Significance Assessment and Behavior Over Time, yoy
	services provided to the partner grid companies	which results in duplication of the scope of power flow and double payment for the same flow from the grid of Lenenergo, PJSC, and due to the fact the partner grid companies purchase substation equipment of the generating facilities. These scopes are not included in the tariff and balance decisions, which leads to income shortfalls and, therefore, discrepancies in the accounts.	companies in Saint Petersburg and the Leningrad Region. 2. Applying to the regulator and the Federal Antimonopoly Service for the expenses of Lenenergo, PJSC for the services of the partner grid companies in Saint Petersburg and the Leningrad Region to be recognized in court.	
Country and Regional Risks				
6	Risks related to the political and economic situation in the country and region (area)	The country and regional risks are driven by the global, country-wide, and regional macroeconomic factors. Primarily, they result from the anti-Russian sanctions introduced by the European Union that affect the Russian Federation through a number of macroeconomic factors (unstable exchange rate, restriction of imports of the raw materials and equipment, etc.). The Company operates in two constituent entities of Russia: Saint Petersburg and the Leningrad Region, that are economically developed and are centers of financial and political activity. This factor drives the consistent demand for the Company's services; however, such a demand is subject to the effects of the economic cycles.	The Company analyses the situation and takes anti-crisis management measures in order to reduce the adverse effect as much as possible. To minimize these risks, the Company works to cut the internal costs, optimize the investment program, and carries out a weighted borrowing policy.	
7	Risks related to the geographical peculiarities of the country or an area, including the increased risk of natural disasters, or possible cut off of the transportation.	The geographic peculiarities of the Company's operations area stipulate the risk of natural disasters (windstorms, rainstorms, floods, heavy snow, snow mounds, etc.), resulting in the interruptions of the power supply and the Company incurring material damage.	1. Implementation of measures to prepare the agricultural sector to the fall-winter season. 2. Efforts to reduce the time needed to promptly liquidate the aftereffects of a natural emergency in the fall-winter season. 3. Design of the power facilities in view of the peculiarities of the regional climate and geography. 4. Expansion of the OL clearings in line with the relevant regulations that govern the protected areas and forest clearing around the power facilities. 5. Implementation of the property insurance program. Provision for the availability and readiness of the emergency response and recovery teams. 6. Arrangement for the command center of Lenenergo in	

No.	Risk	Description	Effect Minimization Procedures	Risk Significance Assessment and Behavior Over Time, yoy
			order to provide for the reliable operation of the Company's power grid facilities, improve the efficiency of the management and reaction speed in case of interruptions to the power supply or a threat thereof, reduce the time needed to eliminate emergencies and mitigate the aftereffects thereof, and to arrange the interaction and coordination of joint actions by the grid entities aimed at prevention and liquidation of emergencies.	
8	Risks related to the possible military conflicts, introduction of a state of emergency, or strikes in the country(ies) or the area	The Company cannot fully eliminate the risks related to a possibility of a state of emergency being introduced in the area of operations, or in the country in general. Terrorist attacks, both domestic and international, also may have an adverse effect on the Company's investments and securities' prices. Military conflicts or terrorist attacks may result in the risks of the Company's fixed assets being disabled.	In order to mitigate these risks, the Company takes steps to fulfill the requirements of Federal Law No. 256-FZ dd. July 21, 2011 <i>On Safety and Security of the Fuel and Energy Sector Facilities</i> .	
Financial Risks				
9.	Risks related to the exchange rates change	The Company currently does not carry out foreign economic activities. Its main clients consuming the electric power are the residents of Russia. The transportation payments are also conducted in the currency of the Russian Federation. However, considering the inventory of goods and equipment procured by the Company includes the imported components, the growth of the exchange rate carries the risk of the procured products becoming more expensive.	The Company regularly monitors prices, conducts public tenders, and implements the imports phasing out policy (the share of the imported materials in the supplies by the end of Q4 2015 was 4.6%, while in H1 2015 it was 16% of the overall supply scope).	
10.	Risks related to the interest rates change	The Company borrows funds as sources of financing the business and investment activities, therefore it is exposed to the risk of loans and borrowings interest rate increasing. A rapid growth of the interest rates for loans and borrowings may result in the increase of the debt servicing costs.	In order to mitigate the interest rate risk, the Company carries out a cautious loan policy aimed at optimizing the structure of the debt portfolio and minimizing the costs of debt servicing.	
11.	Risks related to inflation	1. Risk of losses related to reduction of the actual value of the receivables in case of a significant delay or rescheduling of the payment. 2. Risk of increase of interest payable for the borrowings.	1. Effect of the inflation factors on the financial stability of the Issuer is forecast when the Company drafts its financial plans. 2. Implementation of the measures to reduce the receivables and increase its turnover. The inflation risk is not critical for	

No.	Risk	Description	Effect Minimization Procedures	Risk Significance Assessment and Behavior Over Time, yoy
		<p>3. Risk of increase of the net cost of goods, products, and services due to the increase of the energy, transportation services prices, salary, etc.</p> <p>4. Risk of reduction of the actual value of funds of the investment program.</p>	<p>the issuer, since, if the actual inflation in the regulation period exceeds the one included in the tariff model, the regulator takes that fact into account in the following period.</p>	
Legal Risks:				
12.	Legal risks	<p>1. Risks of changes to the legislation (federal laws and subordinate legislation) that governs the shareholding and corporate relations.</p> <p>2. Risks of antimonopoly regulation affect the consumers' electric plant grid connection operations the most. If the Company is declared in violation of the antimonopoly laws, it may result in fines, including the turnover-based ones, i.e. calculated based on the Company's revenue amount.</p> <p>3. Risk of losses related to the incorrect legal execution of documents and Company's operational support.</p>	<p>1. Monitoring activities in order to promptly react to the changes introduced to the Russian laws that affect various aspects of the Company's operation; and active interaction with the legislative and executive bodies and public organizations with respect to the interpretation and improvement of the legislative requirements.</p> <p>2. In order to reduce the effect of factors that result in the antimonopoly regulation risks occurring, the Company improves its grid connection business processes by simplifying its internal procedures and reducing the timelines thereof and introduces the new types of servicing the consumers, particularly with respect to the interactive methods of servicing, which reduces the impact the personnel errors and abuse have. If the Company is held liable for the violation of the antimonopoly laws by the antimonopoly bodies wrongly, the Company will dispute such measures in court.</p> <p>3. In order to minimize the legal risks, all business processes of the Company that are subject to such risks (e.g., making of contracts) undergo mandatory legal expert reviews.</p>	
11.	Risks related to the tax laws change	<p>1. Introduction of new taxes and levies; increase of the existing tax rates; expansion of the tax base.</p> <p>2. Change of the deadlines and procedure of tax payments, as well as preparation and submission of the tax reports.</p> <p>3. Potential risks of the Company being held liable related to the taxes in case the state fiscal policy changes with respect to certain taxes and levies, as well as in case the court practice changes (not in favor of the taxpayer) with respect to certain tax cases categories.</p>	<p>If the applicable procedure and tax terms change, the Company intends to plan its financial and business operations in view of such changes.</p> <p>The Company's tax and levies obligations subject to the applicable Russian laws are based on the subordination of the business entities to the state. The Company is entitled to, and the regulatory body is obliged to take such expenses into account when setting the tariffs as feasible.</p> <p>If the taxes and levies are called to be paid not in line with the</p>	

No.	Risk	Description	Effect Minimization Procedures	Risk Significance Assessment and Behavior Over Time, yoy
			applicable laws and regulations, the Company uses the pre-court dispute resolution tools against the tax bodies, and uses its right for court protection.	
12.	Change of the court practice with respect to the issues related to the Company's operations.	Change of the court practice with respect to the Company's operations may result in rulings that are not in favor of the Company, which in turn may adversely affect the business results.	1. Continuous monitoring of the commercial court practice. 2. Optimization of the process of legal execution of the documents and Company's operations support.	
Risks of Business Reputation Loss (Reputational Risk)				
13	Reputational risk	The Company's operations are based on the full performance of its obligations to the clients and counterparties. Lenenergo, PJSC constantly works to maintain the reliability and continuity of the power supply to the consumers, to improve the quality of the services rendered and increase the client-focusedness, that is to reach the goals set by the Russian Power Sector Development Strategy (approved by the Russian Government on April 3, 2013, Instruction No. 511-r).	1. Arrangement of electric power supply recovery after natural disasters as soon as possible, engaging the emergency teams from all the branches. 2. Prompt response to the consumers. 3. Fulfillment of the grid connection obligations. 4. Disclosure of the Company's information subject to the requirements of the applicable laws.	
Strategic Risk				
14	Strategic risk	<i>The Company's strategic priorities are set in the Russian Power Sector Development Strategy approved by the Russian Government that governs the approaches to resolving the system-wide issues in the power sector.</i> Therefore, the Company's strategic risks are the risks that affect the possibility of the Company providing a long-term reliable high-quality and accessible power supply to the Russian consumers, and the improvement of the power sector efficiency. As a result of the analysis carried out jointly with the Ministry of Energy of Russia under the instruction of the Russian Government (Minutes No. AD-P9-85pr dd. April 2, 2015, of the meeting held by A.V. Dvorkovich), the negative impact of the implementation of the approved investment program of the Company were discovered on the development of the grid	1. Implementation of the set of organizational measures aimed at: - improvement of reliability and power supply quality to the level that corresponds to the consumers' requests - improvement of the power supply safety, including reduction of the number of accidents - improvement of the efficiency of the power grid, including: • increase of the capacity load • reduction of the specific investment expenses • reduction of the operational expenses • reduction of the power losses. 2. An adjusted (sequestered) investment program of the Company was approved for 2015 (Russian Ministry of Energy Order No. 999 dd. December 21, 2015), and the Investment Program for 2016-2020 (Russian Ministry of Energy Order	

No.	Risk	Description	Effect Minimization Procedures	Risk Significance Assessment and Behavior Over Time, yoy
		sector of Saint Petersburg: - overly optimistic growth forecast for the power consumption and capacity -rapid growth of the tariff in the areas of operation -risk of the new capacities being underutilized -high debt load, risk of breaking financial covenants and financial stability of the Company.	No. 1042 dd. December 28, 2015). 3. In order to achieve the balanced development of the grid sector of Saint Petersburg, optimize the investment program of Saint Petersburg and improve its efficiency, the actions are carried out subject to the Road Map approved by the Management Board of Rosseti, PJSC (Minutes No. 364pr dd. July 6, 2015) for fulfillment of the Russian President's instructions adopted at the Presidential Meeting On the Mechanisms of Regulation and Financial Rehabilitation of Lenenergo, PJSC. The Road Map includes consolidation of assets of St. Petersburg Power Grid, JSC and Petrodvorets Power Grid, JSC.	
Risks Related to the Company's Business				
15.	Operational risks	Operational and process risks that affect the reliability of power supply are related to the systemic interruptions of the operability and efficiency of the distribution power grid equipment and interruptions of power supply as a result of the natural disasters, high physical deterioration and outdatedness of the power grid assets, violation of the operational and use modes of the power grid equipment, or insufficient fulfillment of the repair program. These risk factors affect the losses in the power grids increasing the Company's expenses for the purchase of power in order to compensate for the losses. As a result of such risks, both significant economic and reputational outcomes are possible.	1. As measures to reduce the possibility of the operational and process risks, the Company carries out steps aimed at improving the reliability of the consumers' power supply and preventing the risks of the process disturbances, including: - creation and expansion of the forest clearings for the OLS, reconstruction of the power facilities - expansion of the fleet of the backup power sources and special machinery for the emergency response works - comprehensive program of modernization of the power grid assets, switching equipment, and remote control systems - improvement of the data collection and transmission systems, analysis of the technical disturbances, etc. 2. The Company implements the set of measures to prepare the grid to the fall-winter season (subject to the issue of the Readiness Passport). 3. A program for reduction of the risks of injury is implemented at the grid facilities along with training, control, and certification of the personnel. 4. The Company has an integrated management system that constantly develops and improves and is based on ISO 9001:2008, ISO 14001:2004, OHSAS 18001:2007 and the	

No.	Risk	Description	Effect Minimization Procedures	Risk Significance Assessment and Behavior Over Time, yoy
16	Environmental risks	<p>The environmental risks include the possibility of the pollution caused by the motor vehicles.</p> <p>These risks may also occur from the leaks of the transformer oil at the substations in case of oil-feeding units breakdown, which may result in pollution of the environment with oil products.</p>	<p>relevant national standards.</p> <ol style="list-style-type: none"> 1. Implementation of the Environmental Policy of the Company aimed at minimizing the adverse impact of the power grid facilities on the environment, the environmental safety of Saint Petersburg and the Leningrad Region. 2. The environmental risks are reduced by a long-term prospective program to replace the oil circuit breakers in 6-110 distribution grids to the vacuum and gas-insulated ones and to install reclosers, which reduces the process turnover of the dielectric oils and prevents them from leaking into the environment, including the reduction of the costs of oil disposal. 3. The maximum permissible emission, wastewater, timely waste removal are controlled at the production sites. 	
17.	Investment risk	<ol style="list-style-type: none"> 1. The risk of the funding sources for the investment program reducing. In 2015, the risk was due not only to the financial problems the Company faced, but also to the impact of the environment in the power industry, in particular: <ul style="list-style-type: none"> - fluctuations of the exchange rates - high inflation rates - growing costs of borrowed funds - reduction of the net supply of power. 2. Risk of not meeting the commissioning schedules for the facilities under the investment program, including due to a failure to fulfill or a delay in fulfillment of the contractors' and suppliers' obligations. 3. Risk of application of provisions (sanctions) by the regulatory bodies that stipulate the reduction of the tariff revenue if the investment program is not implemented. 4. Risk of the counterparties filing lawsuits to enforce the Company's debts due to the existence of payables for the works performed. 5. Risk of not reaching the target effect of reduction of the specific investment expenses in line with the Russian Power 	<ol style="list-style-type: none"> 1. An adjusted (sequestered) investment program of the Company was approved for 2015 (Russian Ministry of Energy Order No. 999 dd. December 21, 2015), and the Investment Program for 2016-2020 (Russian Ministry of Energy Order No. 1042 dd. December 28, 2015). 2. Monitoring of the investment program and its funding, analysis of the causes for the deviation of the actual parameters from the planned ones. 3. Improvement of the quality control and management system for the fixed assets construction processes when implementing the investment program. In order to improve the quality of implementation of the investment projects, the Company has a Fixed Assets Construction Quality Management Concept, a Construction Contractors' Readiness Assessment Procedure, and a Construction Supervision Procedure in place. 4. Continued control of the specific price of 1 km and 1 MVA construction. A Model for Investment Projects Consolidated Value Calculation and Regulations for Investment Projects Consolidated Estimate Value Calculation are approved subject 	

No.	Risk	Description	Effect Minimization Procedures	Risk Significance Assessment and Behavior Over Time, yoy
		Sector Development Strategy with respect to the benchmark for the investment expenses reduction by 30% over 2012, due to the fact the expenses for the imported materials take a certain part of the investment expenses structure, and due to the growth of prices of the primary materials.	to the methodology of planning the investments cost reduction by 30% over 2012. 5. In order to reduce the dependency on the imported equipment, process units, components, etc., the Company implements an import phasing out action plan.	

Significance assessment



Investment risk	Operating and technological risks
Reputational risks	Risks related to the geographical...
Strategic risks	Inflation risk
Tariff regulation risks	Interest rates risks
Risks related to the tax legislation change	Currency risks
Court practice change with respect to...	Tariff regulation risks
Legal risks	Risks of growth of the overdue and bad receivables
Grid connection risks	
Risks related to the political and economic situation...	
Risk of growing electric power transmission scope of services of...	
Risk Assessment	

Moderate
Significant
Critical

SECTION 3. PERFORMANCE RESULTS

- 3.1 Operating Results
- 3.2 Financial Results
- 3.3 Technical Upgrades, Modernization, and Innovations

3.1 Operating Results

- 3.1.1 Electric Power Transmission Services
- 3.1.2 Grid Connection Services
- 3.1.3 Other Operations

3.1.1 Electric Power Transmission Services

When carrying out regulated power transmission activities in the areas of operation, Lenenergo, PJSC applies the following regulatory base and laws: federal, regional, other regulations.

- Federal Law No. 35-FZ dd. March 26, 2003 *On Electric Power Industry*
- Russian Government Decree No. 1178 dd. December 29, 2011 *On Pricing in Regulated Segment (Tariffs) of the Electric Power Industry*
- Russian Government Decree No. 861 dd. December 27, 2004 *On Approving the Rules for Non-Discriminating Access to the Electric Power Transmission Services and Provision of Such Services, the Rules for Non-Discriminating Management in the Electric Power Industry and Provision of Such Services, the Rules for Non-Discriminating Access to the Services of the Grid Operator of the Wholesale Market System and Provision of Such Services, and the Rules for Grid Connection of Power Receivers (Power Plants) of Entities and Individuals*
- Russian Government Decree No. 1172 dd. December 27, 2010 *On Approving the Rules for the Electric Power and Capacity Wholesale Market, and Amending Certain Statutes of the Russian Government on Organization of the Electric Power and Capacity Wholesale Market*
- Russian Government Decree No. 1220 dd. December 31, 2009 *On Setting the Reliability and Quality Criteria for the Goods Supplied and Services Rendered Applicable for Long-Term Tariffs*
- Russian Ministry of Energy No. 296 dd. June 29, 2010 *On Approving the Methodic Guidelines for Reliability and Quality Calculation for the Goods Supplied and Services Rendered for the Entity Managing the Federal Grid and the Territorial Grid Entities*
- Federal Tariff Service Order No. 20-e/2 dd. August 6, 2004 *On Approving the Methodic Guidelines for Electric (Thermal) Power Regulated Tariff and Prices Calculation for the Retail (Consumer) Market*
- Federal Tariff Service Order No. 209-e/1 dd. September 11, 2012 *On Approving the Methodic Guidelines to the Setting of Payment for Grid Connection to the Power Grids*
- Federal Tariff Service Order No. 313-e dd. March 28, 2013 *On Approving the Guidelines for Setting the Prices (Tariffs) and/or the Limits Thereof, Providing for the Procedure of Registration, Acceptance for Review, and Refusal of Applications for Prices (Tariffs) and/or the Limits Thereof, and the Template of the Decision of the Executive Authority of the Russian Constituent Entity with Respect to the State Regulation of Tariffs.*

Power Consumption Scope and Structure

Production Performance Results in 2015

Table 3.1

	Supply to the grid, mn kWh	Supply from the grid to consumers and partner territorial grid entities within the balance and operational boundaries, mn kWh	Losses	
			mn kWh	%
Saint Petersburg	20,961	18,252	2,709	12.92%
Leningrad Region	12,441	11,065	1,376	11.06%
Lenenergo, PJSC	33,401	29,316	4,085	12.23%

Power Transmission Services Over 2014-2015

Table 3.2

	Power services provided		
	2014	2015	Change

	mn kWh	RUB mn	mn kWh	RUB mn	mn kWh	RUB mn	
Lenenergo, PJSC	28,680	42,789	28,249	48,007	-431	5,218	1.5%
Saint Petersburg	18,152	24,510	17,749	27,994	-403	3,484	2.22%
Leningrad Region	10,528	18,279	10,500	20,013	-28	1,734	0.27%

In 2015, 33,401 mn kWh of power was supplied from the grids of FGC UES, PJSC and from the power generating entities to the Company's grids. Out of that scope, the Company supplied 29,316 mn kWh to the consumers and regional grid entities. The power losses amounted to 4.085 mn kWh, or 12.23% of the power supplied by Lenenergo, PJSC.

As compared to the actual parameters of 2014, the scope of the power transmission services provided in 2015 reduced by 431 mn kWh, or 1.5%.

The reduction was due to the impact of the crisis events in the economy of the country and the reduction of the production scope, which led to the reduction of the consumption by the large industrial consumers. At the same time, the consumption of small consumers also reduced due to the decrease in the actual income of the residents. The growth in consumption was recorded only for the category of Residents, due to the increasing residential construction.

Power Consumption Structure

Electric Power Supply Structure, Broken Down by Consumer Categories, 2014, mn kWh

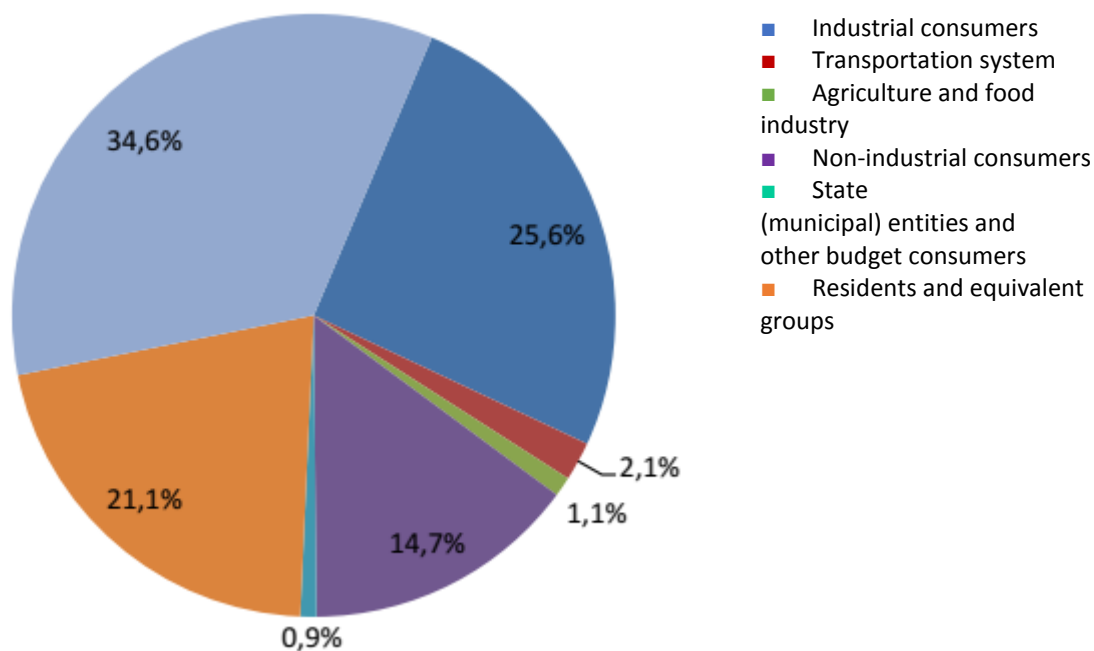
Table 3.3

Category	2014	2015	Change 2015/2014
Industrial consumers	8,210.40	7,507.60	- 702.80
Transportation system	593.95	609.45	15.50
Agriculture and food industry	344.22	311.16	- 33.07
Non-industrial consumers	4,643.91	4,313.81	- 330.10
State (municipal) entities and other budget consumers	267.04	254.52	- 12.52
Residents and equivalent groups	5,920.52	6,188.37	267.85
TGE	9,590.10	10,131.42	541.32
Total	29,570.13	29,316.33	- 253.80

In 2015, the consumption category of TGE grew due to the consumers' reallocation between Industrial Consumers and IGE as a result of lease of the power facilities to the TGE from large consumers.

The reduction of the Industrial and Non-Industrial Consumers categories was due to the decrease in production as a result of the economic environment in the country.

Electric Power Supply Structure, Broken Down by End Consumer Categories, 2015, mn kWh



The supply from the Lenenergo, PJSC grids to TGE has the biggest specific weight in the power supply structure: its overall share in the Company's power supply is 34.6%, including 25.2% in Saint Petersburg and 49.9% in the Leningrad Region of the overall power consumption. For the past 5 years, an overall tendency of growing share of power supply to the TGE is evident due to the establishment of the new TGE, i.e. the grid entities applying for the inclusion of the aggregate net supply. In general, the new TGE are established based on the large enterprises (industrial sites) that transfer their own power grid facilities to the TGE.

The table below contains the information on the power transmission scope over time, broken down by the voltage levels:

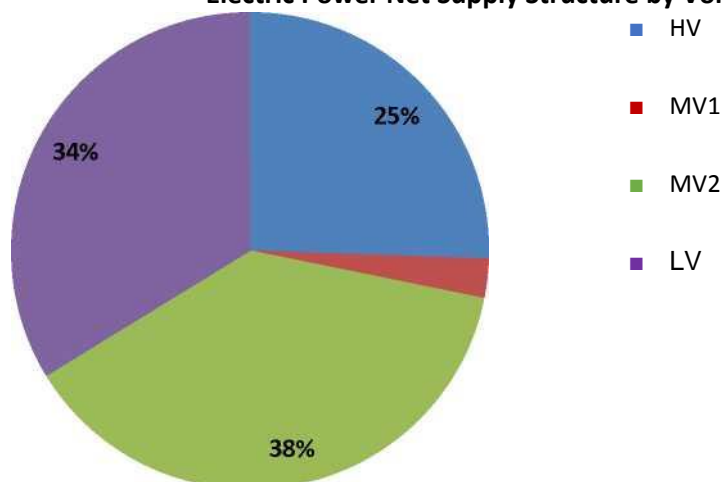
Electric Power Transmission Structure, Broken Down by the Voltage Levels in 2014-2015, mn kWh

Table 3.4

	2014	2015	Change 2014/2013
Total	28,679.67	28,249.28	- 430.40
HV	7,461.25	7,214.87	- 246.38
MV1	784.23	754.37	- 29.87
MV2	10,890.06	10,740.11	- 149.95
LV	9,544.13	9,539.93	- 4.20

In 2015, the decrease of the HV and MV2 consumption is reported due to the reduction of consumption by the industrial and small engine consumers. The growth in Residents and Equivalent Groups allowed maintaining LV consumption at the level of 2014.

Electric Power Net Supply Structure by Voltage Ratings, 2015



Analyzing the structure of the services broken down by the voltage ratings, it is important to note that the peak net supply of 38% relates to MV2 (6-10 kV), while LV is 34%, and HV is 25%. The supply structure by voltage is similar to the supply structure broken down by consumer categories, that is: the main scope of services rendered to the industrial consumers is charged for at the HV tier tariff, services rendered to the non-industrial consumers are charged for at the MV2 tier, and services rendered to the residents are charged for at the LV tier. In view of the fact the grid equipment structure of Lenenergo, PJSC includes a small amount of 20-35 kV equipment, MV1 tier has the smallest net supply of 3%.

Electric Power Consumption from the Lenenergo, PJSC Grids, Broken Down by the Largest Consumers, 2015, mn kWh

Table 3.5

Branch Name	Consumer Name	Consumption, mn kWh	Share in the Services Provided, %
Net Supply in 2015		28,249.28	100%
Saint Petersburg	Admiralty Shipyards, OJSC	64.71	0.23%
	Energiya PK, OJSC	87.06	0.31%
	Svetlana, OJSC	63.18	0.22%
	Severnaya Verf Shipyard, OJSC	47.06	0.17%
	Arsenal MZ, OJSC	20.87	0.07%
Leningrad Region	Tsement, LLC	168.28	0.60%
	Phosphorit Production Association, LLC	52.21	0.18%
	BaltNefteProdukt, LLC	199.14	0.70%
	A.P. Aleksandrov Scientific Research Technological	46.92	0.17%
	Tikhvin Ferroalloy Plant, CJSC	209.88	0.74%
	VLK, OJSC	184.80	0.65%
	St. Petersburg Cardboard and Printing Plant, OJSC (Knauf Petrobord, JSC)	133.54	0.47%
Total, largest consumers		1,277.65	4.52%

The table only contains the power consumption data for the largest industrial consumers of Saint Petersburg and the Leningrad Region. Generally, for the two areas in aggregate, the overall number of consumers

with installed capacity of over 670 kW is approximately 2,000.

Power Losses. The Energy Preservation and Energy Efficiency Improvement Program.

Power Losses Over Time, 2013-2014

Table 3.6

	2014		2015		Change 2014/2013	
	mn kWh	%	mn kWh	%	%	p.p.
Saint Petersburg	2,336.1	11.13%	2,708.9	12.92%	16.0%	1.79%
Leningrad Region	1,341.4	10.94%	1,376.0	11.06%	2.6%	0.12%
Lenenergo, PJSC	3,677.5	11.06%	4,084.8	12.23%	11.1%	1.17%

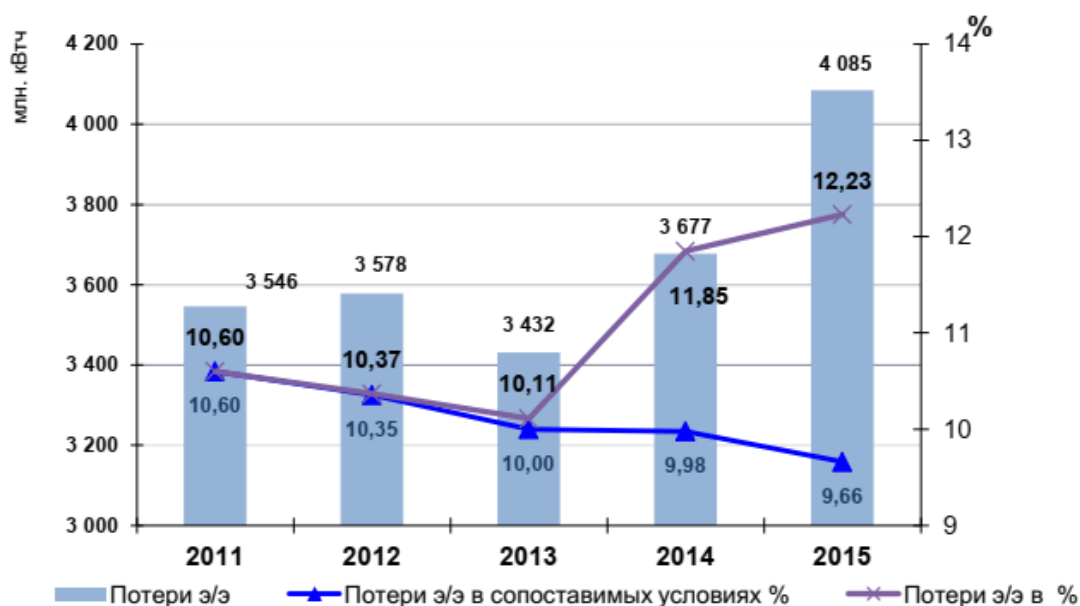
The actual loss in Lenenergo grids in 12 months of 2015 was 4,085 mn kWh, or 12.23% of the supply to the grid, which is 407.3 mn kWh (in the absolute terms) higher than in 2014, and 1.17 p.p. higher than the same period of the previous year.

Analysis of Change of Relative Loss in View of Switching to Supply to the Grid Subject to AIMS EPA under Comparable Conditions in 2014-2015

Table 3.7

	2013	2014	2015
Saint Petersburg			
Supply to the grid	21,729.72	20,982.44	20,960.64
Actual losses	2,270.43	2,336.11	2,708.86
Actual losses percentage	10.4%	11.13%	12.92%
Power losses under comparable conditions	2,270.43	2,253.95	2,163.36
Losses percentage under comparable conditions	10.45%	10.24%	10.02%
Leningrad Region			
Supply to the grid	12,214.89	12,265.15	12,440.53
Actual losses	1,161.11	1,341.35	1,375.99
Actual losses percentage	9.5%	10.94%	11.06%
Power losses under comparable conditions	1,161.11	1,222.05	1,171.49
Losses percentage under comparable conditions	9.22%	9.53%	9.06%
Lenenergo, PJSC			
Supply to the grid	33,944.61	33,247.59	33,401.18
Actual losses	3,431.53	3,677.46	4,084.85
Actual losses percentage	10.1%	11.06%	12.23%
Power losses under comparable conditions	3,431.53	3,476.00	3,334.85
Losses percentage under comparable conditions	10.00%	9.98%	9.66%

Power Losses in Lenenergo, PJSC Grids Over Time



Power losses	Power losses under comparable conditions, %	Power losses, %
млн. кВтч		mn kWh

The losses grew due to the change of the calculation method of power supply from the Federal Grid from June 1, 2014. Previously, when forming the actual balance of electric power for the grids of Lenenergo, PJSC, the supply from the Federal Grid to the grids of Lenenergo, PJSC was subject to the approved calculation method. The calculation was needed due to the fact there was no record system for the perimeter FGC UES, PJSC - Lenenergo, PJSC. The calculation method principle involved normalizing the power flow scope determined using the metering units (remote metering) installed for the upper boundaries of the Federal Grid's facilities (for upper boundary of 220-330 kV) to the supply points at the boundary of FGC UES, PJSC - Lenenergo, PJSC, by reducing the value by the standard loss (5.27%). Commissioning of the AIMS at the boundary of FGC UES, PJSC - Lenenergo, PJSC resulted in a rapid increase of the supply to the grids of Lenenergo, PJSC. The growth of losses due to the change of the supply to the grid calculation method for Lenenergo, PJSC - FGC UES, PJSC was 750 mn kWh per year.

Lenenergo, PJSC power losses in 2015 (under comparable conditions) amounted to 3,334.85 mn kWh (or 9.66% of the supply to the grid), which was 0.32 p.p. lower than the value of 2014 (3,476 mn kWh, or 9.98% of the supply to the grid), under comparable conditions.

Energy Preservation and Energy Efficiency Improvement. Loss Reduction.

Lenenergo, PJSC carries out its energy preservation and energy efficiency improvement in 2015 subject to Federal Law No. 261-FZ *On Energy Preservation and Energy Efficiency Improvement, and On Amending Several Russian Laws*, Russian Government Decree No. 340 dd. May 15, 2010 *On Setting the Requirements to Energy Preservation and Energy Efficiency Improvement Programs of Entities Carrying Out Regulated Activities*, Russian Government Decree No. 977 dd. May 15, 2010 (dd. December 1, 2009) *On Investment Programs of the Power Sector Entities* (as amended by Russian Government Decrees No. 484 dd. June 30, 2010, No. 1178 dd. December 29, 2011), and decrees of the executive authorities of the Russian constituent entities that govern the state regulation of tariffs for the power transmission entities:

Saint Petersburg Government Decree No. 1346 dd. September 13, 2005

Saint Petersburg Tariff Committee Instruction dd. March 29, 2013, Leningrad Region Government Decree No. 274 dd. August 28, 2013, Leningrad Region Tariff and Pricing Policy Committee Order No. 239-p dd. December 28, 2011, and the Energy Preservation and Energy Efficiency Improvement Program of Lenenergo, OJSC for 2015-2019 (the Program) approved by the Board of Directors of Lenenergo, PJSC (Resolution No. 13 dd. December 4, 2014). In order to implement the Program, the Executive Office and the branches of Lenenergo, PJSC appointed the officers responsible for the compliance with the Program, and created work groups analyzing the fulfillment of the Program (Lenenergo, OJSC Order No. 661 dd. November 21, 2013) subject to Rosseti, PJSC Order No. 561 dd. September 9, 2013 *On Arranging Energy Preservation and Energy Efficiency Improvement in Rosseti, OJSC*.

The following are the energy preservation and energy efficiency improvement targets under the Program:

- reduction of power losses when transmitting and distributing power through the grids
- consumption of power resources for own needs
- availability of advanced power metering units on the retail market subject to the Prospective Development of Power Metering Systems Program.

The target values of the Program are set for 2015-2020.

Below are the planned and actual values for the target parameters for 2015:

Parameter Name	Units of Measurement	2015	
		Planned	Actual
Power losses, including:	mn kWh	4,130.16	4,084.85
	% of FA	12.23%	12.23%
substations' demand	mn kWh	41.02	35.09
Consumption of resources for own needs, including by resource type	RUB mn	222	211.23
fuel and power, including:	toe	6,426.16	5,947.65
	RUB mn	215.37	204.84
	toe per m ² of premises	0.10	0.06
electricity	mn kWh	21.85	21.32
	RUB mn	73.42	69.95
thermal power	Gcal	12,164.97	10,656.95
	RUB mn	17.45	15.55
cold water supply	thousand m ³	284.52	242.51
	RUB mn	6.63	6.39
diesel fuel	toe	2,136.45	2,061.81
	RUB mn	53.18	51.91
gasoline	toe	2,865.63	2,678.27
	RUB mn	71.32	67.43
Advanced power meters' availability on the retail market	%	13	9

The other power resources not specified in the table were not consumed or used in 2015.

Failure to meet the target parameters for power metering units' installation is due to the fact that in the beginning of 2015 there were payables of RUB 247.5 mn for Saint Petersburg and the Leningrad Region, and the construction in progress amounted to RUB 429 mn. The works actually carried out by the contractor, but not documented (executive documents unavailable) amounted to RUB 54.9 mn. In addition, the amount remaining to be fulfilled under the already existing contracts is RUB 297.1 mn.

Subject to the adjusted Investment Program for 2015-2020, the funding for Saint Petersburg and Leningrad Region Retail Market AIMS EPA for 2015 was planned at RUB 239 mn.

In view of the circumstances, no contracts for AIMS EPA design were made in 2015. In order to repay the payables within the available funding limits, the completed works of the previous periods under the design and survey, construction and assembly, pre-commissioning contracts were inspected and audited, with the debt to the contractors to be repaid. The inspections and audits are planned to be concluded in Q2 2016. As a result, the Prospective Development of Power Metering Systems Program is to be further implemented.

The Program includes sections, target subprograms (actions), and side measures, which, in turn, include power loss reduction measures for transmission and distribution through the grids and power resources consumption reduction at the production and auxiliary facilities (administrative and technical measures).

The target actions include actions that ensure the reduction of consumption of the power resources (including electric power) and/or water by at least 15% of the annual consumption of the relevant resource, with the 80% return on 5-year investments into consumption of the power resources and/or water for production and auxiliary needs, and the return period not exceeding 10 years for the actions ensuring the reduction of power loss in transmission and distribution of power.

The side measures for optimization of spending on the production and auxiliary needs and reduction of power loss include measures having positive power efficiency and not meeting the criteria of the target measures.

Identifying non-contractual consumption and shutting down the transformers of the substations that

have more than 2 transformers at low loads, shutting down the transformers at substations with seasonal loads, optimizing the points of open-circuiting with two-way feeding, flattening of the phase loads at 0.38 kV distribution grids are carried out annually, are categorized as "supportive" for the existing power loss level, and do not affect the electric power balance of the Company.

For 2015, the aggregate effect of 172.3 mn kWh and RUB 540.7 mn was (in physical and monetary terms) planned; by subprograms: 13.4 kWh mn and RUB 28 mn (in physical and monetary terms).

In 2015, the actual overall effect was 204.4 mn kWh and RUB 778.4 mn (in physical and monetary terms); by subprograms: 6 kWh mn and RUB 11.9 mn (in physical and monetary terms). The effect of the measures "supporting" the existing power loss level was 53.52 mn kWh amounting to RUB 370.8 mn.

The investment program served as the source of funding for the energy preservation program in the amount of RUB 1,427.5 mn.

	Measures	Loss reduction, mn kWh	
		Planned	Actual
	<i>Shutting down the transformers of the substations that have more than 2 transformers at low loads</i>	0.25	0.25
	<i>Shutting down the transformers at substations with seasonal loads</i>	0.24	0.24
	<i>Flattening of the phase loads in the grids</i>	0.55	0.55
	<i>Reduction of power consumption for substations demand</i>	2.47	2.47
	<i>Identification of non-recorded power as a result of inspections</i>	155.39	194.84
	<i>Other administrative measures</i>	1.70	1.70
	<i>Construction, reconstruction, and upgrading of power grids, commissioning of energy efficient equipment</i>	3.10	2.60
	<i>Installation of automated power recording and metering systems</i>	8.70	1.80
	<i>Total for measures</i>	172.3	204.4

Energy Preservation and Energy Efficiency Improvement Actions.

In 2015, the overall effect of the target power loss reduction actions for the Company was 198.3 mn kWh for the overall amount of RUB 776.6 mn. The Power Loss Reduction Actions section contains more details on the target power loss reduction actions.

The main target actions ensuring the reduction of power consumption for auxiliary needs are: introduction of energy efficient lighting units, replacement of the mercury street lamps with LED and sodium lamps, replacement of windows with plastic or wooden frames with multi-chamber glazing, hermetic sealing of buildings, thermal insulation of flat roofs, thermal insulation of ceilings of the top floors.

In 2015, the overall effect of the target actions to reduce the Company's resources consumption for auxiliary needs was 6,421.14 thousand toe (285 mn l of cold water), or RUB 222 mn, against the target of 6,071.03 thousand toe (243 mn l of cold water), or RUB 211.23 mn.

Regulatory Asset Base Control. Transmission Tariffs.

In this section, it is necessary to specify the regulatory base, subject to which the power transmission tariffs are set (the Federal Tariffs Service Order, regulations of the regulatory bodies of the Russian constituent entities, etc.).

The RAB tariff-setting method must be defined. The main advantages of switching to the RAB control must be mentioned.

The information is provided for the key events of 2015 that affected the tariff regulation, including the changes to the regulations, etc. The impact of such changes on the Company's regulation must be described.

The RAB Main Parameters

Regulations with respect to power transmission when using the return on investment method:

- Federal Tariff Service Order No. 228-e dd. March 30, 2012 *On Approving the Methodic Guidelines for Tariff Regulation Using the Return on Investment Method*
- Federal Tariff Service Order No. 183-e/1 dd. August 18, 2008 *On Approving the Procedure of the Federal Tariff Service's Accepting of Proposals of the Executive Bodies of the Russian Constituent Entities with Respect to*

Tariff Regulation, relating to Switching to Tariff Regulation Using the Return on Investment Method, and Resolutions on Extending the Long-Term Regulation Periods.

Definition and advantages of the return on investment method

The RAB (Regulatory Asset Base) is a long-term tariff-setting system, the primary goal of which is attracting investments to expand and upgrade the infrastructure.

The following are the advantages of the return on investment method:

- promotion of investments attraction
- increase of the regulated entities' capitalization
- improvement of the entities' strategic planning quality
- opportunity for cushioning the tariff consequences of the investment programs for the consumers
- economic promotion of cost reduction, reliability improvement, and service quality improvement
- lack of item-by-item control of costs by the regulatory bodies.

Subject to Federal Law No. 261-FZ dd. November 23, 2009 *On Energy Preservation and Energy Efficiency Improvement, and On Amending Several Russian Laws* and Russian Government Instruction No. 30-r dd. January 19, 2010, Lenenergo, PJSC switched to power transmission tariff regulation using long-term tariffs based on the return on investment method after approving the action with the Federal Tariff Service from January 1, 2011 (Federal Tariff Service Order No. 487-e/4 dd. December 28, 2010).

Subject to Russian Government Decree No. 1178 dd. December 29, 2011 (as amended by Russian Government Decree No. 663 dd. June 30, 2012), the previously approved log-term tariff regulation parameters set for Lenenergo, PJSC were revised, and the regulation period was extended to 2017 (Saint Petersburg Tariff Committee Instruction No. 181-r dd. July 13, 2012, Leningrad Region Tariff and Pricing Policy Committee No. 88-p dd, July 13, 2012). These parameters were approved by the Federal Tariff Service (Orders No. 471-e, 472-e, 473-e, 474-e dd. July 12, 2012) and apply from July 1, 2012.

When carrying out the tariff campaign of 2015, an item of social and economic development forecast for Russia for 2015 was approved for Lenenergo, PJSC along with the planned period of 2016-2017 by the Ministry of Energy, subject to which the grid tariffs growth rate in Saint Petersburg and the Leningrad Region may deviate from the average country parameters due to the significant investment programs that require implementing.

Subject to Federal Tariff Service Order No. 472-e dd. July 12, 2012, the first long-term tariff regulation period of Lenenergo, PJSC using the return on investment method ends on July 1, 2017 for the areas of the Company's operation: Saint Petersburg and the Leningrad Region. Lenenergo, PJSC is working on extending the long-term regulation period up to 2020. The Federal Antimonopoly Service reviews the long-term regulation period extension application, subject to the Procedure of Accepting of Proposals of the Executive Bodies of the Russian Constituent Entities with Respect to Tariff Regulation, relating to Switching to Tariff Regulation Using the Return on Investment Method, and Resolutions on Extending the Long-Term Regulation Periods under Federal Tariff Service Order No. 183-e/1 dd. August 18, 2010.

Main Parameters of RAB, RUB mn

RUB mn

	Saint Petersburg	Leningrad Region	Lenenergo, PJSC
Investment amount (residual) as of January 1, 2015	73,430	29,665	103,095
CAPEX included in the tariff regulation, 2011-2017	59,804	37,261	97,066
Return on investment standard - old investments, %			
2011	6%	6%	6%
2012-2016	1%	1%	1%
2017	11%	11%	11%
Return on investment standard - new investments, %			
2011	12%	12%	12%
2012	12%	12%	12%
2013 and onwards	11%	11%	11%
Payback period, years	35	35	35

The Regulatory Authorities Setting Tariffs for Power Transmission

In 2015, the power transmission tariffs were approved in aggregate, i.e., they were the same for the

entire territory of the relevant constituent entity.

Starting from 2008, the common "aggregate" tariffs are set for power transmission for all consumers, regardless of the connection point location in the area (Par. 42 of Rules for Non-Discriminating Access to the Electric Power Transmission Services and Provision of Such Services, No. 861 dd. December 27, 2004), as well as individual transmission tariffs for the grid companies' payments to each other.

The power transmission tariffs in the Leningrad Region are set as "top-down". This means that all payments collected by the utility companies go directly to a higher-tier grid entity of Lenenergo, PJSC, who then distributes the funds by using them to pay to the lower-tier territorial grid companies.

The power transmission tariffs in Saint Petersburg are set as "mixed". This means that all payments collected by the utility companies go directly to a higher-tier grid entity of Lenenergo, PJSC, who then distributes the funds by using them to pay to the lower-tier territorial grid companies, except for KirovTEK, CJSC. An individual two-rate tariff is set for KirovTEK, CJSC, on a "bottom-up" principle (it pays Lenenergo, PJSC for power transmission).

Apart from Lenenergo, PJSC, 22 territorial grid entities carried out power transmission operations in Saint Petersburg in 2015, and 19 entities - in the Leningrad Region.

Approved Aggregate Required Gross Proceeds and Average Aggregate Power Transmission Tariff (and Tariff for Other Consumers) by Areas, 2013-2015:

		2013		2014		2015	
		H1	H2	H1	H2	H1	H2
Saint Petersburg							
aggregate RGP	RUB mn	10,139	12,713	13,970	12,456	12,426	15,463
aggregate RGP growth rate, H2 over H1	%		25%		-11%		24%
average aggregate tariff	kopecks/k Wh	104	131	142	141	140	181
average aggregate tariff growth rate, H2 over H1	%		27%		-1%		29%
tariff for Other Consumers	kopecks/k Wh	118	153	168	168	163	210
Other Consumers tariff growth rate, H2 over H1	%		30%		0%		29%
Leningrad Region							
aggregate RGP	RUB mn	6,493	7,702	8,360	7,710	7,930	9,433
aggregate RGP growth rate, H2 over H1	%		19%		-8%		19%
average aggregate tariff	kopecks/k Wh	103	127	132	131	130	158
average aggregate tariff growth rate, H2 over H1	%		24%		-1%		22%
tariff for Other Consumers	kopecks/k Wh	108	140	141	141	140	170
Other Consumers tariff growth rate, H2 over H1	%		29%		-1%		21%
Lenenergo, PJSC, total							
aggregate RGP	RUB mn	16,633	20,414	22,330	20,165	20,356	24,896
aggregate RGP growth rate, H2 over H1	%		23%		-10%		22%
average aggregate tariff	kopecks/k Wh	103	130	138	137	136	171
average aggregate tariff growth rate, H2 over H1	%		26%		-1%		26%
tariff for Other Consumers	kopecks/k Wh	114	148	157	156	153	193
Other Consumers tariff growth rate, H2 over H1	%		30%		-1%		26%

The average power transmission tariff for H2 was estimated as the ratio of the RGP of H2 of each year to the overall net supply, and the net supply to the Other Consumers separately.

The Other Consumers are a consumer group that does not form part of the base consumers having the maximum contracted capacity of 20 MW (or more) and consumption of over 7,500 hours a year (category 1), and the residents and equivalent groups (category 2), subject to the Methodic Guidelines for Calculation of Regulated Tariffs and Prices for Electric (Thermal) Power in the Retail (Consumer) Market approved by Federal Tariff Service Order No. 20-e/2 dd. August 6, 2004.

The power transmission tariffs were not exceeded in H2 over H1 2014 due to the fact the regulatory bodies of Saint Petersburg and the Leningrad Region observed Government Decree No. 542 dd. June 11, 2014 *On Amending Certain Statutes of the Russian Government Relating to Compensation to the Grid Entities of Income Shortfalls Due to Grid Connection, and Making Tariff-Related Decisions*, subject to which the tariff rates remained unchanged from July 1.

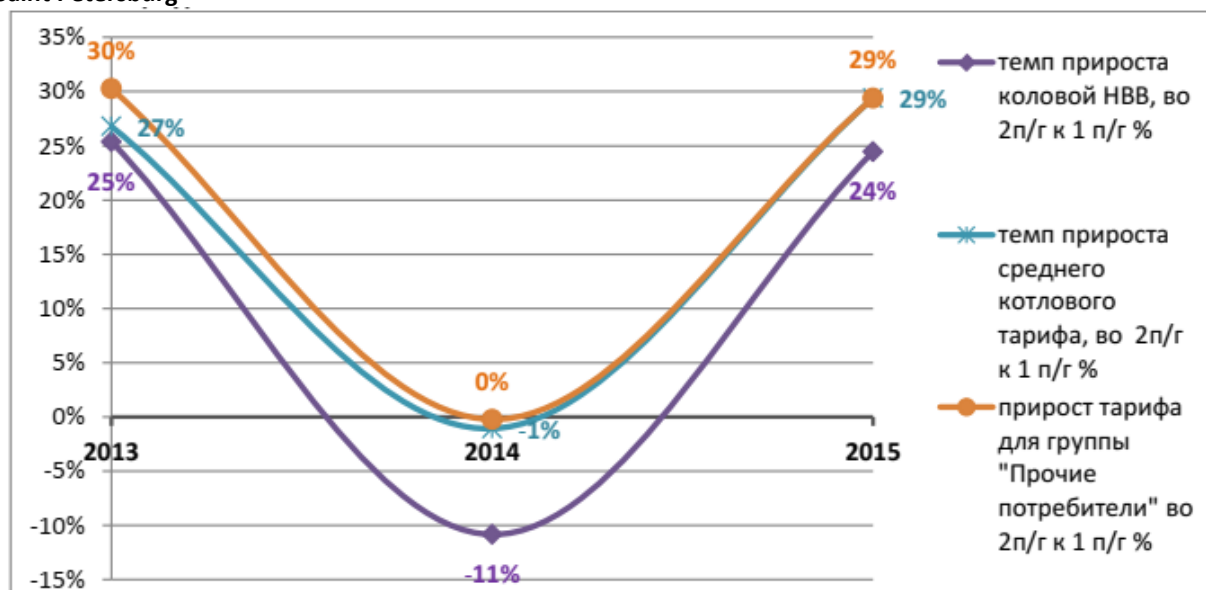
The tariff changes over 2015 in Saint Petersburg was due to the following:

- Saint Petersburg Tariff Committee decision (Instruction No. 29-r dd. April 30, 2015) to revise the aggregate power transmission tariffs from May 1, 2015, increasing the grid maintenance rates by 20%, made based on the Federal Tariff Service ruling in the out-of-court resolution of a dispute between Lenenergo, PJSC and the Saint Petersburg Tariff Committee on overstatement of the contracted capacity and incorrect calculation of the maintenance rate for 2014

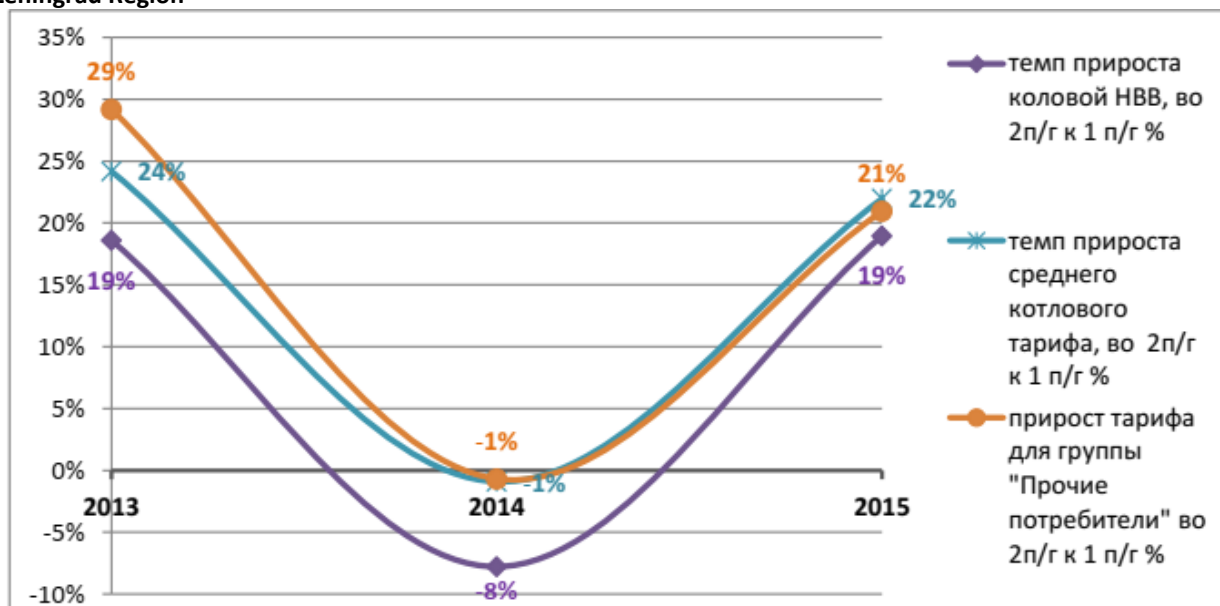
- revision of tariffs from December 1, 2015 subject to Saint Petersburg Tariff Committee Instruction No. 226-r dd. November 13, 2015 (the maintenance rates were increased by 73%, and the single-rate tariffs were increased by 17%) in line with the instructions given by the Federal Tariff Service and the Federal Antimonopoly Service for the out-of-court resolution of disputes with Lenenergo, PJSC on correcting the contracted capacity in line with the Aggregate Forecast Balance of the Federal Tariff Service.

- The tariff changes in 2015 in the Leningrad Region were due to the Leningrad Region Tariff and Pricing Policy Committee's decision to revise the aggregate power transmission tariffs from July 1, 2015 subject to Government Decree No. 458 dd. May 11, 2015 and Russian Government Decree No. 184 dd. February 28, 2015, and in line with the Federal Tariff Service's decision to bring the RGP flattening of Lenenergo, PJSC for 2015 to the standard parameter. The Leningrad Region Tariff and Pricing Policy Committee also changed the tariff rates from December 1, 2015 subject to the requirements of Federal Tariff Service / Federal Antimonopoly Service resulting from out-of-court resolution of a dispute with LOESK, JSC. In line with those, and subject to Leningrad Region Tariff and Pricing Policy Committee Order No. 68-p dd. April 30, 2015, the power transmission tariffs were increased from July 1, 2015 for power supplied to the residents in H2 2015; and subject to Leningrad Region Tariff and Pricing Policy Committee Order No. 104-p dd. September 29, 2015 the maintenance rates were increased by 6%, and single-rate tariffs were increased by 4% from December 1, 2015.

Saint Petersburg



Leningrad Region



темп прироста коловой НВВ, во 2п/г к 1 п/г %	aggregate RGP growth rate, H2 over H1, %
темп прироста среднего котлового тарифа, во 2п/г к 1 п/г %	average aggregate tariff growth rate, H2 over H1, %
прирост тарифа для группы "Прочие потребители" во 2п/г к 1 п/г %	Other Consumers tariff growth rate, H2 over H1, %

The Annex contains the detailed information on the approved power transmission tariffs in the areas served by the Company for 2014 and 2015.

Analysis of the Change of the Actual Average Power Transmission Tariff Rate Broken Down by the Russian Constituent Entities, kopecks per kWh

Branch	2010	2011	2012	2013	2014	2015
Saint Petersburg	63.02	96.59	88.74	102.42	117.42	136.72
Leningrad Region	86.96	105.31	112.88	122.64	131.46	145.37
Lenenergo, PJSC, Total	71.64	99.79	97.63	110.15	123.02	140.20
Growth, %		39%	-2%	13%	12%	14%

Revenue from Power Transmission

The actual revenue from power transmission operations for the grids of Lenenergo, PJSC, net of the load losses, in 2015 was RUB 41,578 mn, which is RUB 4,445 mn higher than the revenue of 2014.

Changes in the Approved Required Gross Proceeds for Power Transmission Services in 2011-2015, RUB mn

Branch	2011		2012		2013		2014		2015	
	overall	own	overall	own	overall	own	overall	own	overall	own
Saint Petersburg	18,273	7,357	19,050	7,273	22,852	9,096	26,425	12,348	30,174	14,763
Leningrad Region	11,734	2,724	12,953	3,657	14,130	5,896	16,070	5,191	17,375	6,778
Lenenergo, PJSC, Total	30,007	10,081	32,003	10,930	36,982	14,992	42,495	17,539	47,549	21,540

Actual Power Transmission Revenue Over 2013-2015

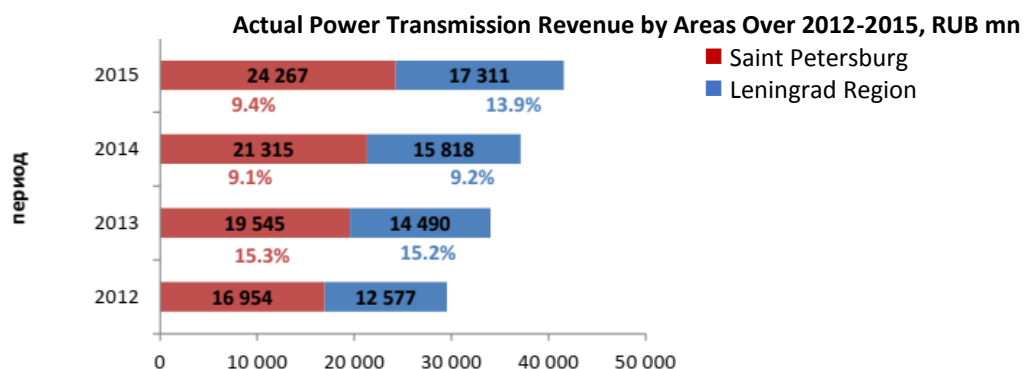
Parameter	Unit of Measurement	2013	2014	2015		Deviation Act 2015/	Deviation Act 2015/
		Actual	Actual	REC	Actual		
		80					

	t			approved		Appr 2015	Act 2014
Leningrad Region							
Revenue*	RUB mn	14,490	15,818	17,375	17,311	-0.4%	9.4%
Net supply of power	mn kWh	11,815	12,033	12,067	11,908	-1.3%	-1.0%
Average supply tariff	kopecks/kWh	122.6	131.5	144.0	145.4	1.0%	10.6%
<i>average supply tariff growth rate</i>	%	9%	7%		11%		
Saint Petersburg							
Revenue*	RUB mn	19,545	21,315	30,174	24,267	-19.6%	13.9%
Net supply of power	mn kWh	19,083	18,152	17,462	17,749	1.6%	-2.2%
Average supply tariff	kopecks/kWh	102.4	117.4	172.8	136.7	-20.9%	16.4%
<i>average supply tariff growth rate</i>	%	15%	15%		16%		
Lenenergo, PJSC, total							
Revenue*	RUB mn	34,034	37,133	47,549	41,578	-12.6%	12.0%
Net supply of power	mn kWh	30,897	30,185	29,529	29,657	0.4%	-1.7%
Average supply tariff	kopecks/kWh	110.2	123.0	161.0	140.2	-12.9%	14.0%
<i>average supply tariff growth rate</i>	%	13%	12%		14%		

* net of load losses

Reduction of the actual revenue from power transmission against the approved value for both constituent entities was RUB 6 bn, and resulted from:

- the Saint Petersburg Tariff Committee's overstating of the contracted capacity of consumers taken into consideration for the calculation of aggregate power transmission tariffs against the actual consumption, resulting in the inadequate single-rate and two-rate tariffs for power transmission, the application of which leads to the decrease in the actual revenue against the approved values (- RUB 4.6 bn)
- different allocation of contracted capacity and net supply of power used in calculating the actual power transmission rates as opposed to the approved (+ RUB 0.5 bn)
- different structure of power net supply by consumer groups and voltage ratings for 12 months of 2015 as opposed to the approved (+ RUB 0.4 bn)
- introduction of the tariff rates for Saint Petersburg that were revised subject to the requirements of the Federal Tariff Service / Federal Antimonopoly Service, from December 1, 2015; provided that the calculation was done for the entire period from August 1, 2015 (- RUB 1.4 bn)
- in compliance of the approved revenue by the structure of expenses to the planned revenue by the approved balances and tariff rates (- RUB 0.9 bn).



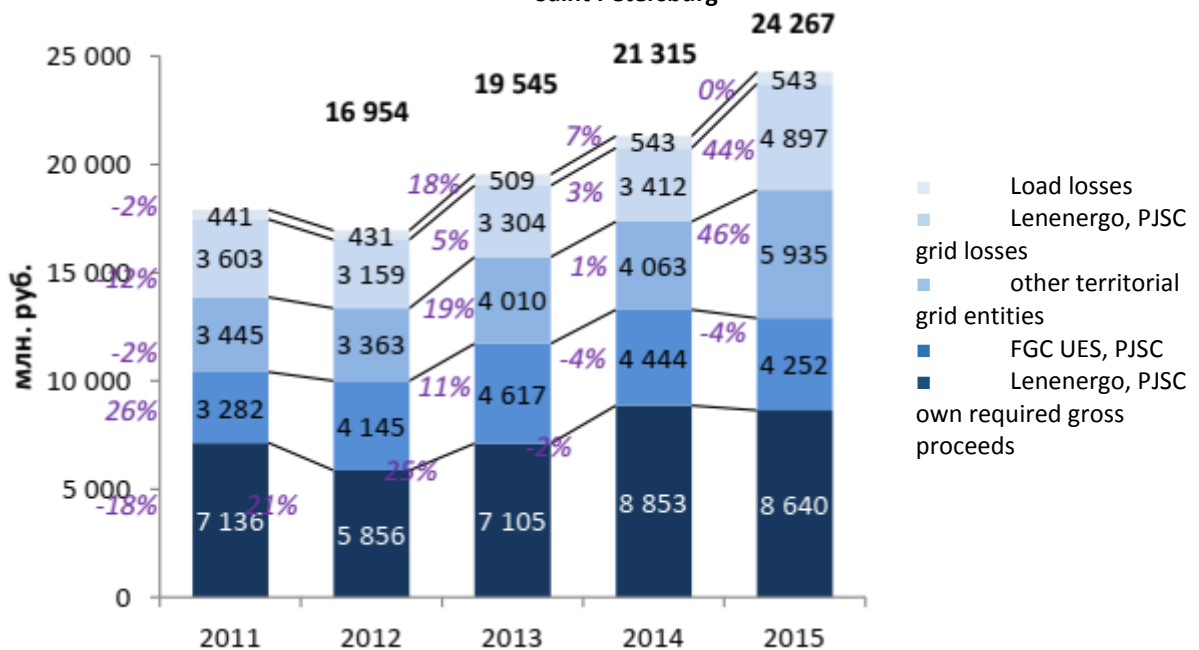
период period

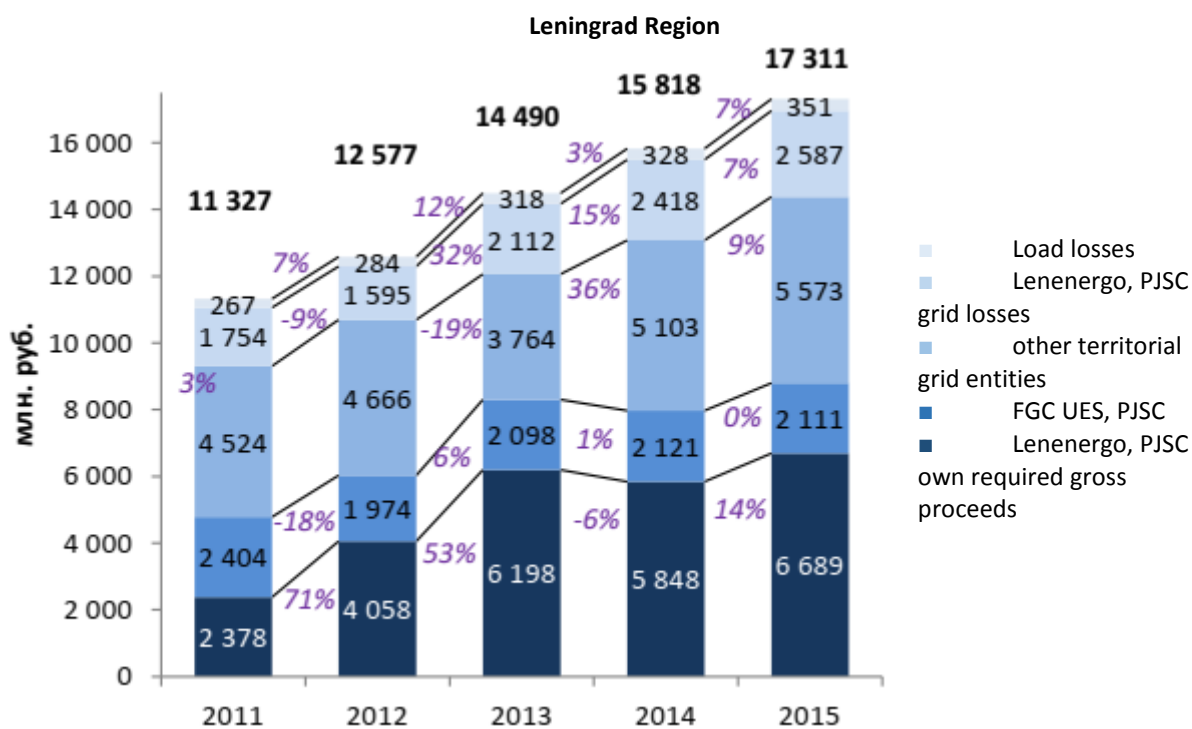
Actual Power Transmission Revenue Structure, RUB mn

Parameter	2011	2012	2013	2014	2015	2015 over 2014,%
Saint Petersburg						
Total revenue	17,907	16,954	19,545	21,315	24,267	14%
Lenenergo, PJSC own revenue	7,136	5,856	7,105	8,853	8,640	-2%
FGC UES, PJSC	3,724	4,575	5,126	4,987	4,795	-4%

Other territorial grid entities	3,445	3,363	4,010	4,063	5,935	46%
Lenenergo, PJSC grid losses	3,603	3,159	3,304	3,412	4,897	44%
Leningrad Region						
Total revenue	11,327	12,577	14,490	15,818	17,311	9%
Lenenergo, PJSC own revenue	2,378	4,058	6,198	5,848	6,689	14%
FGC UES, PJSC	2,670	2,259	2,416	2,450	2,462	1%
Other territorial grid entities	4,524	4,666	3,764	5,103	5,573	9%
Lenenergo, PJSC grid losses	1,754	1,595	2,112	2,418	2,587	7%
Lenenergo, PJSC, total						
Total revenue	29,234	29,531	34,034	37,133	41,578	12%
growth rate, %	21%	1%	15%	9%	12%	
Lenenergo, PJSC own revenue	9,514	9,914	13,303	14,700	15,329	4%
growth rate, %	25%	4%	34%	11%	4%	
FGC UES, PJSC	6,394	6,834	7,542	7,437	7,257	-2%
growth rate, %	30%	7%	10%	-1%	-2%	
Other territorial grid entities	7,969	8,029	7,774	9,166	11,508	26%
growth rate, %	46%	1%	-3%	18%	26%	
Losses	5,357	4,754	5,415	5,829	7,484	28%
growth rate, %	-13%	-11%	14%	8%	28%	

**Lenenergo, PJSC Actual Required Gross Proceeds Structure for Power Transmission Over Time
Saint Petersburg**

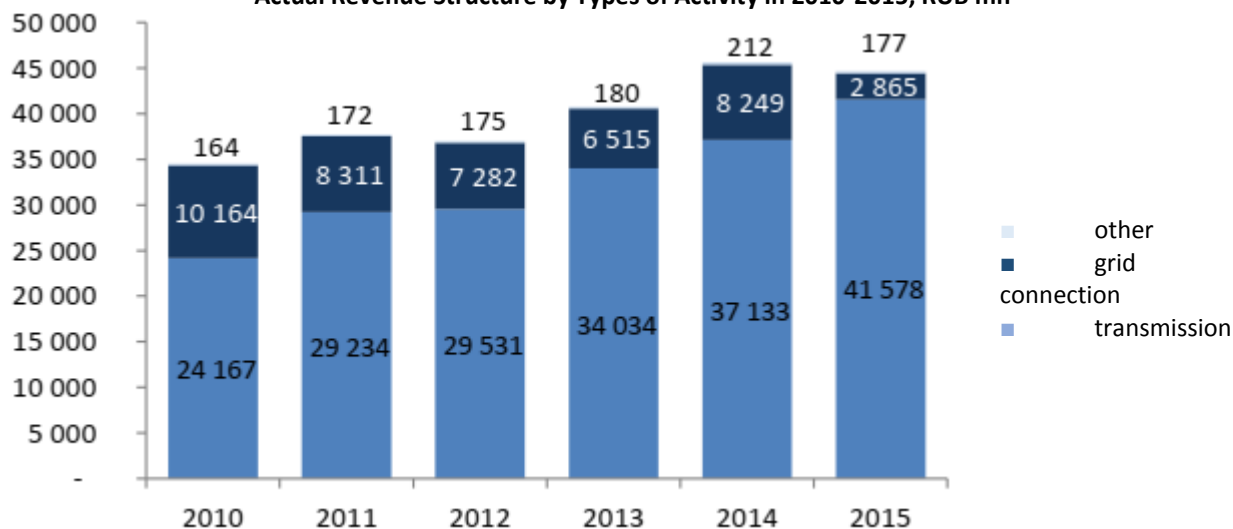




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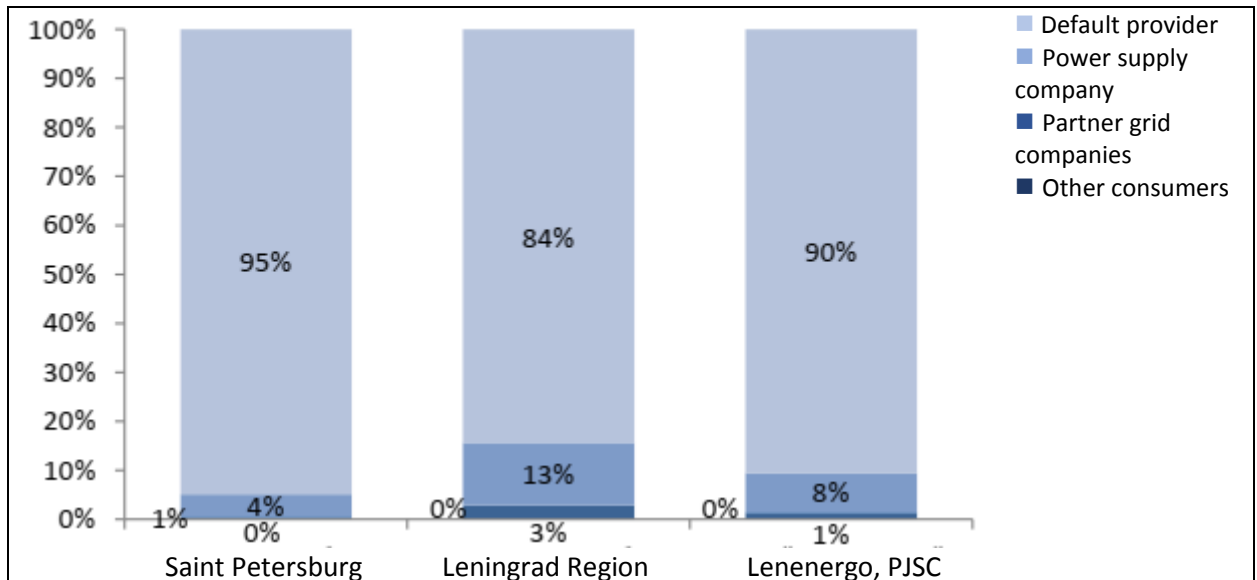
RUB mn

Actual Revenue Structure by Types of Activity in 2010-2015, RUB mn

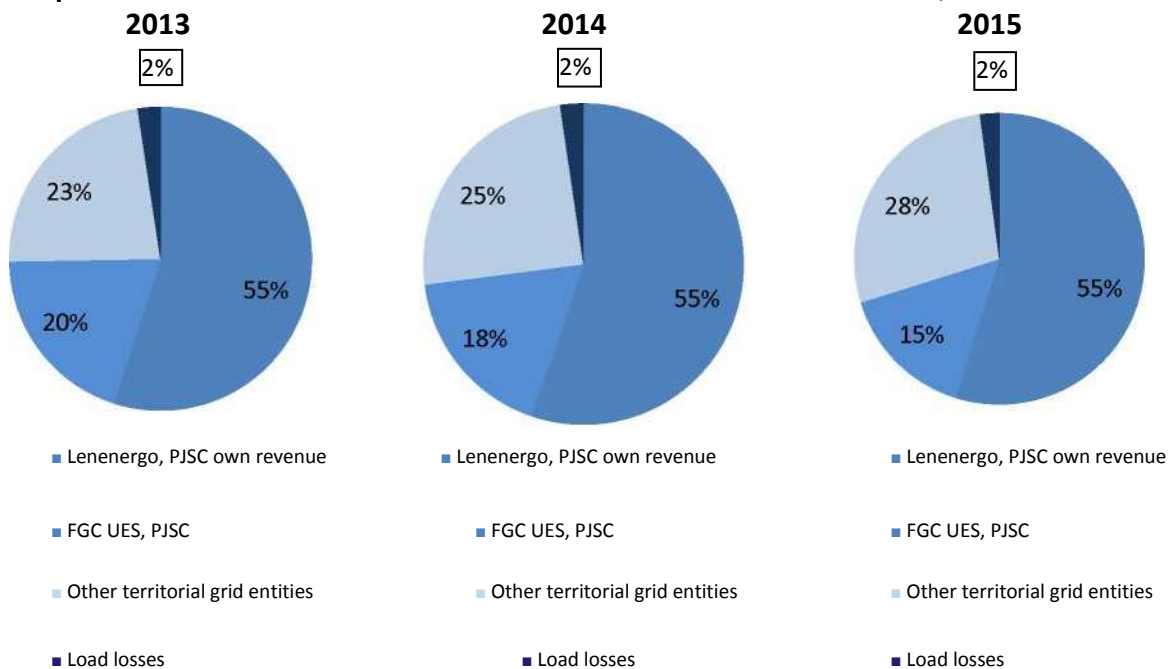


Lenenergo, PJSC Actual Revenue Structure for Power Transmission in 2015 Broken Down by Consumer Groups, Net of Load Losses, RUB mn:

	Saint Petersburg	Leningrad Region	Lenenergo, PJSC
Other consumers	3	487	490
Partner grid companies	147		147
Power supply company	1,063	2,171	3,234
Default provider	22,511	14,303	36,814
Total	23,724	16,960	40,684



Required Gross Proceeds Structure for Power Transmission Over Time, %



Power Transmission Revenue Structure by Areas and Consumer Groups for 3 Years, RUB mn*

Russian constituent entity	2013	2014	2015	Change 2015/2014, %
Saint Petersburg	19,545	21,315	24,267	13.9%
Default providers	18,635	20,315	23,014	13.3%
Utility companies	771	847	1,097	29.5%
Territorial grid entities	115	141	153	8.3%
Direct consumers	23	12	3	-75.9%
Leningrad Region	14,490	15,818	17,311	9.4%
Default providers	11,958	13,039	14,572	11.8%
Utility companies	2,175	2,425	2,243	-7.5%
Territorial grid entities	0	0	0	
Direct consumers	356	355	496	39.9%
Lenenergo, PJSC	34,034	37,133	41,578	12.0%
Default providers	30,593	33,353	37,586	12.7%
Utility companies	2,946	3,272	3,340	2.1%

Territorial grid entities	115	141	153	8.3%
Direct consumers	380	367	499	36.1%

* net of load losses

3.1.2 Grid Connection Services

Lenenergo, PJSC applied the following regulatory documents and standards in its grid connection services in 2015:

1. The Civil Code of the Russian Federation (Art. 426, Art. 779-783)
2. Federal Law No. 35-FZ dd. March 26, 2003 *On Electric Power Industry*
3. Russian Government Decree No. 1178 dd. December 29, 2011 *On Pricing in Regulated Segment (Tariffs) of the Electric Power Industry*
4. Federal Tariff Service Order No. 209-e/1 dd. September 11, 2012 *On Approving the Methodic Guidelines to the Setting of Payment for Grid Connection to the Power Grids* (registered in the Ministry of Justice under No. 25948 dd. November 28, 2012)
5. Russian Government Decree No. 861 dd. December 27, 2004 *On Approving the Rules for Non-Discriminating Access to the Electric Power Transmission Services and Provision of Such Services, the Rules for Non-Discriminating Management in the Electric Power Industry and Provision of Such Services, the Rules for Non-Discriminating Access to the Services of the Grid Operator of the Wholesale Market System and Provision of Such Services, and the Rules for Grid Connection of Power Receivers (Power Plants) of Entities and Individuals*
6. Leningrad Region Tariff and Pricing Policy Committee Order No. 506-p dd. December 26, 2014 *On Setting the Payment for Grid Connection of Power Receivers of Up to 15 kW (incl., in view of previously connected capacity at the same connection point), Standard Tariff Rates, Rates Per Unit of Peak Capacity for Calculation of Payment for Connection of Power Receivers of Applicants from the Leningrad Region to Grids of Lenenergo, Open Joint Stock Company in 2015*
7. Leningrad Region Tariff and Pricing Policy Committee Order No. 92-p dd. August 13, 2015 *On Setting the Payment for Grid Connection of Power Receivers of Up to 15 kW (incl., in view of previously connected capacity at the same connection point), Standard Tariff Rates, Rates Per Unit of Peak Capacity for Calculation of Payments for Connection of Power Receivers of Applicants from the Leningrad Region to Grids of Lenenergo, Open Joint Stock Company in 2015*
8. Saint Petersburg Tariff Committee Instruction No. 626r dd. December 30, 2014 *On Setting the Payment for Connection to Grids of Lenenergo, Open Joint Stock Company in Saint Petersburg in 2015*
9. Russian Government Decree No. 977 dd. December 1, 2009 *On Investment Programs of the Power Sector Entities*
10. Russian Government Decree No. 823 dd. October 17, 2009 *On the Electric Power Industry Prospective Development Patterns and Programs*
11. Russian Ministry of Energy Order No. 186 dd. April 15, 2014 *On Single Quality Standards for the Grid Entities' Service of Clients*
12. Russian Government Decree No. 24 dd. January 21, 2004 *On Approving the Information Disclosure Standards for the Wholesale and Retail Electric Power Markets*
13. Russian Ministry of Energy Order No. 1042 dd. December 28, 2015 *On Approving the 2016-2020 Investment Program of Lenenergo, PJSC*
14. Russian Government Instruction No. 1144-r dd. June 30, 2012 (as amended on December 23, 2014) *On Approving the Energy Infrastructure Accessibility Improvement Action Plan ("Road Map")*

Grid Connection Scope and Connected Capacity Structure

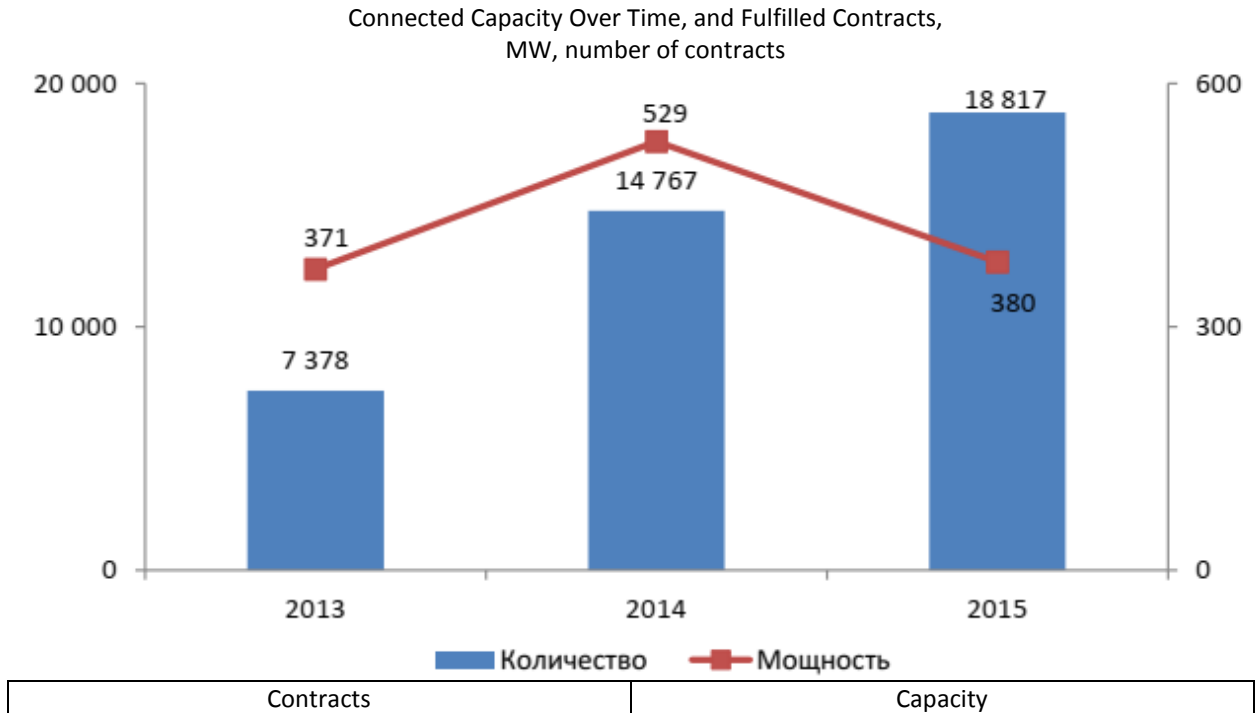
In 2015, Lenenergo, PJSC ensured the fulfillment of 18,817 contracts, exceeding the result of 2014 1.27 times, and providing for an unprecedented amount of fulfilled obligations to the applicants. The scope of connected capacity in 2015 decreased by 28% year-over-year (net of connection of the generating facilities). Contracts with the applicants in Saint Petersburg served as the main contribution to the amount of fulfilled obligations in 2015, growing 2.3 times from 2014.

Grid Connection Contracts Fulfillment Over Time

	2013		2014		2015		2015 over 2014, %	
	contracts	MW	contracts	MW	contracts	MW	contracts	MW
Lenenergo, PJSC*	7,378	371	14,767	529	18,817	380	127%	72%

Saint Petersburg	2,224	207	3,704	214	8,487	163	229%	76%
Leningrad Region	5,154	165	11,063	314	10,330	217	93%	69%

* excluding connection of generating facilities and facilities that are connected on a temporary basis



In 2015, Lenenergo, PJSC did not connect generating facilities. Generation is excluded for the connected capacity of 2013 and 2014 in the diagram.

Connected Capacity Structure

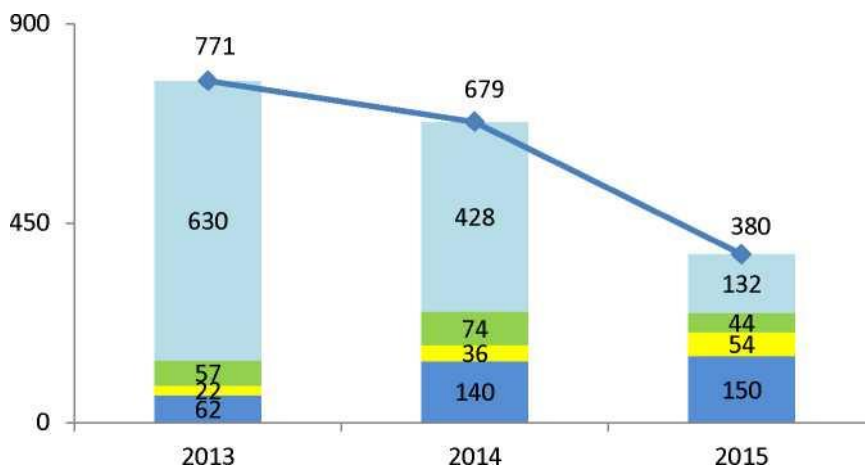
In 2015 the overall scope of connected capacity decreased mainly due to the lack of generating facilities in 2015. In 2013 and 2014, the connected capacity by generating facilities was 400 and 150 MW, respectively.

Excluding the connection of the power producing facilities, the decrease in the connected capacity of Lenenergo, PJSC in 2015 was 28% year-over-year.

Category of Up to 15 kW provides for the main portion of connected capacity in 2015, being 40% of the overall contracted capacity. Category of Over 670 kW is the second largest (35%, or 132 MW in the absolute terms).

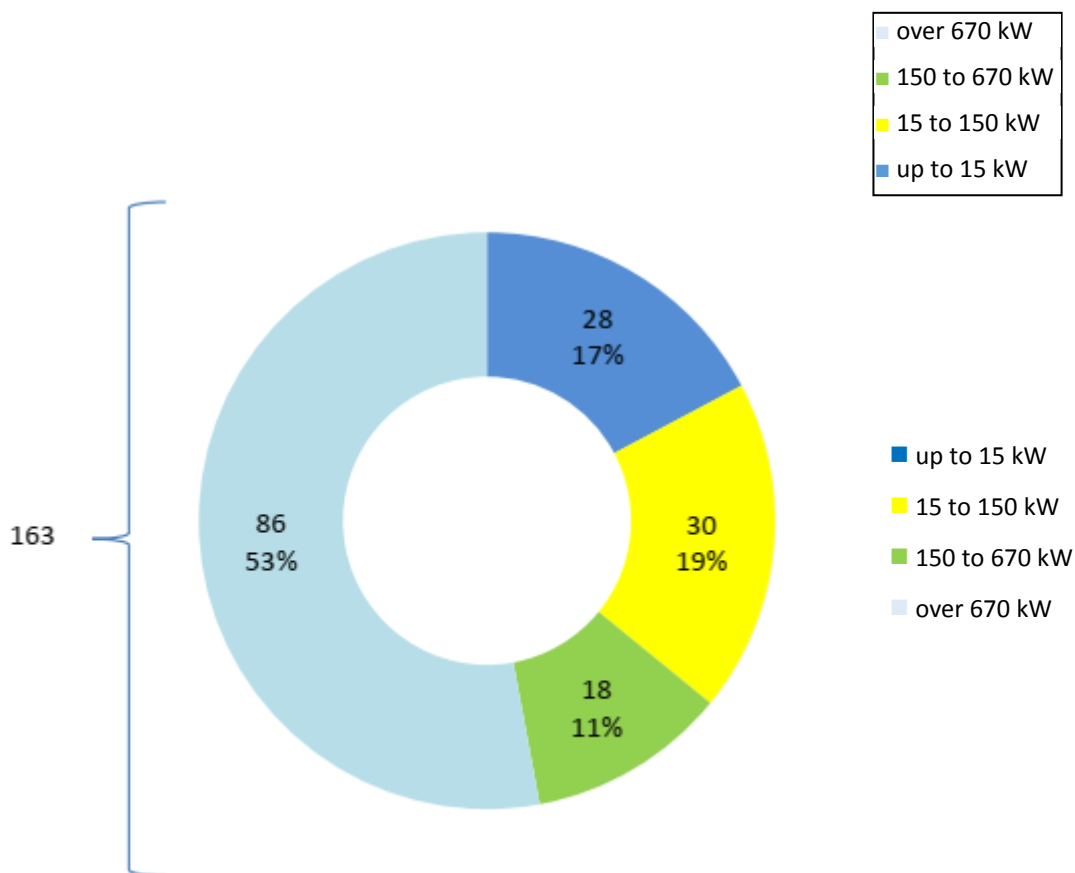
More than twofold increase of the connected capacity over 2013 in the category of Up to 15 kW (from 62 to 150 MW) is due to the unprecedented growth in the number of fulfilled contracts for this category with no works involved.

Connected Capacity Over Time Broken Down by Consumer Categories, MW



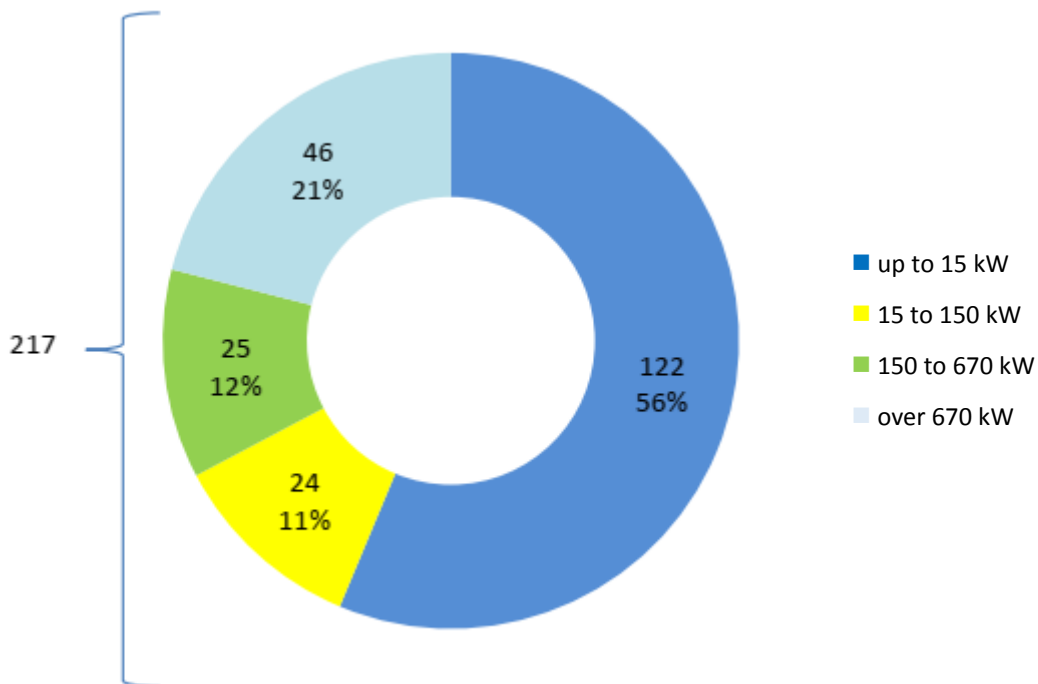
More than a half (53%) of the connected capacity structure in Saint Petersburg is formed by large clients of over 670 kW.

Connected Capacity Structure for Saint Petersburg in 2015, MW (%)



The specific feature of grid connection in the Leningrad Region is the prevalence of the category of Up to 15 kW (56% of the overall connected capacity in 2015).

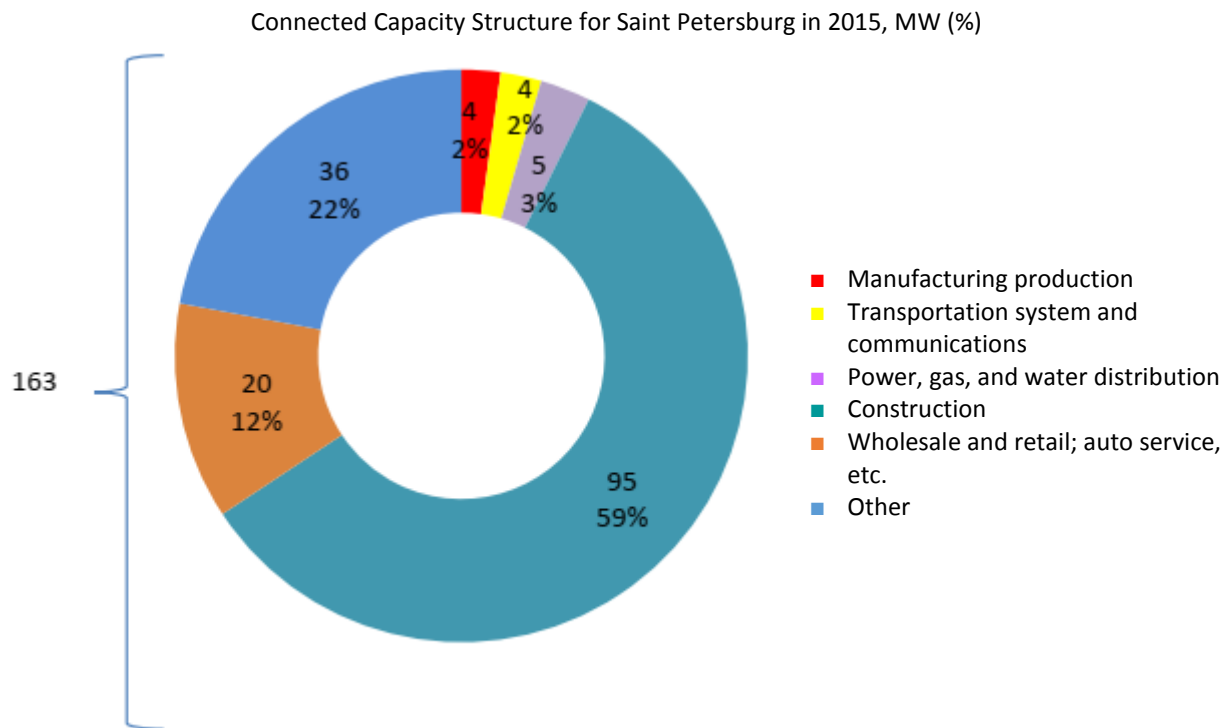
Connected Capacity Structure for the Leningrad Region in 2015, MW (%)



The connected capacity structure broken down by the business activity sectors in Saint Petersburg in 2015 is characterized by prevailing construction sector (59%). Including the wholesale and retail entities, the aggregate capacity for these groups is over 70%.

The proportion of the Construction category for Saint Petersburg in the overall connected capacity for the past 3 years steadily grew: 2013 - 22%, 2014 - 32%, 2015 - 59%.

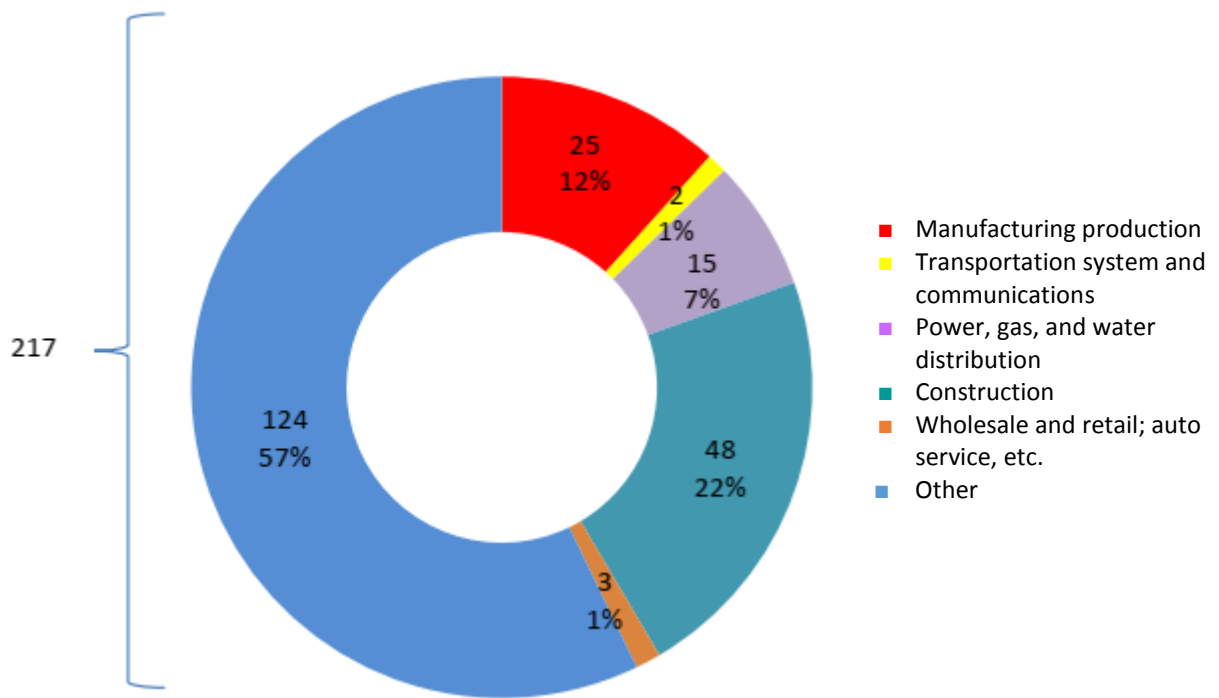
In 2015, the proportion of Wholesale and Retail connected capacity also grew in Saint Petersburg yoy by 8% (from 4% to 12%).



Analysis of the structure of business operations in the Leningrad Region shows the construction growth slows down in the area resulting in the decrease of connected capacity in 2015 1.9 times (2013: 85 MW, 2014: 93 MW, 2015: 48 MW).

A substantial portion of the connected capacity (over 50%) in the Leningrad Region is made up of the subsidized contracts of up to 15 kW (included in Other).

Connected Capacity Structure for the Leningrad Region in 2015, MW (%)



Grid Connection Demand

In the 12 months of 2015, Lenenergo, PJSC received 25,952 grid connection applications from consumers for the aggregate capacity of 2,072 MW (excluding the applicants connected on a temporary basis, and the generating facilities).

The majority of the applications came from the clients in the Leningrad Region amounting to 17,381 for the aggregate capacity of 1,003 MW.

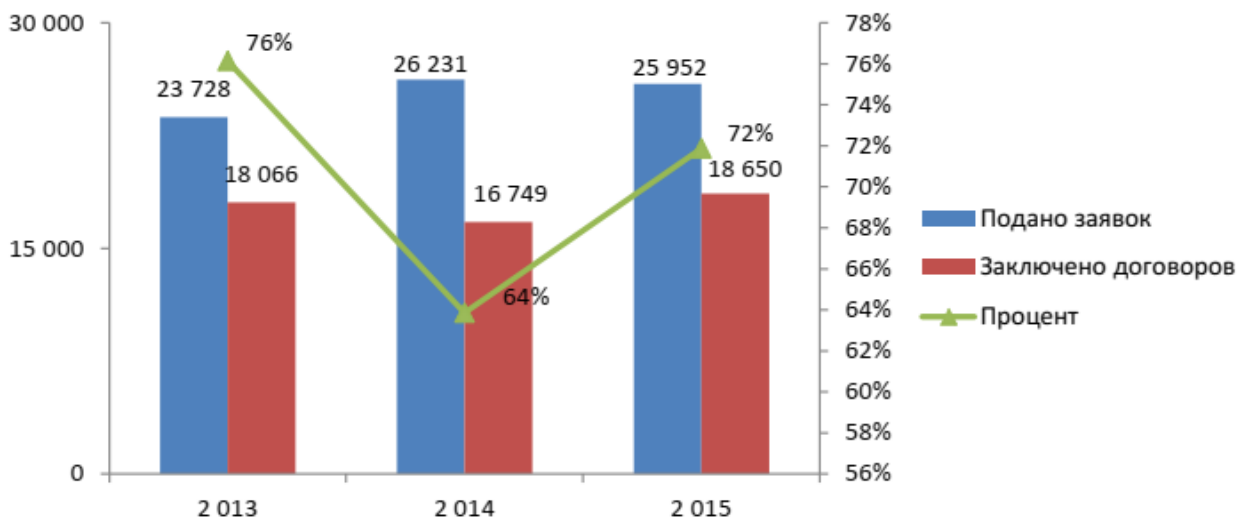
In 2015, Lenenergo, PJSC made 18,650 grid connection contracts with the aggregate capacity of 641 MW, over 67% of which were made with the clients in the Leningrad Region.

Grid Connection Applications and Contracts Scope

	2013		2014		2015*		2015 over 2014, %	
	contracts	MW	contracts	MW	contracts	MW	contracts	MW
Grid connection applications								
Lenenergo, PJSC	23,728	2,439	26,231	2,608	25,952	2,072	99%	79%
Saint Petersburg	6,236	1,353	8,865	1,341	8,571	1,069	97%	80%
Leningrad Region	17,492	1,086	17,366	1,267	17,381	1,003	100%	79%
Grid connection contracts made								
Lenenergo, PJSC	18,066	855	16,749	614	18,650	641	111%	104%
Saint Petersburg	4,663	337	4,972	302	6,181	369	124%	122%
Leningrad Region	13,403	518	11,777	313	12,469	272	106%	87%

* excluding the generating facilities

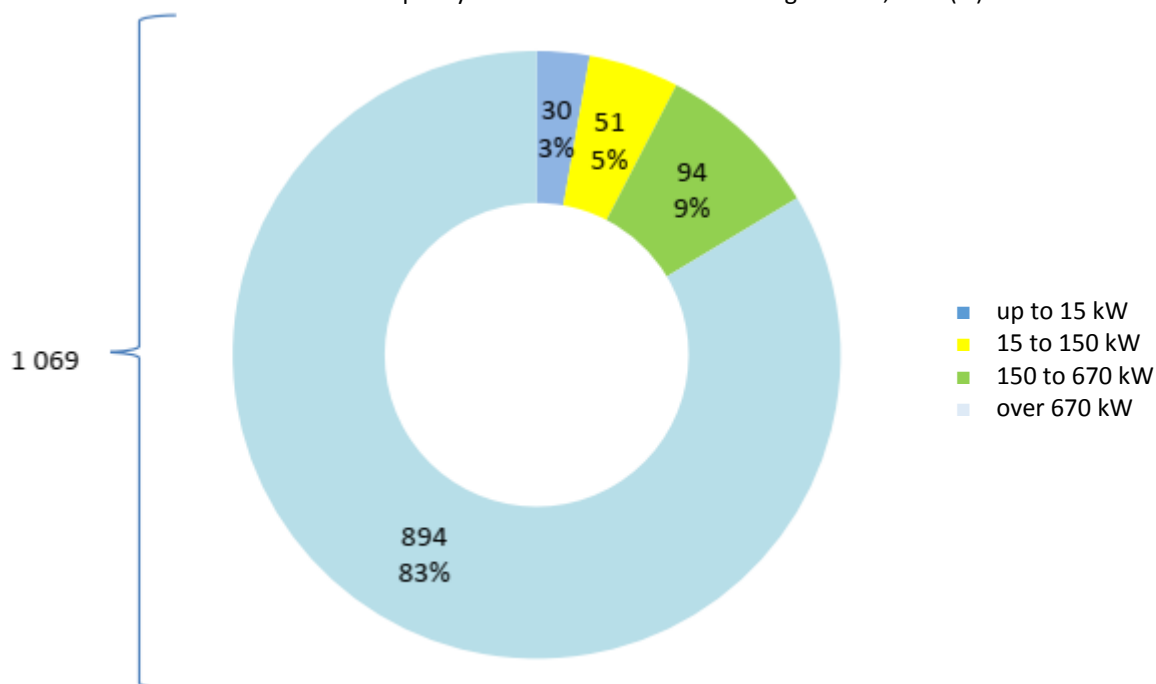
Ratio of Connection Applications to the Contracts Made, number of contracts (%)



Подано заявок	applications
Заклучено договоров	contracts
Процент	percent

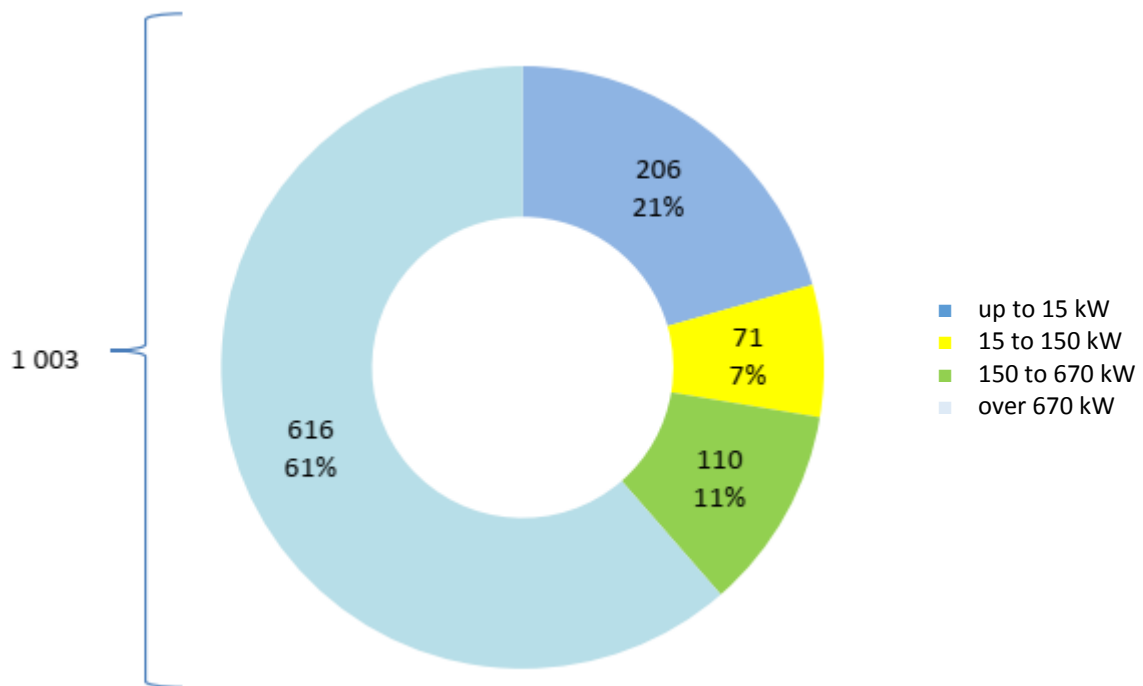
In 2015, Lenenergo, PJSC ensured the 12% growth of Applications/Contracts Made yoy.

Contracted Capacity Structure for Saint Petersburg in 2015, MW (%)



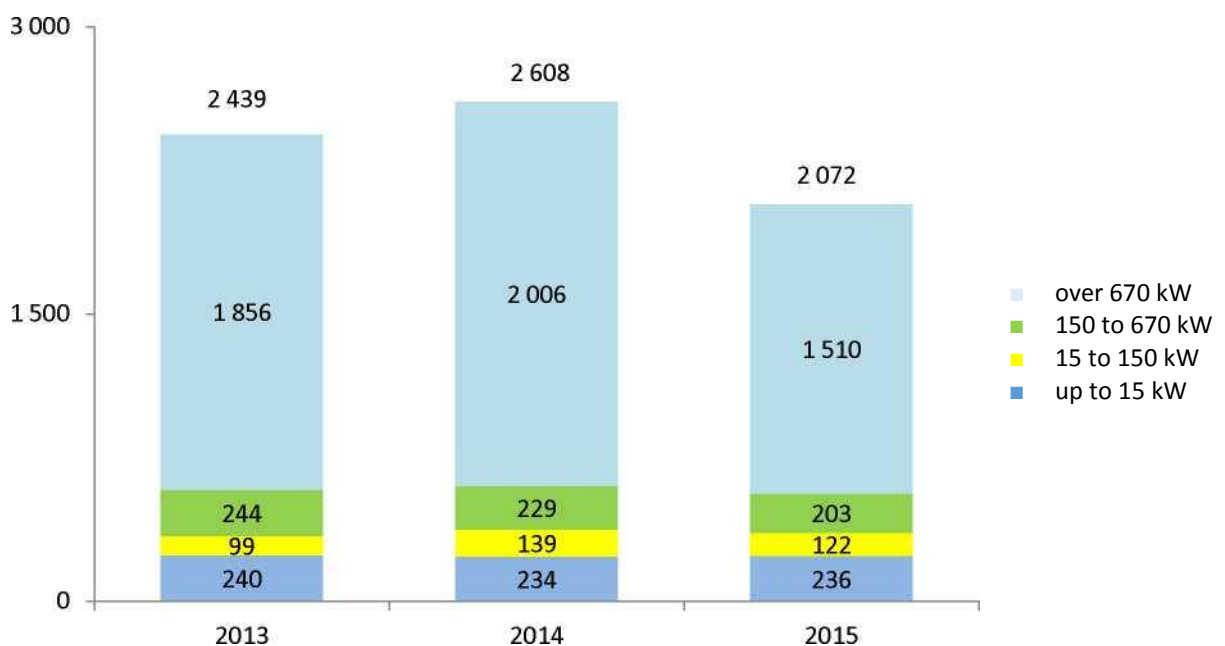
The clients category of Over 670 kW provided a major contribution to the contracted capacity in Saint Petersburg reaching 83% of the overall contracted capacity. The category of 150 to 670 kW is the second largest and amounts to 9% of the overall capacity, which is 94 MW.

Contracted Capacity Structure for the Leningrad Region in 2015, MW (%)



In the Leningrad Region, the largest portion of capacity is also the category of Over 670 kW, which amounts to 61% of the overall contracted capacity.

Contracted Capacity Over Time Broken Down by Consumer Categories, MW



The contracted capacity of Lenenergo, PJSC change over time broken down by consumer categories evidences the decrease of the aggregate value from 2012, mainly resulting from the reduction in the Over 670 kW category (-24% over 2014).

Subsidized Category Grid Connection

One of the main objectives of Lenenergo, PJSC is to provide for due grid connection of applicants. The number of potential consumers applying for connection to the grids of Lenenergo, PJSC steadily grows.

Subject to the main provisions set out in Russian Government Decree No. 1178 *On Regulated Pricing*, the cost of grid connection of the power receivers of up to 15 kW (under certain conditions) is RUB 550 per connection. These changes, in turn, resulted in the manifold growth in the number of obligations to this category of applicants.

In 2015, the revenue from grid connection of subsidized applicants (RUB 550 per connection) was

RUB 0.268 mn, net of VAT, for Saint Petersburg and RUB 7,296 mn, net of VAT, for the Leningrad Region.

The connected capacity for the subsidized applicants was 6.17 MW for Saint Petersburg, and 127.8 MW for the Leningrad Region (excluding the temporary connection).

The regulatory bodies included the income shortfalls due to the grid connection of the subsidized clients in the category of uncontrolled expenses when forming the 2015 tariff for power transmission as follows:

Saint Petersburg: RUB 9,663.76 thousand
Leningrad Region: RUB 43,010.75 thousand.

Fulfillment of Obligations Under Overdue Grid Connection Contracts

Historically, Lenenergo, PJSC created and accumulated obligations to the applicants under the following conditions:

- availability of power centers closed for grid connection
- deficit of funding for the Investment Program of Lenenergo, PJSC with respect to grid connection
- significant growth in the number of contracts with the subsidized clients.

As of January 1, 2016, the number of overdue obligations (net of contracts for temporary connection) is 35,878 contracts with the aggregate connected capacity of 2,040 MW, which is 77% of the overall number of accumulated obligations.

Lenenergo, PJSC Order No. 609 dd. December 25, 2015 approved the list of contracts to be fulfilled using the state support funds (federal bonds).

Connected Capacity Structure Subject to Grid Connection Contracts, Broken Down by Obligation Fulfillment Deadlines

	2013	Share, %	2014	Share, %	2015	Share, %
Connected capacity, MW, including*	371	100%	529	100%	380	100%
current contracts	164	44%	242	46%	292	77%
overdue contracts	207	56%	286	54%	88	23%

* excluding the connection of generating facilities

Grid Connection Tariffs

Grid Connection Payment Rates Set Out by the Regulating Authority

In accordance with the applicable laws, from January 1, 2011 the grid connection payment does not include expenses related to the improvement of the existing infrastructure (construction of power centers, improvement of the power grid). These expenses must be included in the target investment program, which is covered by the power transmission tariffs.

Subject to Federal Tariff Service Order No. 209-e/1 ff. September 11, 2012, from January 1, 2013 the individual payments are formed only for the specific "last mile" actions included in the technical specifications for the relevant connection. Furthermore, the expenses for remote control, automated metering, and corporate income tax are also excluded from the payment. From 2013 the state tariff regulating executive bodies of the Russian constituent entities also approve of the following for the regulated period for the purpose of calculating the territorial distribution grid connection payment:

- standard tariff rates
- tariff rates for a unit of peak capacity (RUB/kWh)
- a grid connection payment formula.

1. As a result of the 2015 tariff campaign, the Saint Petersburg Tariff Committee approved the payment rates for the voltage rating of under 35 kV and capacity under 8900 kW for the two territorial zones of grid

connection, differentiating by the voltage ratings and connected capacity scope, broken down by actions (Instruction No. 626-r dd. December 30, 2014). The payment rates for a unit of peak capacity for the "last mile" construction actions remained the same as in 2014. The unit of peak capacity payment rate for the administrative actions (C₁) was increased by 3.27% for 2015. Furthermore, the standard tariff rates were set for the calculation of the grid connection payment, uniform for the entire territory of Saint Petersburg.

2. In the Leningrad Region, the Leningrad Region Tariff and Pricing Policy Committee approved the rates for the unit of peak capacity and the standard tariff rates, uniform for the entire territory of the Leningrad Region (Order No. 506-p dd. December 26, 2014). The unit of peak capacity payment rate for the administrative actions (C₁) was increased by 6.59% for 2015, while the unit of peak capacity payment rate for the "last mile" construction actions were increased by 3.8% yoy.

3. A client applying for a grid connection of their power receivers with a maximum capacity of up to 15 kW (incl., in view of previously connected capacity at the same connection point) shall pay up to RUB 550 (VAT incl.), when connecting facilities of reliability category 3 (per one power source), provided that the distance between the client's land plot borders and the power facilities of up to 20 kV (incl.) and of the voltage required by the client that belong to a grid company the client applies to should be no more than 300 meters in cities and urban settlements, and no more than 500 meters in rural areas.

The SMEs may pay for the connection of units of over 15 kW and up to 150 kW in installments for up to 3 years. Lenenergo, PJSC did not register such applications in 2015.

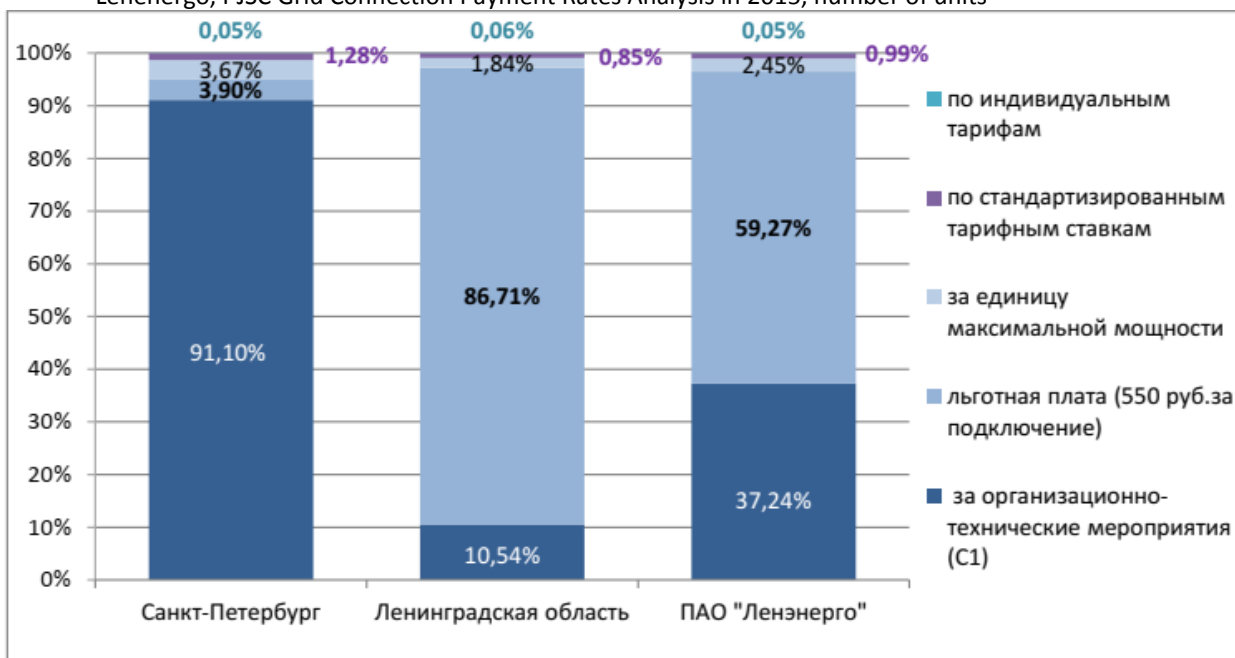
Furthermore, from October 1, 2015 the applicants with a connected capacity of up to 150 kW only cover half of the expenses the grid company incurred from the "last mile" actions implementation. In line with this rule, the Saint Petersburg Tariff Committee approved the reduced rates in its Tariff Decision dd. December 30, 2014, and the Leningrad Region Tariff and Pricing Policy Committee additionally approved the tariff schedule from October 1, 2015 (Order No. 92-p dd. August 13, 2015).

The regulatory bodies included the income shortfalls due to the grid connection of the subsidized clients in the category of uncontrolled expenses when forming the 2015 tariff for power transmission as follows:

Saint Petersburg: RUB 9,663.76 thousand
Leningrad Region: RUB 43,010.75 thousand.

The tariff solutions for Lenenergo, PJSC for 2015-2016 contain extended tariff options with detailed standard tariff rates, as seen in Annex 8.8 hereto.

Lenenergo, PJSC Grid Connection Payment Rates Analysis in 2015, number of units



По индивидуальным тарифам	Individual tariffs
По стандартизированным ставкам	Standard rates
За единицу максимальной мощности	Unit of peak capacity
Льготная плата (550 руб. за подключение)	Subsidized (RUB 550 per connection)
За организационно-технические мероприятия (C1)	Administrative and technical actions (C1)
Санкт-Петербург	Saint Petersburg
Ленинградская область	Leningrad Region

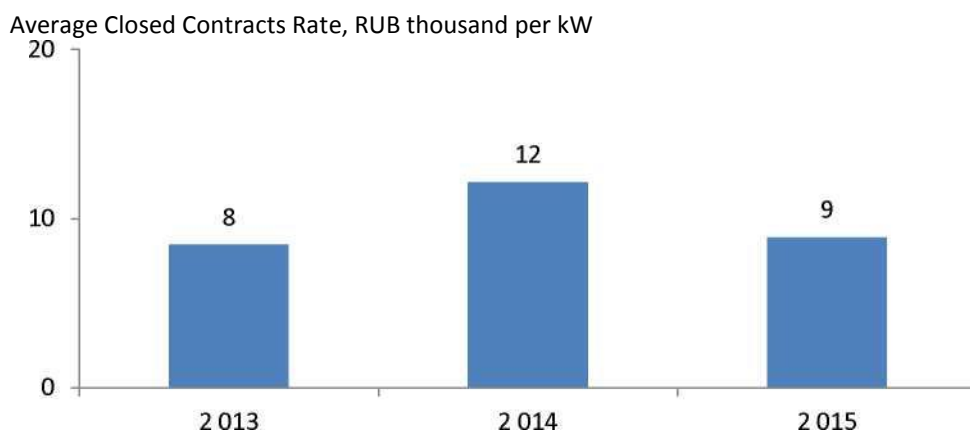
Grid Connection Revenue

Grid Connection Revenue Generation*

Parameter	Unit of Measurement	2013	2014	2015	2015 over 2014, %
Leningrad Region					
Revenue	RUB mn	1,317	3,171	456	-86%
Connected capacity*	MW	204	314	217	-31%
Average closed contracts rate	RUB thousand per kWh	6.4	10.1	2.5	-75%
Saint Petersburg					
Revenue	RUB mn	5,198	5,078	2,409	-53%
Connected capacity*	MW	567	364	163	-55%
Average closed contracts rate	RUB thousand per kWh	9.2	13.9	17.4	25%
Lenenergo, PJSC, Total					
Revenue	RUB mn	6,515	8,249	2,865	-65%
Connected capacity*	MW	771	679	380	-44%
Average closed contracts rate	RUB thousand per kWh	8.5	12.2	8.9	-27%

* including the connection of generating facilities

The revenue from grid connection contracts for Saint Petersburg reduced in 2015 more than twofold year-over-year due to the reduction of the investment program of Lenenergo, PJSC. The revenue and capacity reduction in 2015 over 2014 was also due to the fact the Unitary Customer Service fulfilled its obligations to the largest target applicant in the Leningrad Region (PZD, OJSC) in 2014 for the overall amount of RUB 2,147 mn, net of VAT.



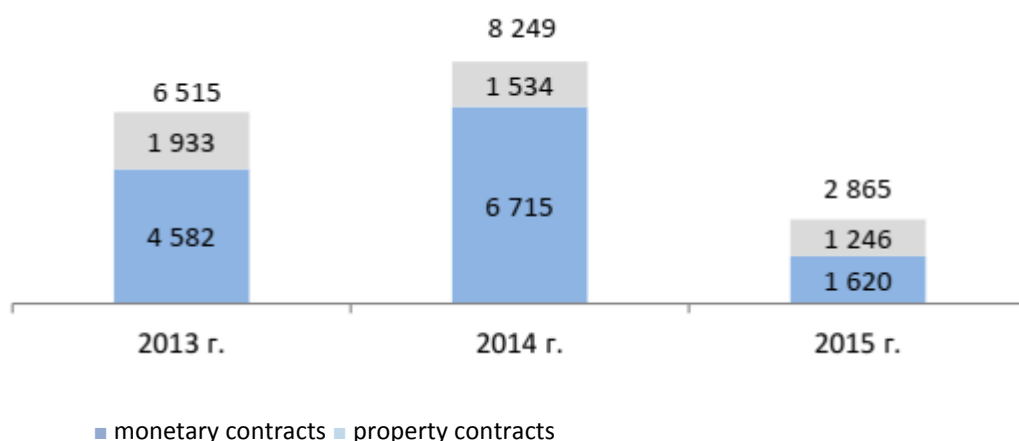
The average rate for the closed contracts is calculated as a ratio of the grid connection revenue (RUB thousand) to the scope of the connected capacity (MW), in view of the connection of generating facilities, and all the categories of the contracts made, including the ones made under individual rates, property related contracts, etc.

Lenenergo, PJSC revenue from grid connection is made up by the contracts stipulating the payment for the service by two methods: in monetary form in full (monetary contracts) and by way of property (property contracts). The property form stipulates the consumer shall meet the technical requirement on their own, and all property created so is transferred to Lenenergo, PJSC as payment for the grid connection.

Structure of Fulfilled Contracts by Payment Method, RUB mn, net of VAT

	Unit of Measurement	2013	Share, %	2014	Share, %	2015	Share, %
Revenue from grid connection	mn, net of VAT	6,515	100%	8,249	100%	2,865	100%
monetary contracts	mn, net of VAT	4,582	70%	6,715	81%	1,620	57%
property contracts	mn, net of VAT	1,933	30%	1,534	19%	1,246	43%

Grid Connection Revenue Generation Over Time by Payment Method, RUB mn



The change in the grid connection revenue in 2015 by payment method also shows signs of reduction year-over-year: by 76% for monetary contracts, and by 19% for property contracts.

3.1.3 Other Operations

The other core operations of Lenenergo, PJSC include industrial and production works and services provided to entities and individuals under contracts made for the benefit of the Company under the condition of a timely and efficient performance within core operations.

The other operations include:

- maintenance and repair of power plants of third party consumers of power
- consumers' disconnection and connection
- engineering services: designing engineering networks and power supply systems of up to 10.0 kV, lighting systems
 - other: assembly, adjustment and repair of power facilities, power equipment and power plants of the consumers, metering of insulation resistance and testing of power plants and protection units, etc.

Revenue from other operations in 2015 reduced by RUB 35 mn, or 16.3% yoy, which is mainly due to the fact that, in 2014, income from servicing the facilities of Kubanenergo, PJSC during preparation and holding of 22nd Winter Olympics and 11th Winter Paralympics was reflected.

Other Operating Revenue Over Time, RUB mn

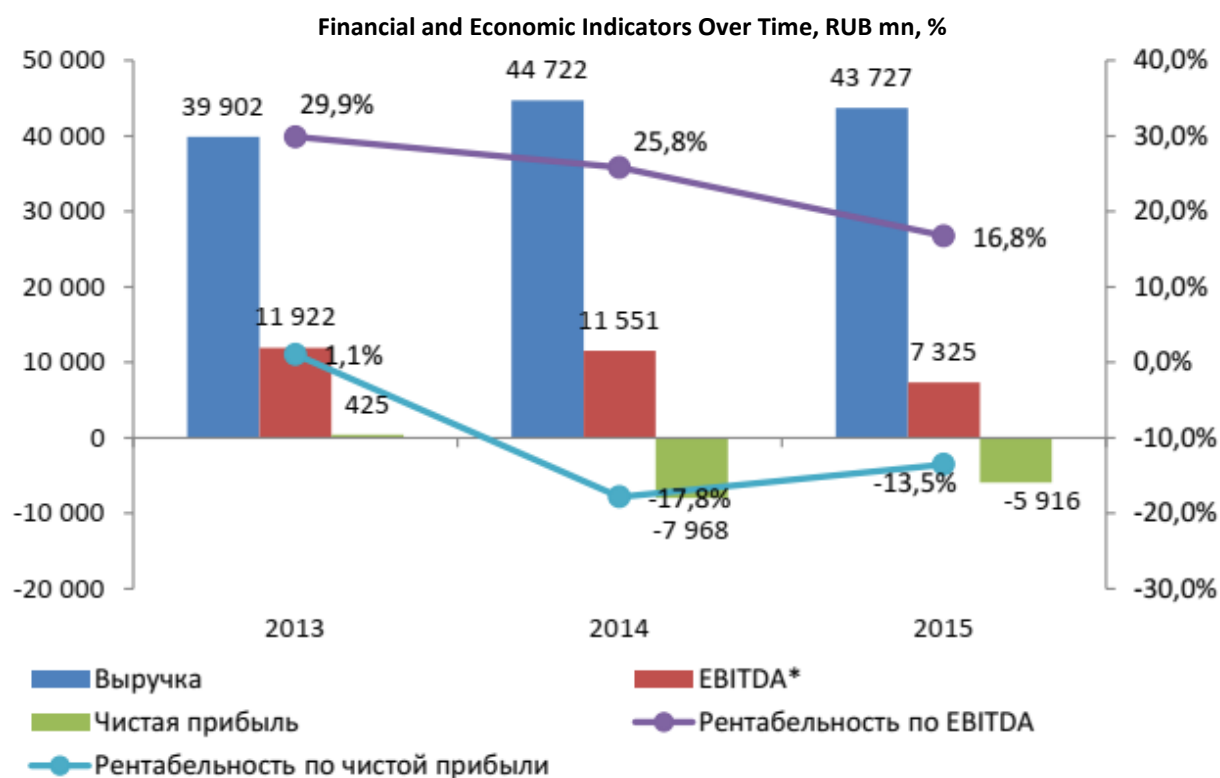
Parameter	2013	2014	2015	2015 over 2014, %

Other operating revenue	180	212	177	-16.3%
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3.2 Financial Results

Financial and Economic Operations. Financial Results

In order to compose an opinion on the business and financial results of Lenenergo, PJSC in 2015 and to forecast the Company's development for the following periods, it is necessary to review and assess the changes in the structure of assets and liabilities, conduct a comprehensive analysis of the financial performance, and assess the changes in such parameters as liquidity, cost-effectiveness (operating efficiency), and financial stability.



Выручка	Revenue
Чистая прибыль	Net profit
Рентабельность по чистой прибыли	Net profit margin
EBITDA*	EBITDA*
Рентабельность по EBITDA	EBITDA margin

Note: The 2013-2014 indicators are provided subject to the 2015 annual accounting reports and financial statements of the Company under the RAS, in view of the historic method of data provision.

* EBITDA is provided net of the impairment reserves position for the debt-based financial investments (2014, 2015 actual)

Lenenergo, PJSC business and financial operations in 2015, as compared to 2014, shows the following tendencies:

- slight reduction in the sales volumes
- reduction in the sales profit
- growth in the balance of other income and expenses
- improvement of the financial performance (reduction in the accumulated losses over 2014).

Revenue from sales in 2015 was RUB 43,727 mn, which is RUB 995 mn (-2.2%) lower than the 2014 result. The reduction is mainly due to the reduction in the revenue from grid connection and other operations, while the revenue from the power transmission grew (by RUB 4,423 mn, or 12.2%, yoy).

Net cost amounted to RUB 44,060 mn, which is RUB 4,804 mn (12.2%) higher than the 2014 result.

Due to the net cost growth in 2015 yoy and the revenue reduction, the **sales profit** in 2015 decreased by RUB 5,799 mn, and amounted to - RUB 334 mn.

Other income and expenses balance in 2015 grew by RUB 8,064 mn - mainly due to reduction of the debt financial investments impairment reserve.

Profit before tax in 2015 amounted to - RUB 6,529 mn, which is RUB 2,265 mn (25.8%) higher than in 2014, due to the growth in the other income and expenses balance and the less significant reduction of the sales profit.

Net profit in 2015 amounted to - RUB 5,916 mn.

In general, the net loss reduction (by RUB 2,051 mn) yoy is due to the growth in the other income and expenses balance by RUB 8,064 mn mainly due to the reduction in the debt financial investments impairment reserve and a lesser reduction in the gross profit.

Principal Financial and Economic Indicators, RUB mn

Item No.	Parameter	2015	2014*	2013*
		RUB mn		
1	Revenue from sales, including:	43,727	44,722	39,902
1.1.	from power transmission	40,684	36,261	33,207
1.2.	from grid connection	2,865	8,249	6,515
1.3.	from sale of power	0	0	0
1.4.	from other operations	177	212	180
2	Net cost of goods (services)	-44,060	-39,257	-36,429
3	Gross profit	-334	5,466	3,473
4	Administrative expenses	0	0	0
5	Business expenses	0	0	0
6	Profit (loss) from sales	-334	5,466	3,473
7	Interest receivable	1,005	1,345	644
8	Interest payable	-3,778	-2,766	-2,217
9	Income from participation in other business	1	1	1
10	Other income	36,745	3,623	3,529
11	Other expenses	-40,167	-16,461	-3,985
12	Profit (loss) before tax	-6,529	-8,793	1,444
13	Corporate income tax and other payments	612	826	-1,019
14	Net profit (losses)	-5,916	-7,968	425
15	EBITDA**	7,325	11,551	11,922

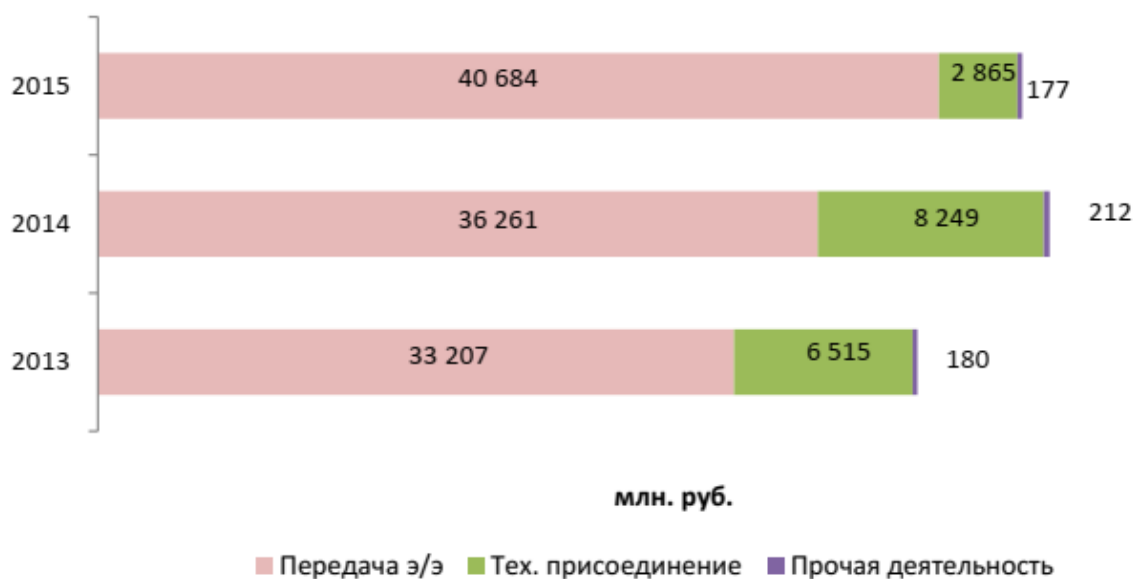
* The 2013-2014 indicators are provided subject to the 2015 annual accounting reports and financial statements, in view of the historic method of data provision

** EBITDA is provided net of the impairment reserves position for the debt-based financial investments (2014, 2015 actual)

Income Structure

Revenue	2013	Revenue share, %	2014	Revenue share, %	2015	Revenue share, %	2015 over 2014, %
Total revenue	39,902	100.0%	44,722	100.0%	43,727	100.0%	-2.2%
grid services	39,722	99.5%	44,510	99.5%	43,550	99.6%	-2.2%
from power transmission	33,207	83.2%	36,261	81.1%	40,684	93.0%	12.2%
from grid connection	6,515	16.3%	8,249	18.4%	2,865	6.6%	-65.3%
from other operations	180	0.5%	212	0.5%	177	0.4%	-0.1%

Sales Revenue Over 2013-2015, RUB mn



power transmission	grid connection	other operations
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Income from power transmission makes up for the key portion of income of Lenenergo, PJSC. In 2015, it amounted to RUB 40,684 mn (93.0% of revenue), which is 12.2% higher than the 2014 result. In the absolute terms, the increase reached RUB 4,423 mn and was due to the fact that tariff rates grew in 2015 yoy.

The grid connection income in 2015 was RUB 2,865 mn (6.6% of the final revenue), which is 2.9 times lower than the 2014 result. It was due to the need to sequester the investment program implementation scope in 2015 resulting from the reduction of the own funding sources and unavailability of borrowed funds. The state support for targeted funding of the accumulated obligations with respect to grid connection became available to Lenenergo, PJSC only in December 2015.

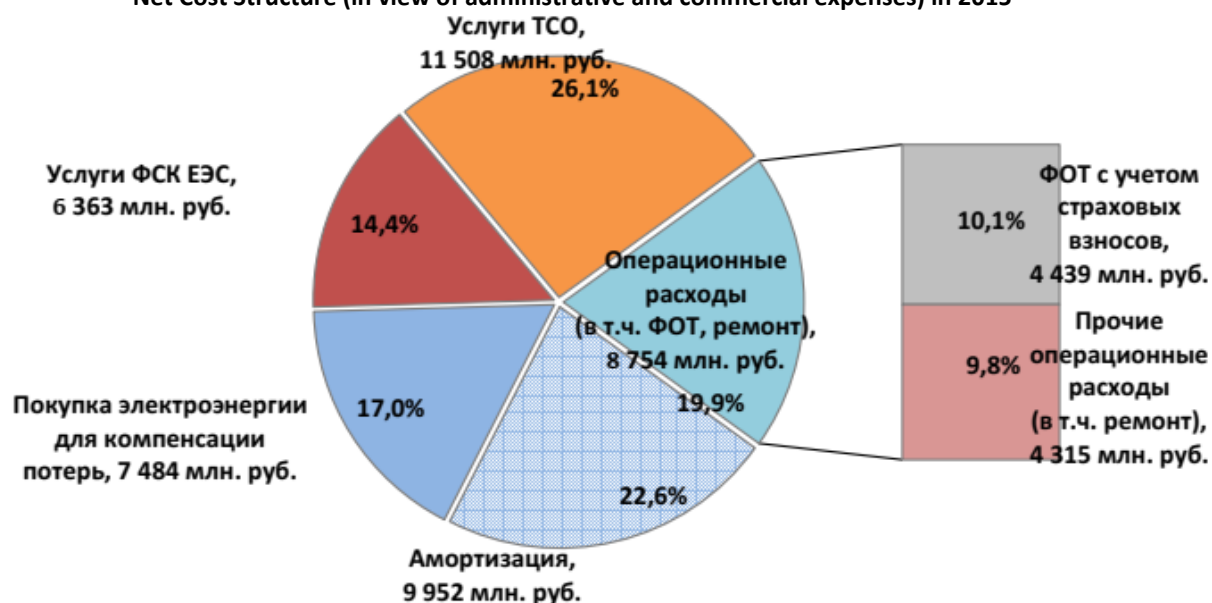
The other income of the Company amounted to RUB 177 mn (0.4% of the overall revenue), which is RUB 35 mn (16.3%) lower than in 2014. Revenue from other operations decreased year-over-year due to the fact that, in 2014, income from servicing the facilities of Kubanenergo, PJSC during preparation and holding of 22nd Winter Olympics and 11th Winter Paralympics was reflected.

Expenses Structure

Net cost (in view of the administrative and commercial expenses) in 2015 amounted to RUB 44,060 mn, which is RUB 4,804 mn (12.2%) higher than in 2014.

The growth is mainly due to the growth of uncontrolled expenses of the Company, such as cost of purchased power to compensate for the losses, cost of services of the distribution grid companies, and growth of depreciation provisions from the investment program. The controlled expenses decreased due to the implementation of the Performance and Financial and Economic State Improvement Action Plan with respect to the optimization of expenses.

Net Cost Structure (in view of administrative and commercial expenses) in 2015



	Territorial grid entities' services, RUB 11,508 mn 26.1%	
FGC UES services, RUB 6, 363 mn 14.4%		Payroll including insurance premiums, RUB 4,439 mn 10.1%
Purchase of power to cover the losses, RUB 7,484 mn 17.0%	Operating expenses (incl. payroll, repair), RUB 8,754 mn 19.9%	Other operating expenses (incl. repair), RUB 4,315 mn 9.8%
Depreciation, RUB 9,952 mn 22.6%		

Cost of purchased power to compensate for losses in 2015 was RUB 7,484 mn (17.0% of the overall expenses). In the absolute terms, the yoy growth amounted to RUB 1,654 mn (28.4%) and was due to the growth of losses by 580.2 mn kWh (expenses grew by RUB 1,063 mn) and the increase of the average non-regulated price by 10.1% (expenses grew by RUB 591 mn).

The cost of FGC UES, PJSC services in 2015 was RUB 6,363 mn (14.4% of the overall expenses). The yoy decrease in the absolute terms amounted to RUB 202 mn and was mainly due to the decrease of losses by RUB 192.5 mn kWh (expenses reduced by RUB 326 mn) and load losses growth (reduction by RUB 16 mn) against the growth of the contracted capacity by 81.3 MW (expenses grew by RUB 132 mn) and maintenance and losses purchase tariffs (expenses grew by RUB 8 mn).

The cost of the power transmission services of the partner entities in 2015 reached RUB 11,508 mn (26.1% of the overall expenses). Year-over-year, the expenses grew by RUB 2,342 mn due to the inclusion of the 2015 tariff and balance decision parameters and the actual behavior and scope of power transmission in 2014.

The personnel expenses (payroll and social payments) in 2015 amounted to RUB 4,439 mn (10.1% of the overall expenses), which is RUB 160 mn (3.8%) higher than the 2014 result, mainly due to the growth of the insurance premiums resulting from the changes to the laws (increase of the limits for contributions).

Depreciation of the fixed and intangible assets increased year-over-year by RUB 980 mn due to the increase of the book value resulting from the implementation of the investment program for commissioning of fixed assets.

Efficiency Management Program, Reduction of the Specific Operating Costs under Russian Government Directive No. 2303-P13 dd. April 16, 2015

Reduction of the controlled operating expenses in 2015 over 2012, for the purpose of the Russian Power Grid Development Strategy approved by the Russian Government (Instruction No. 511-r dd. April 3, 2013), amounted to RUB 1,585 mn, or 26.9%.

Subject to Russian Government Directive No. 2303-P13 dd. April 16, 2015 for the reduction of the specific operating costs by at least 2-3 percent annually, the yoy reduction of the specific operating costs in 2015 amounted to RUB 1,616 mn, or 18.9%.

In order to improve the Company's operating efficiency, the following actions were taken:

- the Energy Preservation and Energy Efficiency Improvement Program
- optimization of the production program by using cutting-edge equipment that allows for the reduction

of the repair costs and damages from undersupply of power to consumers

- optimization of the headcount of the governance bodies
- optimization of the training at the dedicated department of the Agricultural University
- optimization of the bonus payments system
- improvement of the maintenance supply through tender procedures
- reduction of the POL consumption using the GPS monitoring units
- reduction/freezing of the lease payment rate and optimization of the leased areas
- optimization of the costs of cleaning services based on the negotiations with the contractors
- reduction of the investment program costs by applying the Method of Planning of the Investment Costs

Reduction by 30% Over 2012 When Forming the Investment Programs of Rosseti, PJSC SDCs and Internal Divisions.

EBITDA

EBITDA⁶ of the Company that characterizes the cash flow generated by the Company before taxes and interest decreased in 2015.

In 2015, EBITDA was RUB 7,325 mn, which is RUB 4,226 mn (36.6%) lower than in 2014. The decrease of EBITDA was mainly due to the decrease in the gross profit of the Company. Change in the other income and expenses balance (net of interest payable and debt financial investments impairment provision) did not affect the decrease of the indicator in a significant manner.

Lenenergo, PJSC losses for 2015 amounted to - RUB 5,916 mn. Over the respective period of 2014, the financial performance improved by RUB 2,051 mn (in 2014 the net losses were RUB 7,968 mn). The net loss reduction yoy is due to the growth in the other income and expenses balance by RUB 8,064 mn mainly due to the reduction in the debt financial investments impairment reserve and a lesser reduction in the gross profit.

Receivables Change Analysis, RUB mn

	as of December 31,	as of December 31,	as of December 31,
Receivables*, including:	7,399	12,520	9,782
Trade receivables	4,136	7,069	5,898
power transmission	2,771	4,351	3,151
Notes receivable	0	0	0
Advances paid	103	1,055	573
Other receivables	3,160	4,396	3,311

*Note: the table contains the aggregate receivables (current and non-current, Item 1230) according to the Company's financial statements for the report period (in view of the historic method of data provision).

The overall receivables of Lenenergo, PJSC by the end of 2015 amounted to RUB 7,399 mn; by the end of 2014: RUB 12,520 mn. Reduction of receivables (by RUB 5,121 mn) in 2015 was due to the reduction of all receivables' components: trade receivables, other receivables, and advances paid.

Trade receivables by the end of 2015 was RUB 4,136 mn, which is RUB 2,933 mn (41.5%) lower than the 2014 result. The decrease is mainly due to the decrease of the trade receivables for power transmission, and the decrease of the balance receivables for grid connection, and receivables for discovered off-the-meter consumption.

Reduction of the advances paid debt by RUB 952 mn (-90.3%) yoy was mainly due to the reduction in advances paid to the suppliers of power and other services. Advances paid to the repair entities and materials suppliers decreased as well.

Other receivables reduction (by RUB 1,236 mn, or 28.1%) was mainly due to the decrease of taxes overpaid and the debt under interest accrued for the deposit agreements.

The major portion of the Company's receivables (37.5%) was formed by payments for the power transmission services rendered.

⁶ EBITDA is provided net of the impairment reserves position for the debt-based financial investments (2014, 2015 actual) The debt financial investments impairment reserve balance is excluded due to the fact that the accrual of the reserve does not result in outflow of cash, does not require funding sources, and, at the same time, creates a paper operating loss. The source for compensation of the 2014 losses from impairment of the financial investments in Tavrichesky Bank, OJSC, will be recovered annually within 20 years.

The overdue receivables were due to the buyers' failure to fulfill their obligations under the grid connection contracts, power transmission contracts, and due to the non-contractual power consumption.

The Company works with the overdue receivables.

In general, the overall control over the receivables in Lenenergo, PJSC is conducted in the following areas:

- ✓ monitoring of trade payables and trade receivables
- ✓ out-of-court actions aimed at reduction of the debt amount
- ✓ drafting and filing of lawsuits
- ✓ court ruling execution control.

Within the out-of-court debt settlement, offset of liabilities and assignment of claims were performed for RUB 1,022 mn in 2015.

As a result of the complaint handling and pre-action procedures implemented by the Company in order to enforce the overdue receivables in 2015, favorable rulings were obtained in 53 court cases for the overall amount of RUB 948,02 mn, while recovery of RUB 82.33 mn was refused. The share of the favorable rulings was 92.01%, which is higher than the result of the previous year by 11 p.p.

The measures aimed at reducing the overdue receivables cover such receivables at a consistently high level.

Analysis of Changes in Payables, RUB mn

	as of December 31,	as of December 31,	as of December 31,
Payables*, including:	35,258	35,784	34,824
Trade payables	18,206	19,039	14,030
Notes payable	0	0	0
Taxes and levies	306	225	642
Advances received	14,167	14,111	15,570
Other payables	2,579	2,408	4,582

*Note: the table contains the aggregate payables (non-current, Item 1450, and current, Item 1520) according to the Company's financial statements for the report period (in view of the historic method of data provision).

Payables in 2015 decreased year-over-year by RUB 526 mn (1.5%), and reached RUB 35,258 mn by December 31, 2015.

As compared to 2014, the following changes occurred: trade payables decreased by RUB 833 mn, mainly due to the reduction of the debt to construction entities, while the debt to the grid entities grew.

Payables for advances received grew by RUB 56 mn (99.7% of the payables is the advances for grid connection). The growth was mainly due to the increase of the advances received for grid connection by RUB 95 mn (+0.7%), while the other advances received decreased by RUB 39 mn (-47.4%).

Taxes and levies payable grew by RUB 80 mn (+35.5%) due to the increase of the VAT and property tax payable (in view of the cancellation of tax benefits).

The other payables grew by RUB 171 mn (7.1%) due to the increase of the payables to the personnel (+ RUB 57 mn), payables for the support of tender offers and contracts' fulfillment (+ RUB 65 mn), and growth in the court payables (+ RUB 27 mn).

Statement of Financial Position

For this section, the statements of financial position as of December 31, 2013, December 31, 2014, and December 31, 2015 were used (part of the audited annual accounting report and financial statements of Lenenergo, PJSC for 2015, in view of the historic method).

The total balance (i.e., the amount of the assets available to the Company) as of the end of 2015 was RUB 194,683 mn. The aggregate amount of the Company's property and the sources of assets formation grew by RUB 29,914 mn year-over-year (18.2%).

Since Lenenergo, PJSC belongs to the capital-intensive industry, the structure of its liabilities on its balance is characterized by a significant amount of borrowed funds, and its assets structure is dominated by non-current assets.

Lenenergo, PJSC balance as of December 31, 2015 has the following specific characteristics:

- high share of non-current assets: 80.7% of the total balance
- prevalence of cash and short-term financial investments in the current assets: in aggregate, 75.1% of the current assets, 14.5% of the total balance. The proportion of the aggregate receivables is

19.6% of the current assets and 3.8% of the assets of Lenenergo, PJSC

- prevalence of sources of equity formation in the structure: 58.2% of the total balance (due to the reflection of the proceeds for the additionally issued shares - Equity (prior to registration of changes) - in equity in the amount of RUB 47,818 mn)
- significant amount of borrowed funds (non-current and current loans and borrowings): 19.8% of the total balance, 47.3% of the aggregate obligations of Lenenergo, PJSC.

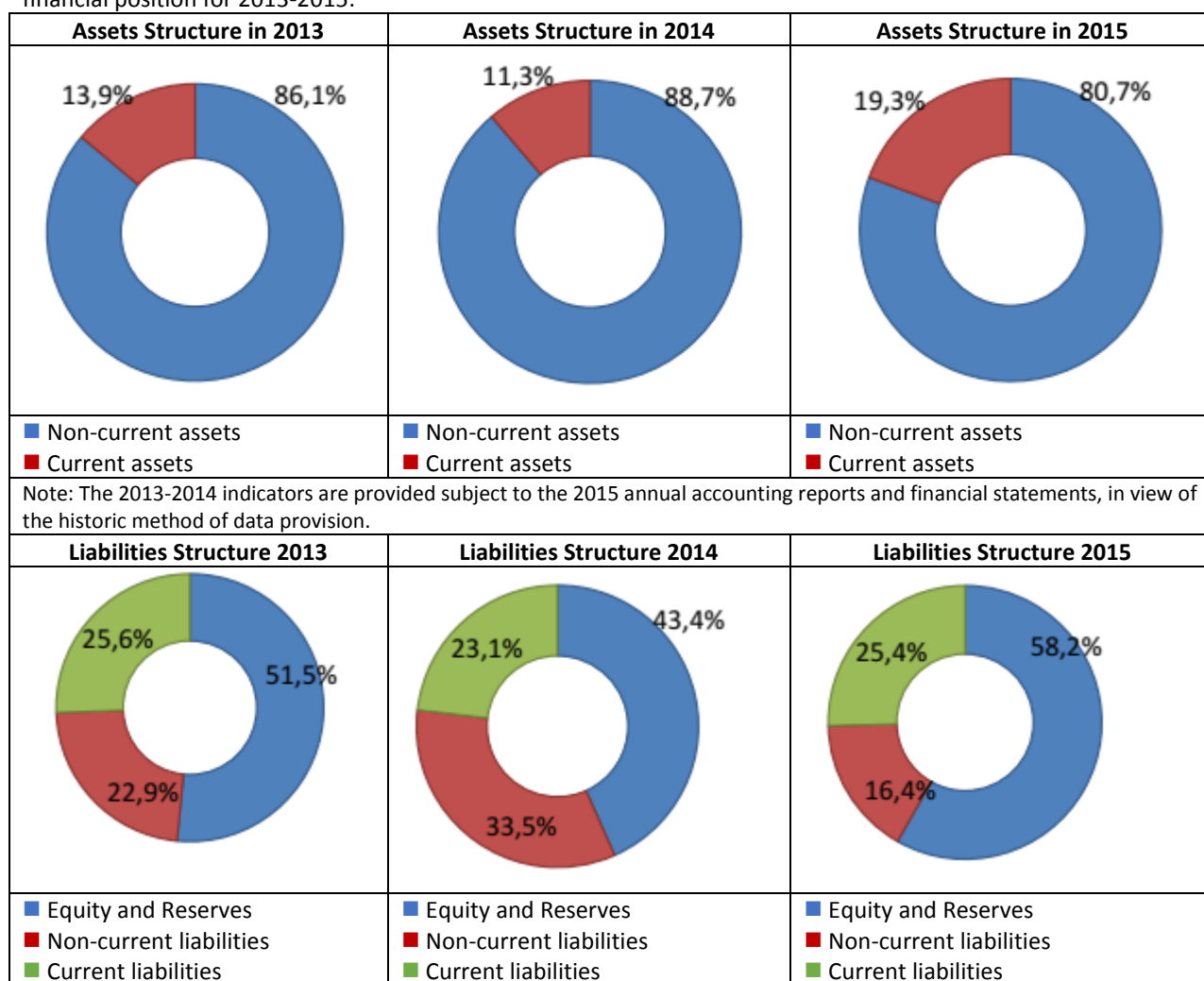
RUB mn

Parameter Name	Item (Order No. 66n)	as of December 31, 2014, actual	Share in the total balance, %	as of December 31, 2015, actual	Share in the total balance, %	2015 over 2014		
						amount	%	Portion of total balance
1	2	5	6	5	6	7	8	9
ASSETS								
1. NON-CURRENT ASSETS								
Intangible asset type	1110	214	0.1%	184	0.1%	-31	-14.3%	0.0%
R&D results	1120	14	0.0%	5	0.0%	-9	-63.3%	0.0%
Fixed assets	1150	139,479	84.7%	134,607	69.1%	-4,873	-3.5%	-15.5%
including construction in progress	1154	10,559	6.4%	13,335	6.8%	2,776	26.3%	0.4%
including advances for fixed assets construction and purchase	1155	1,008	0.6%	35	0.0%	-973	-96.5%	-0.6%
Financial investments	1170	2,605	0.6%	18,078	9.3%	15,473	594.0%	7.7%
Deferred tax assets	1180	3,343	2.0%	3,666	1.9%	323	9.7%	-0.1%
Other non-current assets	1190	567	0.3%	479	0.2%	-88	-15.6%	-0.1%
Total for Section 1	1100	146,223	88.7%	157,018	80.7%	10,796	7.4%	-8.1%
2. CURRENT ASSETS								
Inventory	1210	681	0.4%	687	0.4%	6	0.9%	-0.1%
Value added tax for purchased valuables	1220	941	0.6%	744	0.4%	-197	-20.9%	-0.2%
Receivables, including:	1230	12,520	7.6%	7,399	3.8%	-5,121	-40.9%	-3.8%
Non-current receivables	1231	753	0.5%	502	0.3%	-250	-33.2%	-0.2%
Current receivables	1232	11,767	7.1%	6,897	3.5%	-4,871	-41.4%	-3.6%
Financial investments (except for the cash equivalents)	1240	3,057	1.9%	3,867	2.0%	810	26.5%	0.1%
Cash and cash equivalents	1250	1,167	0.7%	24,417	12.5%	23,251	1993.2%	11.8%
Other current assets	1260	181	0.1%	550	0.3%	369	203.2%	0.2%
Total for Section 2	1200	18,547	11.3%	37,665	19.3%	19,118	103.1%	8.1%
Balance sheet	1600	164,769	100.0%	194,683	100.0%	29,914	18.2%	0.0%
LIABILITIES								
3. EQUITY AND RESERVES								
Authorized capital	1310	1,752	1.1%	1,752	0.9%	0	0.0%	-0.2%
Equity (prior to registration of changes)		0	0	47,818	24.6%	47,818	-	24.6%
Non-current assets revaluation	1340	51,259	31.1%	51,125	26.3%	-134	-0.3%	-4.8%
Additional capital	1350	14,067	8.5%	14,067	7.2%	0	0.0%	-1.3%
Capital reserves	1360	184	0.1%	184	0.1%	0	0.0%	0.0%
Retained profit (accumulated losses)	1370	4,178	2.5%	-1,610	-0.8%	-5,788	-138.5%	-3.4%
Total for Section 3	1300	71,441	43.4%	113,336	58.2%	41,895	58.6%	14.9%
4. NON-CURRENT LIABILITIES								
Borrowings	1410	48,188	29.2%	25,100	12.9%	-23,088	-47.9%	-16.4%
Deferred tax liabilities	1420	3,805	2.3%	4,076	2.1%	271	7.1%	-0.2%
Provisions	1430	0	0.0%	0	0.0%	0	-	0.0%
Other liabilities	1450	3,213	2.0%	2,745	1.4%	-469	-14.6%	-0.5%

Parameter Name	Item (Order No. 66n)	as of December 31, 2014, actual	Share in the total balance, %	as of December 31, 2015, actual	Share in the total balance, %	2015 over 2014		
						amount	%	Portion of total balance
Total for Section 4	1400	55,207	33.5%	31,921	16.4%	-23,287	-42.2%	-17.1%
4. CURRENT LIABILITIES								
Borrowings	1510	1,581	1.0%	13,356	6.9%	11,775	744.8%	5.9%
Payables	1520	32,570	19.8%	32,513	16.7%	-57	-0.2%	-3.1%
Deferred income	1530	0	0.0%	0	0.0%	0	-	0.0%
Provisions	1540	3,970	2.4%	3,557	1.8%	-414	-10.4%	-0.6%
Total for Section 5	1500	38,121	23.1%	49,426	25.4%	11,305	29.7%	2.3%
Balance sheet	1700	164,769	100.0%	194,683	100.0%	29,914	18.2%	0.0%

* The 2014 indicators are provided subject to the 2015 annual accounting reports and financial statements, in view of the historic method of data provision.

The diagrams below demonstrate the structure of assets and liabilities of Lenenergo, PJSC statements of financial position for 2013-2015:



Note: The 2013-2014 indicators are provided subject to the 2015 annual accounting reports and financial statements, in view of the historic method of data provision.

It is necessary to note that the factor affecting the property and property sources in 2015 the most was the proceeds from sale in 2015 of additional shares of Lenenergo, PJSC to Rosseti, PJSC and the Government of Saint Petersburg (Issue Resolution No. 1-01-00073-A-0004D dd. December 3, 2015).

In December 2015, Lenenergo, PJSC received:

- funds in the amount of RUB 32,000 mn (state support),
- RUB 580 mn to fund the preparation for the 2018 FIFA World Cup,
- shares of St. Petersburg Power Grid, JSC and Petrodvoretz Power Grid, OJSC for the amount of RUB 15,237.5 mn.

The funds received in 2015 were used to repay the loans for the amount of RUB 11,025 mn.

Non-Current Assets

As of December 31, 2015, the Company's non-current assets amount to RUB 157,018 mn (80.7% of the total balance). Fixed assets (including facilities under construction and advances for fixed assets construction and purchase) of RUB 134,607 mn in total make for 69.1% of the aggregate assets and 85.7% of the non-current assets of the Company.

The yoy increase of non-current assets was due to the growth of long-term financial investments, whereas the current assets decreased due to the sequestering of the investment program of the Company.

At the end of 2015, the long-term financial investments of RUB 18,078 mn make for 11.5% of non-current assets (9.3% of the Company's assets). Growth thereof by RUB 15,473 mn (6.9 times) yoy is mainly due to the purchase of the shares of St. Petersburg Power Grid, JSC and Petrodvorets Power Grid, OJSC in the amount of RUB 15,237.5 mn.

The long-term financial investments as of December 31, 2015 also includes the cost of blocks of shares of other issuers (RUB 950.6 mn in total) and the subordinated deposit in Tavrichesky Bank, net of the long-term financial investments impairment provision (RUB 1,890 mn).

Furthermore, as of December 31, 2015, the statement of financial position reflected the deferred tax assets of RUB 3,666 mn (1.9% of the total balance) and other non-current assets of RUB 479 mn (0.2% of the total balance). This Item reflects certain expenses of future periods (including for grid connection of third parties, insurance agreements, non-exclusive rights to the database use, license agreements, etc.).

Current Assets

In 2015, the current assets of the Company amounted to RUB 37,665 mn (19.3% of the total balance), growing by RUB 19,118 mn (twofold) yoy.

The main proportion of the current assets in 2015 is made by cash: 64.8% of the current assets, RUB 24,417 mn. In aggregate, cash and short-term financial investments (deposits in banks) amount to RUB 28,284 mn.

The most liquid assets include cash from the disposal of the federal bonds, funds to finance the FIFA World Cup projects, and other funds to finance the investment and operating activities of Lenenergo, PJSC.

The current assets also include inventory stock, VAT for purchased assets, and other current assets (including the aggregate VAT from advances for fixed assets construction and purchase).

The current assets growth in 2015 was mainly due to the increase in cash (by RUB 23,251 mn - mainly due to the reflection of the unused funds from the disposal of the federal bonds, RUB 20,975 mn).

Lenenergo, PJSC is allocated RUB 32 bn of state support in the form of federal bonds added to the authorized capital of the Company through the additional issue of shares. Those funds were used in 2015 to repay early the loans with high interest rates for the amount of RUB 11,025 bn; and in 2016 the state support will be also used to repay the bonded loans for the amount of RUB 6 bn, and the fulfillment of the accumulated grid connection obligations will be funded.

Equity and Reserves

The main source for Lenenergo, PJSC assets formation in 2015 was equity of RUB 113,336 mn (58.2% of the total balance), which evidences a relatively high level of financial independence of the Company. Non-current assets revaluation (45.1% of the equity of Lenenergo, PJSC) and equity prior to registration of changes (RUB 47,818 mn, 42.2% of equity) amounted for the main portion thereof.

The growth of equity and reserves yoy by RUB 41,898 mn is mainly due to the reflection of payment for the additional issue of shares in the equity (Equity prior to registration of changes).

Cash and securities received by the Company subject to the preemptive right of Lenenergo, PJSC in the amount of RUB 47,818 mn are reflected in a separate line of Equity (prior to registration of changes) of Equity and Reserves since it is possible to reflect the equity increase after the additional issue is actually paid for before the issue is registered, without separating the equity increase from the share premium.

Additional, authorized, and reserve capitals in aggregate make up for 14.1% of Section 3, Equity and Reserves. The aggregate financial performance of the Company (of the previous years and the report year) as of December 31, 2015 is negative and amounts to - RUB 1,610 mn. It has a reducing impact on the own sources of assets formation.

The capital reserves did not change in 2015; the amounts of the reserve fund were not used.

Subject to its Articles of Association, the Company establishes a Reserve Fund of 15% (fifteen percent) of the authorized capital. The annual provisions for the reserve fund are at least 5% (five percent) of the net profit of the Company until the reserve fund reaches the approved size. The reserve fund serves to cover the Company's losses in case no other funds are available. The reserve fund may not be used for any other purposes.

The reserve fund of Lenenergo, PJSC as of the end of 2015 is RUB 184 mn (10.5% of the authorized capital). It will be brought up to the amount required under the Articles of Association (15.0% of the authorized capital) by allocating a required amount to the reserve fund from distribution of net profit, and when the Company shows a positive financial performance in the future periods (in 2014-2015 Lenenergo, PJSC incurred accumulated losses).

Liabilities

Lenenergo, PJSC liabilities (Sections 4 and 5, net of the deferred tax assets, deferred income, and provisions) as of December 31, 2015 amounted to RUB 73,714 mn, including:

- non-current payables of RUB 2,745 mn, or 3.7% of the overall liabilities
- non-current borrowings of RUB 25,100 mn (34.1%)
- current borrowings (including debt under accrued but not paid interest) of RUB 13,356 mn (18.1%)
- current payables of RUB 32,513 mn (44.1%).

Current liabilities form the second-largest source of assets formation for the Company, and amount to 25.4% of the total balance.

Current payables form the biggest portion of the current liabilities: 65.8% of the current liabilities, 16.7% of all funds sources. As compared with December 31, 2014, the current payables changed insignificantly (decreased only by RUB 57 mn, 0.2%). At the same time, aggregate payables (both current and non-current) as of December 31, 2015 reached RUB 32,258 mn and decreased year-over-year by RUB 526 mn (for more details on the payables change over time and reasons for such a change see above).

As of December 31, 2014, the current borrowings (6.9% of all sources of assets formation) include the following:

- RUB 13,000 mn - the amount transferred to current portion of the non-current borrowings subject to the requirements of accounting
- RUB 356 mn — interest debt under non-current and current loans and borrowings.

The current borrowings increased yoy by RUB 11,775 mn (8.4 times) due to the fact the loans and borrowings payable included in the current liabilities as of December 31, 2015 subject to the accounting standards increased.

The overall debt (non-current and current loans and borrowings payable, including interest payable) decreased yoy by RUB 11,313 mn (-22.7%).

The Company both attracted and repaid loans and borrowings in the report year (more details on the debt changes see Credit Policy section hereof).

Non-current liabilities (Section 4 of the Statement of Financial Position) in 2015 form the third largest source of assets formation after equity and current liabilities: 16.4% of the total balance. Non-current borrowings of RUB 25,100 mn form 78.6% of the non-current liabilities.

The non-current liabilities of the Company decreased yoy (by RUB 23,287 mn, 42.2%) mainly due to the reduction of the non-current loans and borrowings payable (including by repaying the loan resources in 2015 using state support and by transferring a portion of the loans and borrowings payable to current liabilities subject to the accounting rules).

Financial Analysis

Principal Financial and Economic Indicators

Parameter	Unit of Measurement	2013*	2014*	2015	2015 over 2014	Reference: formula
Financial soundness indicators						
Net assets value	RUB mn	76,341	71,441	113,336	+58.6%	Order No. 84n dd. August 28, 2014 of the Ministry of Finance On Approving the Procedure for Net Assets Value Determination
Equity to total assets		0.52	0.43	0.58	+0.15 p.	Equity / Aggregate liabilities = Item 1300 F.1 / Item 1700 F.1
Equity to borrowed funds ratio		1.06	0.77	1.39	+0.63 p.	(Item 1300 F.1)/(Item 1400 + Item 1500) (F.1)

Parameter	Unit of Measurement	2013*	2014*	2015	2015 over 2014	Reference: formula
Aggregate debt to EBITDA ratio**		2.80	4.31	5.25	+0.94 p.	(Non-current borrowings + Current borrowings) / EBITDA = (Item 1410 F.1 + Item 1510 F.1) / EBITDA
Net debt to EBITDA**		1.99	3.94	1.39	-2.55 p.	(Non-current borrowings + Current borrowings - Cash – Short-term financial investments) / EBITDA = (Item 1410 F.1 + Item 1510 F.1 - 1250 F.1 – 1240 F.1) / EBITDA
Margin (business efficiency) indicators						
EBITDA margin**	%	29.88%	25.83%	16.75%	-9.08 p.p.	(EBITDA/Sales profit (Item 2110 F.2))*100%
Net profit margin	%	1.06%	-17.82%	-13.53%	+4.29 p.p.	(Item 2400 F.2/Sales profit (Item 2110 F.2))*100%
Return on total assets (ROTA), profit before tax	%	1.04%	-5.62%	-3.63%	+1.99 p.p.	(Profit before tax / Average aggregate assets)*100%=[Item 2300 F.2 / ((Item 1600 F.1 report + Item 1600 F.1 previous) / 2)]*100%
ROE	%	0.56%	-10.78%	-6.40%	+4.38 p.p.	(Net profit / Average equity)*100% = [Item 2400 F.2 / ((Item 1300 F.1 report + Item 1300 F.1 previous) / 2)]*100%
Turnover and business activity indicators						
Receivables turnover ratio	times	4.97	4.01	4.39	+0.38 p.	Sales profit/Average receivables = Item 2110 F. 2 / ((Item 1230 F.1 report + Item 1230 F.1 previous) *0.5)
Payables turnover ratio	times	1.26	1.11	1.24	+0.13 p.	Cost of sales/Average payables = Item 2120 F. 2 / ((Item 1450 F.1 report + Item 1520 F. 1 previous + Item 1450 F.1 previous + Item 1520 F. 1 previous) *0.5)
Aggregate ratio of receivables and payables	times	0.28	0.35	0.21	-0.14 p.	Item 1230 F.1 / (Item 1450 F.1 + Item 1520 F.1)
Liquidity and present paying capacity indicators						
Absolute liquidity ratio		0.25	0.11	0.57	+0.46 p.	(Cash and cash equivalents + Short-term financial investments) / Current liabilities = (Item 1240 F.1 + Item 1250 F.1) / (Item 1500 F.1 - Item 1530 F.1)
Current liquidity ratio		0.53	0.47	0.75	+0.29 p.	(Current assets-Receivables of over 12 month) / (Current liabilities - Deferred income) = (Item 1200 F.1 - Item 1231) / (Item 1500 F.1 - Item 1530 F.1)

Notes:

* The 2013-2014 indicators are provided subject to the 2015 annual accounting reports and financial statements, in view of the historic method of data provision. The indicators are calculated under the 2015 Annual Report Preparation Recommendations for SDCs of Rosseti, PJSC.

** EBITDA is provided net of the impairment reserves position for the debt-based financial investments (2014, 2015 actual)

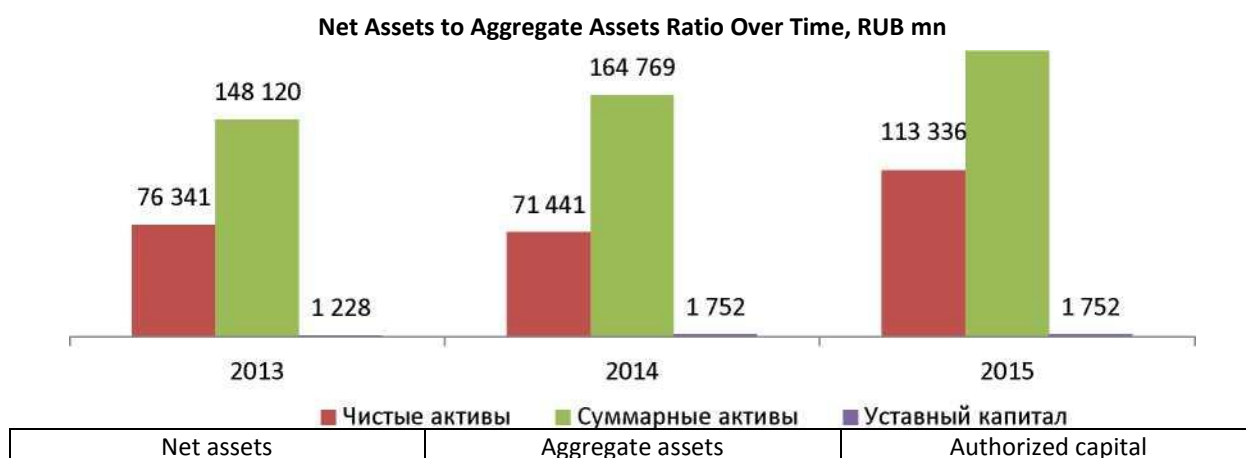
Net Assets, Aggregate Assets, and Authorized Capital Over Time, RUB mn

Parameter	2013*	2014*	2015	2015 over 2014, %
Net assets	76,341	71,441	113,336	58.6%
Aggregate assets	148,120	164,769	194,683	18.2%
Authorized capital	1,228	1,752	1,752	0.0%

* The 2013-2014 indicators are provided subject to the 2015 annual accounting reports and financial statements, in view of the historic method of data provision

* Art. 35 of Law No. 208-FZ On Joint Stock Companies dd. December 26, 1995 (as amended and supplemented)

The amount of *net assets* grows yoy as a result of Lenenergo, PJSC reflecting the capital prior to registration of changes in 2015. Net assets' significantly (64.7 times) exceeding the authorized capital fully complies with the requirements the regulations* set for the amount of net assets of a company and may be deemed a principal factor ensuring the Company's stable financial position in the current environment and in future.



* The 2013-2014 indicators are provided subject to the 2015 annual accounting reports and financial statements, in view of the historic method of data provision

Financial Stability Evaluation

In 2015, the proportion of equity was 58.2% of the total balance of Lenenergo, PJSC. The most stable liabilities are equity and non-current liabilities, in aggregate amounting to 74.6% of the total balance, which evidences the financial independence of the Company grew significantly yoy.

Improvement of the financial stability was due to the growth in the equity and reserves of Lenenergo, PJSC, while the aggregate liabilities decreased (mainly due to the reduction of debt portfolio of the Company).

Net Debt to EBITDA in 2015 improved year-over-year. It was due to the fact the net debt decreased significantly (under the conditions of debt decrease and the most liquid assets - cash and short-term financial investments, the substantial proportion of which is the unused funds from the disposal of federal bonds - growth) compared to the decrease of EBITDA.

Margin (Business Efficiency) and Business Activity Indicators

In view of the improvement of financial performance, the majority of cost-efficiency (business efficiency) indicators of Lenenergo, PJSC in 2015 year-over-year grow (including ROE, ROTA, and net profit margin).

Reduction of *EBITDA margin* reflecting the EBITDA per Ruble of the Company's revenue in 2015 is due to the more significant reduction of EBITDA (mainly due to the decrease of gross profit of Lenenergo, PJSC) as compared to the decrease of revenue of Lenenergo, PJSC.

Turnover and Business Activity Indicators

The payables turnover duration characterizes the average duration of payment rescheduling provided to the Company by its suppliers. In 2015, the *payables turnover* was 1.24, and grew by 0.13 p. year-over-year against the increase of the net cost and decrease of payables of Lenenergo, PJSC.

The *receivables turnover* reflects the speed with which the buyers (debtors) pay under their obligations to the Company. In 2015, it was 4.39, and grew yoy by 0.38 p. (due to the more significant decrease of the receivables as compared to the decrease of revenue).

The duration of the receivables turnover in 2015 was lower than the payables turnover, which, overall, positively characterizes the Company's activity.

The *ratio of receivables and payables* in 2015 decreased by 0.14 p. due to the receivables decreasing faster than the payables.

Liquidity and Paying Capacity Assessment

The liquidity parameters improved in 2015. It was due to the significant increase in current assets of Lenenergo, PJSC year-over-year (mainly due to the growth of the most liquid assets - cash and short-term financial investments - resulting from inclusion of the target cash balances from the disposal of federal bonds in the amount of RUB 20,975 mn).

In general, under the conditions of continuous economic instability in the country and uncertainty of the financial markets, the positive operating results of Lenenergo, PJSC and improvement of its investment attractiveness becomes more and more urgent, which means:

- the cost management program is to be designed and implemented
- the Company fulfills its grid connection obligations
- prices for other operations are to be updated
- additional funding is negotiated under favorable conditions, the debt portfolio is to be optimized, including lowering the cost of attracted loans
- a set of anti-crisis actions is to be designed and implemented aimed at ensuring the break-even power transmission operation and improving the overall performance
- the innovative development program is to be designed (updated), approved, and implemented in order to ensure the modernization and technological development of the Company, reliability of power supply, and improvement of the economic efficiency.

The Operating Efficiency and Financial and Economic Position Improvement Action Plan of Lenenergo, PJSC served as the basis for the improvement of the financial position of the Company in 2015. Subject to the Plan, a set of tariff and non-tariff actions is to be implemented in 2015 and following years. The actions include revision and control of tariff and balance decisions, resolution of the existing disputes with the counterparties, optimization of the operating and investment expenses, consolidation of grid entities operating in Saint Petersburg and the Leningrad Region by the Company, etc.

The Company's management regularly reports to Rosseti, PJSC and the Board of Directors on the implementation of the approved actions.

The following actions are implemented subject to the financial rehabilitation plan:

- revision of the tariff and balance decisions in the area of operation of the Company; extension of the regulated period
- additional capitalization of the Company
- optimization of the investment program of the Company
- resolution of the disputes of the Company with the grid and utility companies
- consolidation of grid entities in the area of operation.

Furthermore, the receipt of state support of RUB 32 bn in the form of federal bonds (included in the authorized capital of Lenenergo, PJSC by way of placement of additional shares) in December 2015 by Lenenergo, PJSC has a substantial positive effect on the Company's financial position, in line with the Instructions of the Russian President. Those funds are used in 2015-2016 to repay the loans and fulfill the accumulated obligations to the grid connection applicants. With respect to the repayment of a portion of the debt portfolio using the state support funds, the Company will have remaining obligations in the form of loans and borrowings with relatively low interest rates.

Credit Policy

Lenenergo, PJSC attracts borrowed funds subject to Lenenergo, PJSC Credit Policy Regulation approved by the Board of Directors (Minutes No. 8 dd. October 11, 2013), the borrowing value thresholds approved by the Board of Directors, as well as the adopted business plan of the Company. Subject to these regulations and guidelines, the Company has a threshold system in place determining the acceptable amounts to be borrowed that allows anticipating the Company's paying capacity. The Company also set out the management powers to make financial decisions with respect to credit activities.

A borrowing capacity group (A, B, or C) is determined based on the calculation of the debt position compliance of Lenenergo, PJSC to the Debt Limits under the Credit Policy Regulation, which affects, among other issues, the powers of the management to make financial decisions with respect to loans. The value thresholds for borrowings are determined based on the key rate, loan term, and the availability of collateral as of the date of the borrowing.

Debt Policy Key Indicators

Parameter	2013*	2014*	2015	2015 over 2014,%	Reference: formula
Equity, RUB mn	76,341	71,441	113,336	58.6%	Item 1300 F.1
Borrowed funds, RUB mn, including:	71,779	93,329	81,347	-12.8%	Item 1400 + Item 1500 F.1
Loans and borrowings	33,376	49,769	38,456	-22.7%	Item 1410 + Item 1510 F.1

Parameter	2013*	2014*	2015	2015 over 2014,%	Reference: formula
Payables	34,824	35,784	35,258	-1.5%	Item 1450 + Item 1520 F.1
Equity to borrowed funds ratio, x	1.06	0.77	1.39	+0.63 p.	1300/(1400+1500)F.1
Debt/EBITDA, x	2.80	4.31	5.25	+0.94 p.	(1410+1510)F.1/EBITDA
Net debt, RUB mn	23,722	45,546	10,172	-77.7%	1410+1510-1240-1250 F.1
Net debt/EBITDA, x	1.99	3.94	1.39	-2.55 p.	(1410+1510-1240-1250 F.1)/EBITDA
Reference:					
EBITDA, RUB mn	11,922	11,551	7,325	-36.6%	Profit before tax + Interest payable + Depreciation - Debt Financial Investments Impairment Reserve Balance (actual 2014, 2015) = Item 2300 F.2 + Item 2330 F.2 + Item 6514 F.Note.2.1. + Item 6554 F.Note.2.1. + Item 6564 F.Note.2.1. - Debt Financial Investments Impairment Reserve Balance (actual 2014, 2015)

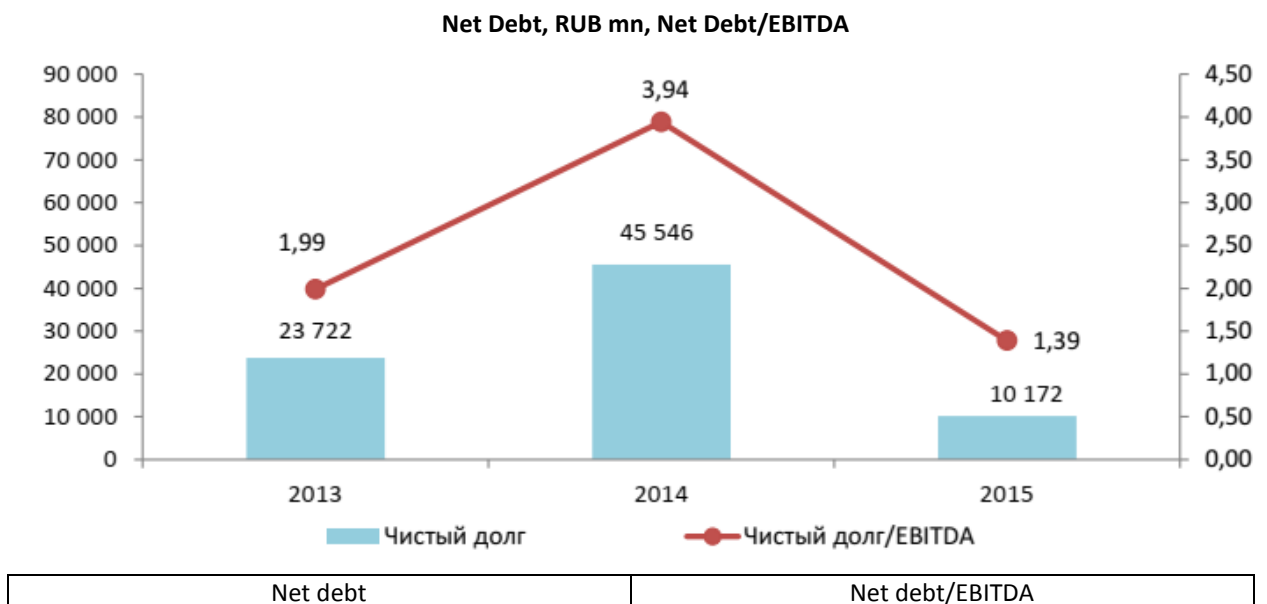
* The 2013-2014 indicators are provided subject to the 2015 annual accounting reports and financial statements, in view of the historic method of data provision

In 2013-2014, both the Debt of Lenenergo, PJSC (under loans and borrowings) and the Net Debt continued to grow. However, in 2015, the debt of Lenenergo, PJSC decreases - mainly due to the repayment of the loans and borrowings with high service rates (using principally state support funds).

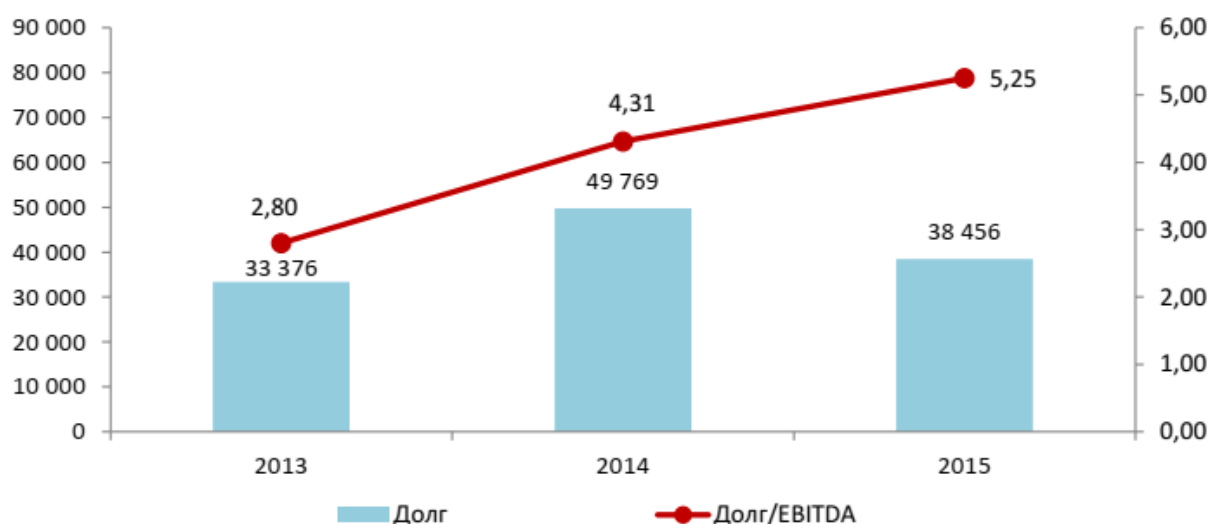
Within additional capitalization of the Company in Q4 2015, federal bonds were received from the main shareholder, Rosseti, PJSC, for the amount of RUB 32 bn, the proceeds from disposal of which were used to repay the loans of RUB 11,025 mn.

The Debt/EBITDA ratio in 2015 was 5.25 p. The 0.94 p. increase yoy was due to the stronger, in relative terms, reduction of EBITDA as compared to the decrease of the debt of Lenenergo, PJSC.

At the same time, as compared to the beginning of the report year, the Net Debt/EBITDA ratio improved considerably due to the significant reduction of the Net Debt (due to the repayment of loans in 2015 and simultaneous increase of the most liquid assets).



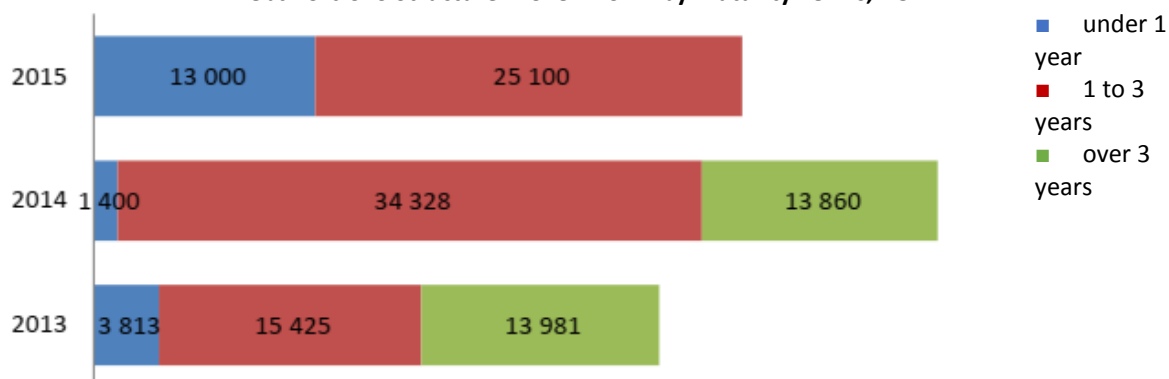
Debt, RUB mn, Debt/EBITDA



Debt	Debt/EBITDA
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Note: The 2013-2014 indicators are provided subject to the 2015 annual accounting reports and financial statements, in view of the historic method of data provision.

Debt Portfolio Structure Broken Down by Maturity Terms, RUB mn



Debt Portfolio Structure Broken Down by Borrowed Funds Types, RUB mn



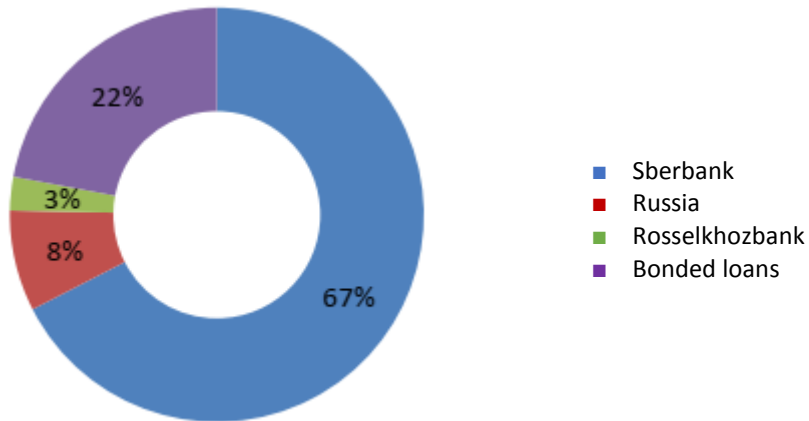
Average Weighted Debt Servicing Interest Rate Over Time, %

Parameter	2013	2014	2015	Change 2015/2014, p.p.
Average weighted borrowing rate for all borrowings (including the bonded loans)	8.14	9.51	9.42	-0.09

Average weighted borrowing rate for bank loans	8.09	9.67	8.49	-1.18
Refinancing rate of the Central Bank of Russia	8.25	8.25	11.00	2.75

The average weighted debt servicing rate change over 2015 shows a tendency to decrease as the loans with high servicing rates were repaid in 2015 (including using the state support funds in the amount of RUB 11,025 mn).

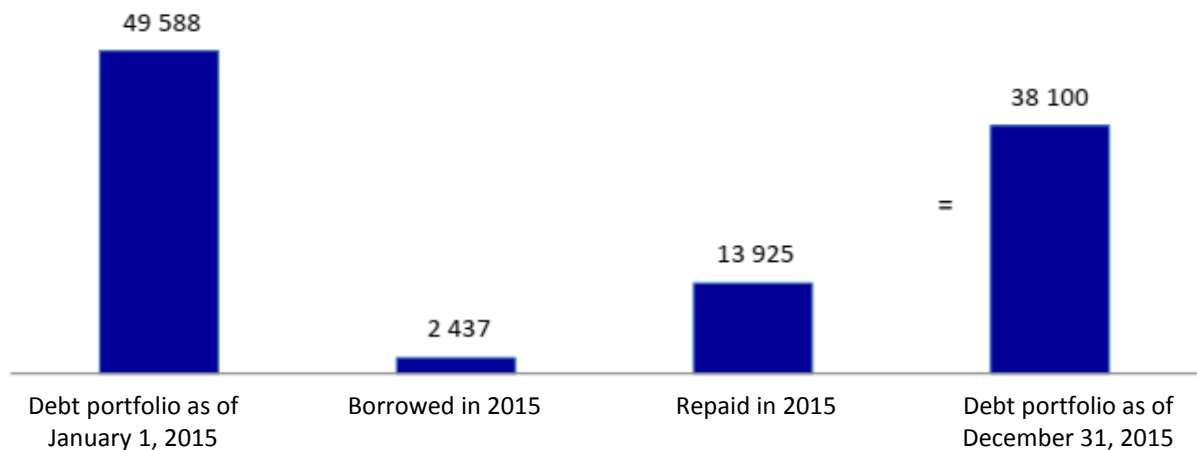
Principal Creditor Banks of Lenenergo, PJSC

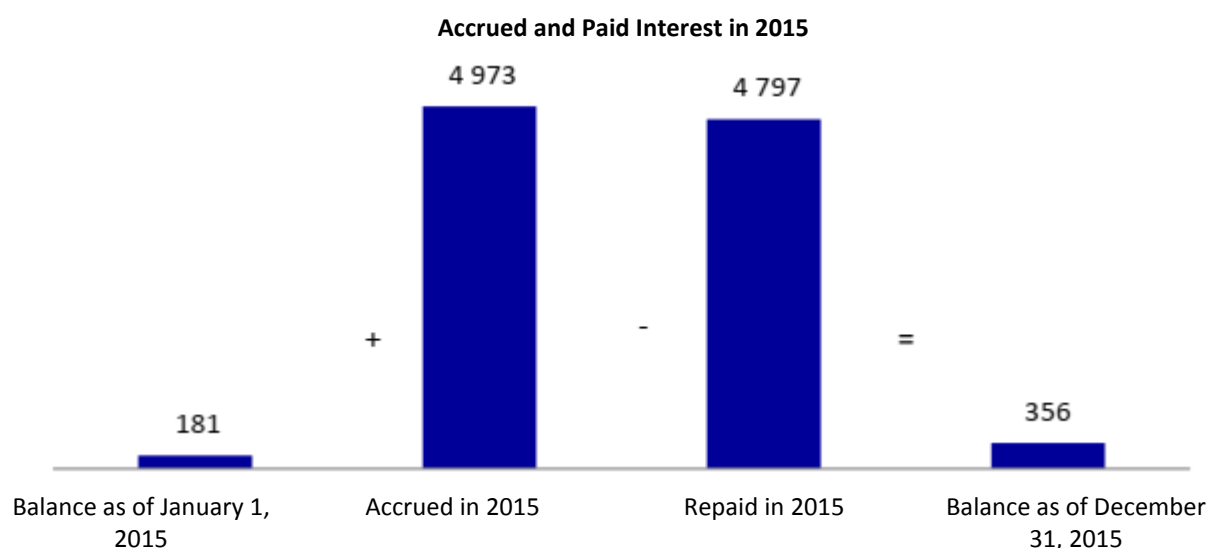


Debt Portfolio Change in 2015

Borrowed Funds Type	Debt Portfolio/ Interest Debt as of January 1, 2015	Borrowed/ Interest Accrued in 2015	Repaid/ Interest Paid in 2015	Debt Portfolio/ Interest Debt as of December 31, 2015
Loans and borrowings, RUB mn	49,588	2,437	13,925	38,100
Interest for using borrowed funds, RUB mn	181	4,973	4,797	356
Total	49,769	7,409	18,722	38,456

Debt Portfolio Change in 2015, Principal





Credit Rating

Agency	Rating		Rating Date	Rating Action Date	Outlook
	International scale	National scale			
Moody's Investors Service	Ba2	Aa2.ru	November 18, 2009	March 25, 2015	negative
				December 7, 2015	stable

In November 2009, Moody's assigned a long-term credit rating of Ba2 (international scale) to Lenenergo, PJSC with a stable outlook, and an Aa2.ru (national scale).

On March 25, 2015, Moody's confirmed the Lenenergo, PJSC ratings: Ba2 (international scale), Ba2-PD (possibility of default), and Aa2.ru (national scale). The negative outlook of the Lenenergo, PJSC rating is due to a similar outlook for the sovereign rating of the Russian Federation, as well as the agency's overall pessimistic assessment of the Russian short-term and mid-term economic situation.

On December 7, 2015, Moody's confirmed the Company's credit rating as unchanged, but changed the outlook from negative to stable following the similar actions with the rating of the Russian Federation.

The agency reports stabilization of the foreign financial markets as a result of macroeconomic regulation in 2015, which allowed reducing the effect of the drop in oil prices. Possibility of future economic shocks also decreased due to the introduction of additional sanctions against Russia in order to stabilize the situation in the east of Ukraine. The stable outlook results from the comparability of the specific credit factors of the Company (including operating and financial indicators, market position, and liquidity with stable outlook), and from the possibility of the state support being available at the same level.

Events After the Report Date.

On March 18, 2016, Moody's Interfax initiated the withdrawal of the national scale rating. The rating action was due to the fact that the agency stopped assigning the national scale ratings to the Russian issuers. A decision to withdraw the national scale ratings will not affect the international scale ratings assignment.

SECTION 4. CORPORATE GOVERNANCE

- 4.1 Corporate Governance Principles**
- 4.2 Governance Bodies**
- 4.3 Control Bodies**
- 4.4 Subsidiaries and dependent companies**

4.1 Corporate Governance Principles

Corporate governance in the Company is based on the following main principles:

- protection of rights and vested interests of all shareholders
- equal and just treatments of all shareholders
- information transparency and openness
- independence of the Board of Directors when making decisions
- control over the executive bodies' activities
- common corporate policy with respect to the subsidiaries and dependent companies
- business ethics compliance when conducting business
- social responsibility of the responsible business.

With respect to its corporate governance, the Company strives to apply the best practices and standards.

The Company takes individual approach to the shareholders' treatment in order to fully observe and comply with their rights.

The Board of Directors plays the key role in the corporate governance system of the Company. Its independence is the essential success factor in the Company's reaching its strategic goals.

The Company's governance and control bodies' activity is strictly regulated by the corporate documents published on the corporate website.

Lenenergo, PJSC promptly publishes the complete, updated, and accurate information on its operations in order to ensure the shareholders and investors are capable of making reasonable decisions.

The Company applies a common universal corporate policy to its subsidiaries and dependent companies and other entities, of which it is the member, founder, or participant.

The crucial component of the corporate governance system of the Company is the system of legal and regulatory compliance.

The Company seeks to constantly improve its corporate governance, using the experience of other entities, monitoring the latest changes in the laws and best standards in the industry, and adjusts its corporate governance system accordingly.

Information on Compliance with the Corporate Governance Code

The Lenenergo, PJSC corporate governance is carried out in line with the rules and procedures set out in the Articles of Association and other internal documents of the Company.

The Board of Directors of the Company approved the Corporate Governance Code of Lenenergo, PJSC on March 1, 2013 (Minutes No. 23 dd. March 6, 2013), aimed at improving the corporate governance system of the Company, ensuring greater transparency of the Company management, and confirming the constant readiness of the Company to observe the due corporate governance standards.

Apart from the requirements of the Articles of Association and internal documents, Lenenergo, PJSC follows the recommendations of the Corporate Governance Code by the Bank of Russia (Letter No. 06-52/2463 dd. April 10, 2014) in line with the Company's internal practice and the best Russian standards.

Compliance with the Code's principles and recommendations is an absolute priority for all governance and control bodies of the Company.

Lenenergo, PJSC, being a public company, strives to continuously improve its corporate governance system's efficiency subject to the principles and criteria set out in the Code.

Annex ___ hereto at page ___ contains further details on the Company's compliance with the Corporate Governance Code.

Corporate Governance System

Sustainable development and investment attractiveness of the Company, the reliability and quality of its

services depend greatly on the corporate governance system.

The current corporate governance system of Lenenergo, PJSC is based on the efficient and transparent relations between the shareholders, management, and stakeholders, which ensures the Company is managed and controlled in the best interests of the shareholders.

Lenenergo, PJSC, being a public company, strives to continuously improve its corporate governance system's efficiency, following the best corporate governance principles set out in the Code.

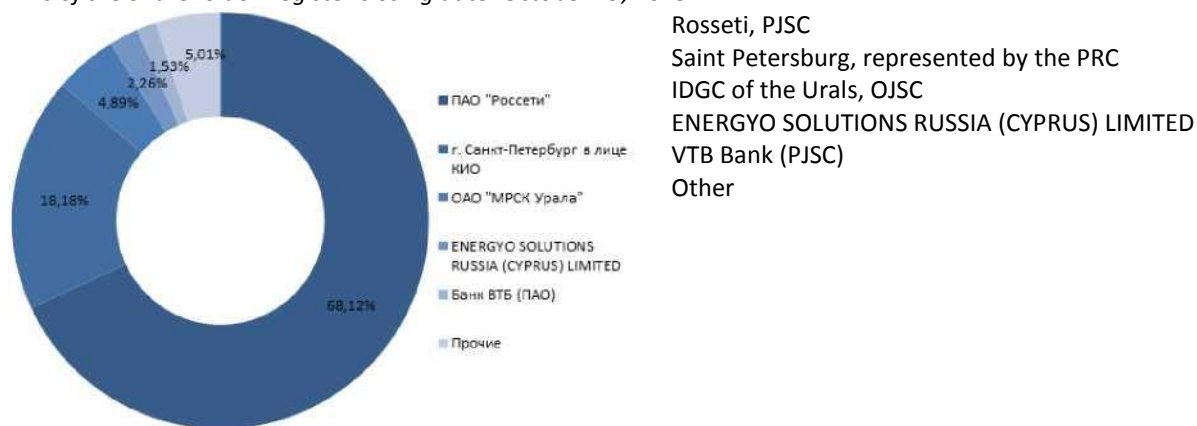
Lenenergo, PJSC is one of the largest inter-regional distribution grid companies in Russia in Rosseti, PJSC Group.

Membership in the said Group means there are common approaches and principles to the establishment and functioning of the corporate governance system.

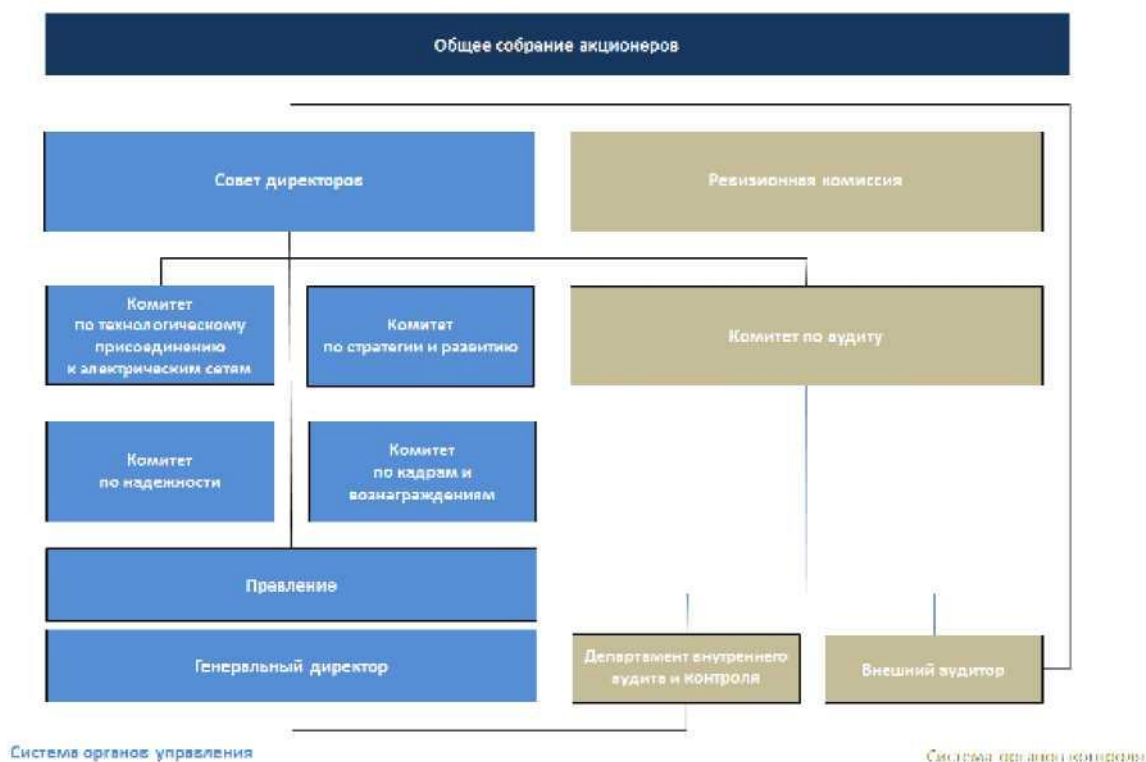
Lenenergo, PJSC Share Capital Structure*

Entity Name	% ordinary shares	% authorized capital
Rosseti, PJSC	68.12	64.49
Saint Petersburg, represented by the PRC	18.18	17.22
IDGC of the Urals, OJSC	4.89	5.93
ENERGYO SOLUTIONS RUSSIA (CYPRUS) LIMITED	2.26	2.17
VTB Bank (PJSC)	1.53	2.98
Other	5.01	7.21
Total	100.00	100.00

* As of the Shareholder Register closing date: October 19, 2015



Lenenergo, PJSC Bodies and Control Structure



The General Meeting of Shareholders			
The Board of Directors		The Internal Audit Board	
The Grid Connection Committee	The Strategy and Development Committee	The Audit Committee	
The Reliability Committee	The HR and Remuneration Committee		
The Management Board			
CEO		The Internal Audit and Control Department	The Independent Auditor
Governance Bodies System		Control Bodies System	

GOVERNANCE BODIES SYSTEM

The General Meeting of Shareholders	The supreme governance body of Lenenergo, PJSC. Procedures for preparation, convening, holding, and summarizing the results of the General Meeting of Shareholders are set out in the Articles of Association and the Regulation on the General Meeting of Shareholders.
The Board of Directors	The collective governance body controlling the actions of the sole executive body of Lenenergo, PJSC. Issues of the overall management of the Company fall within the competence of the Board of Directors. The forming procedures, status, composition, functions, goals and objectives, and powers of the Board of Directors, as well as the procedures for convening and holding the meetings of the Board of Directors are set out in the Articles of Association and the Regulation on the Board of Directors. The main goals and objectives of the Board of Directors of the Company are as follows: <ul style="list-style-type: none"> • identification of the priority areas and strategies for development of the Company aimed at increasing its market capitalization and investment attractiveness, obtaining the highest possible profit, and increasing the Company's assets • ensuring the implementation and protection of the rights and vested interests of the Company's shareholders, as well as facilitating the resolution of corporate conflicts • ensuring the complete, accurate, and objective disclosure of information by the Company to its shareholders and other stakeholders • creating the efficient mechanisms of internal control • regular assessment of the actions and operations of the Company's executive bodies and

	<p>management.</p> <p>In order to fulfill these objectives and goals the Board of Directors observes the following principles:</p> <ul style="list-style-type: none"> • making decisions based on the accurate information on the Company's operations • not limiting the shareholders' rights to participate in the Company's management, receive dividend, and obtain information about the Company • balancing the interests of various groups of shareholders and making decisions in the most objective manner for the benefit of all the shareholders. <p>The issues that fall within the competence of the Board of Directors are set out by Federal Law No. 208-FZ dd. December 26, 1995 <i>On Joint Stock Companies</i> and the Articles of Association, and may not be transferred to the executive body of the Company.</p> <p>Subject to Art. 16 of the Articles of Association of Lenenergo, PJSC, the Board of Directors consists of 13 (thirteen) people. The members of the Board of Directors are appointed by cumulative voting.</p>
The Collective Executive Body (the Management Board)	<p>The collective executive body managing the regular operations of Lenenergo, PJSC.</p> <p>The Management Board answers to the General Meeting of Shareholders and the Board of Directors of the Company.</p> <p>The forming procedures, status, composition, functions, goals and objectives, and powers of the Management Board, as well as the procedures for convening and holding the meetings of the Management Board are set out in the Articles of Association and the Regulation on the Management Board of Lenenergo, PJSC.</p>
The Sole Executive Body (CEO)	<p>The sole executive body managing the regular operations of Lenenergo, PJSC.</p> <p>The CEO answers to the General Meeting of Shareholders and the Board of Directors of the Company.</p> <p>The appointment procedure, status, functions, goals and objectives, and powers of the CEO are set out in the Articles of Association.</p>

CONTROL BODIES SYSTEM

The Internal Audit Board	<p>A continuously operating elected body of internal control carrying out periodic inspections of the financial and business operations of the Company, its standalone divisions, officers of the governance bodies of the Company and structural divisions of the Executive Structure of the Company:</p> <ol style="list-style-type: none"> 1) document and factual inspections of the legality, feasibility, and efficiency (utility) of the Company's business and financial operations conducted during the inspected period 2) document and factual inspections of the completeness and correctness of representation of the business and financial operations in the Company's records. <p>The Internal Audit Board of Lenenergo, PJSC is a continuously operating internal control body of the Company that is independent from the governance and the executive bodies' officers of the Company. The Internal Audit Board powers are set out in the Federal Law <i>On Joint Stock Companies</i>, the Articles of Association of the Company, and the revised Regulations for the Internal Audit Board of Lenenergo, PJSC approved by the Annual General Meeting of Shareholders (Minutes No. 1/2015 dd. June 24, 2015).</p> <p>According to the Articles of Association, the General Meeting of Shareholders elects the Internal Audit Board of 5 (five) members, with their powers valid for 1 year (until the next Annual General Meeting of Shareholders). The members of the Internal Audit Board may not concurrently hold positions in the Board of Directors or other positions in the governance bodies of the Company. The audit of the business and financial operations of Lenenergo, PJSC is conducted as of year-end (planned audit) or at any moment the bodies or persons entitled to initiate it do so.</p> <p>The audit is only allowed subject to a resolution of the Internal Audit Board, the General Meeting of Shareholders, or the meeting of the Board of Directors, and may be demanded by shareholders holding (including in aggregate) at least 10% of the voting shares of the Company.</p>
The Audit Committee of the Board of Directors	<p>The objective of the Audit Committee is to assist the efficient performance of the Board of Directors' functions with respect to preliminary review of the issues related to the control of the business and financial operations of the Company.</p> <p>The forming procedures, status, composition, functions, goals and objectives, and powers of the Audit Committee, as well as the procedures for convening and holding its meetings are set out in the Articles of Association and the Regulation on the Audit Committee of the Board of Directors of Lenenergo, PJSC.</p>
The Independent Auditor	<p>The General Meeting of Shareholders appoints an auditor to audit and confirm the annual financial statements of the Company every year. Such an auditor is not connected to the Company and its shareholders by any property interests.</p> <p>The auditor audits the financial and business operations of the Company in accordance with the requirements of the Russian laws and subject to the service agreement regulating the auditor's actions.</p>
The Internal Audit and Control	<p>Subject to the Internal Audit and Control Regulations approved by the Audit Committee of the Board of Directors on September 19, 2014 (Minutes No. 47 dd. September 22, 2014), the Department's goal is to</p>

Department	<p>provide independent and objective guarantees to the Board of Directors/its Audit Committee and the executive bodies of the Company that the Company and its SDCs have adequate internal control, risk management, and corporate governance systems, to provide consultations, and to carry out methodology and organizational support of the introduction of preventive and response control in the Company and its SDCs in order to ensure the following:</p> <ul style="list-style-type: none"> • efficiency, cost effectiveness, and productivity of the operations • compliance with the laws, decisions of the governance bodies, and administrative and organizational documents of the Company • prevention of the illegal actions by the Company's employees and third parties with respect to the Company's assets • accuracy, completeness, and timeliness of preparation of any reports.
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The efficiency of the Company's corporate governance system is ensured by the following internal documents:

- The revised Articles of Association of Lenenergo, PJSC (AGM Minutes No. 1/2015 dd. June 24, 2015)
- The revised Regulations for the General Meeting of Shareholders of Lenenergo, PJSC (AGM Minutes No. 1/2015 dd. June 24, 2015)
- The revised Regulations for the Board of Directors of Lenenergo, PJSC (AGM Minutes No. 1/2015 dd. June 24, 2015)
- The revised Regulations for the Management Board of Lenenergo, PJSC (AGM Minutes No. 1/2015 dd. June 24, 2015)
- The revised Regulations for the Internal Audit Board of Lenenergo, PJSC (AGM Minutes No. 1/2015 dd. June 24, 2015)
- The revised Regulations for the Remuneration and Compensations to the Board of Directors of Lenenergo, PJSC (AGM Minutes No. 1/2015 dd. June 24, 2015)
- The revised Regulations for the Remuneration and Compensations to the Internal Audit Board of Lenenergo, PJSC (AGM Minutes No. 1/2015 dd. June 24, 2015)
- The revised Regulations for the Strategy and Development Committee of the Board of Directors of Lenenergo, OJSC (Board of Directors Minutes No. 4 dd. September 9, 2009)
- The revised Regulations for the Reliability Committee of the Board of Directors of Lenenergo, PJSC (Board of Directors Minutes No. 24 dd. December 4, 2015)
- The revised Regulations for the Audit Committee of the Board of Directors of Lenenergo, OJSC (Board of Directors Minutes No. 31 dd. April 14, 2015)
- The revised Regulations for the HR and Remunerations Committee of the Board of Directors of Lenenergo, OJSC (Board of Directors Minutes No. 4 dd. August 13, 2014)
- The Regulations for the Grid Connection Committee of the Board of Directors of Lenenergo, OJSC (Board of Directors Minutes No. 8 dd. February 10, 2009)
- The revised Corporate Governance Code of Lenenergo, OJSC (Board of Directors Minutes No. 23 dd. March 6, 2013)

The Company also has the following documents governing the procedure for information disclosure and use:

- The revised Insider Information Regulation of Lenenergo, PJSC (Board of Directors Minutes No. 24 dd. December 4, 2015)
- The revised Information Policy Regulation of Lenenergo, OJSC (Board of Directors Minutes No. 7 dd. September 19, 2013).

All of the above documents are available on the official website of Lenenergo, PJSC at: <http://www.lenenergo.ru/shareholders/corp/ustav/?part=1>

4.2 Governance Bodies

The General Meeting of Shareholders

Shareholders are entitled to the following:

- to participate personally or via a proxy in the General Meeting of Shareholders of the Company and vote on all items on the agenda that fall within the shareholder's competence
- suggest items for the General Meeting of Shareholders agenda subject to the procedures set out in the Russian laws and the Articles of Association
- to receive information on the Company's operations and acquaint themselves with the Company's documents subject to Federal Law No. 208-FZ On *Joint Stock Companies* dd. December 26, 1995, other

- regulations, and the Articles of Association
- to receive dividend declared by the Company
- to have a preemptive right to purchase additional shares placed by subscription and issuable securities convertible into shares pro rata to the number of ordinary shares held by such a shareholder in cases stipulated by the Russian laws
- to receive a portion of the Company's property upon its liquidation
- to appeal against the decisions of the Company's governance bodies that have civil law consequences
- in cases and under a procedure set out in the Russian laws
- to demand compensation of the losses incurred by the Company
- to challenge the deals and transactions made by the Company on the grounds set out in the Russian laws and demand the application of the invalidity consequences, as well as to demand the application of the consequences of the Company's void transactions' invalidity
- to enter into a corporate rights agreement (corporate agreement) with other shareholders, the Company's lenders, or other third parties
- to exercise other rights set out in the Russian laws and the Articles of Association.

Rights of shareholders holding over 1%

Shareholder(s) holding at least 1% of the voting shares in the Company is (are) entitled to receive the list of persons entitled to participate in the General Meeting of Shareholders and the list from the Shareholder Register containing the names of the persons registered there and the number of their shares.

Shareholder(s) holding at least 2% of the voting shares in the Company is (are) entitled to suggest items for the agenda of the annual General Meeting, and to nominate candidates to the Board of Directors, the Internal Audit Board, and the Sole Executive Body of the Company. The suggestions for the agenda of the annual General Meeting must be submitted within 60 days after the end of the fiscal year.

Shareholder(s) holding at least 10% of the voting shares in the Company is (are) entitled to call for an extraordinary General Meeting.

Shareholder(s) holding in aggregate at least 25% of the voting shares in the Company is (are) entitled to have access to the accounting documents and minutes of the meetings of the collective executive body.

The Annual General Meeting of Shareholders

The Annual General Meeting of Shareholders of Lenenergo, PJSC was held on June 22, 2015 (Minutes No. 1/2015 dd. June 24, 2015).

The Board of Directors reviewed the shareholders' suggestions of items for the agenda of the Annual General Meeting and nominations for the governance and control bodies of the Company in due time subject to the Russian laws and the Articles of Association (Board of Directors' Resolution dd. March 11, 2015, Minutes No. 26 dd. March 11, 2015).

The agenda of the Annual General Meeting of Lenenergo, PJSC on June 22, 2015:

1. Approval of the 2014 annual report, annual financial statements, and distribution of profit (including the dividend) and losses of the Company for 2014.
2. Appointment of the members of the Board of Directors of the Company.
3. Appointment of the members of the Internal Audit Board of the Company.
4. Appointment of the Auditor of the Company.
5. Approval of the revised Articles of Association of the Company.
6. Approval of the revised Regulations for the General Meeting of Shareholders of the Company.
7. Approval of the revised Regulations for the Board of Directors of the Company.
8. Approval of the revised Regulations for the Management Board of the Company.
9. Approval of the revised Regulations for the Internal Audit Board of the Company.
10. Approval of the revised Regulations for Remuneration and Compensations to the Internal Audit Board of the Company.
11. Approval of the revised Regulations for Remuneration and Compensations to the Board of Directors of the Company.
12. Approval of the directors' and officers' liability insurance contract that is a related party transaction.

The number of votes held by the shareholders and their proxies who attended the Meeting: 1,522,665,874 and 18/100, which is 91.7924% of the overall number of voting shares of the Company.

Extraordinary General Meeting of Shareholders

The Board of Directors of Lenenergo, PJSC convened the extraordinary General Meeting of Shareholders subject to the resolutions dd. October 8, 2015 (Minutes No. 16 dd. October 8, 2015).

The General Meeting was held on November 24, 2015 (Minutes No. 2/2015 dd. November 25, 2015) in an in-person form (meeting).

The agenda of the extraordinary General Meeting of Lenenergo, PJSC on November 24, 2015:

1. Determining the number, nominal value, category (class) of additional authorized shares of the Company and rights conferred by these shares.

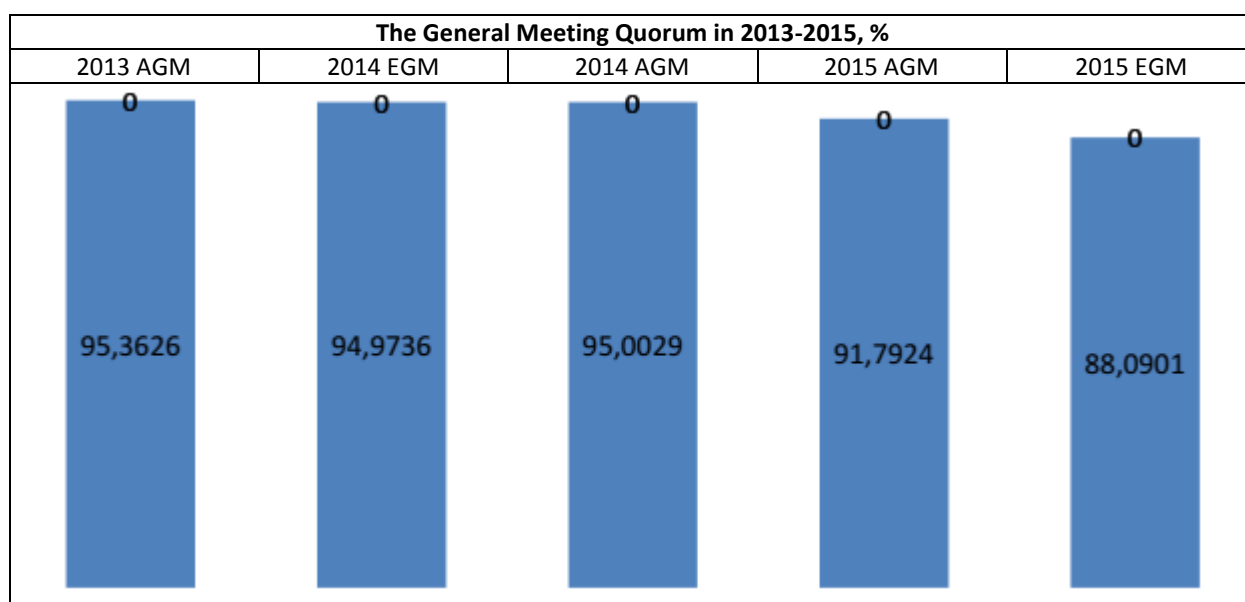
2. Amending the Articles of Association of the Company.

3. Increasing the authorized capital of the Company by issuing additional shares.

The number of votes held by the shareholders and their proxies who attended the Meeting: 1,543,409,544 and 10/100, which is 88.0901% of the overall number of voting shares of the Company.

The general meetings of shareholders were held subject to the applicable Russian laws and provisions of the regulations of the Bank of Russia and the FFMS of Russia that set out additional requirements to the holding of general meetings, as well as the Articles of Association and the Regulations for the General Meeting of Shareholders of Lenenergo, PJSC.

Voting results for all items on the agenda were announced at the respective meetings after calculating such results subject to Art. 62 of Federal Law No. 208-FZ dd. December 26, 1995 *On Joint Stock Companies*.



The Board of Directors

In 2015, the following members of the Board of Directors of Lenenergo, PJSC were active throughout the year :
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Here and further in the text, the personal information on the members of the governance and control bodies is provided with the written consent of the said persons; their jobs and positions are provided as of the appointment date.

From June 23, 2014 to June 22, 2015*			From June 22, 2015 to the present day	
No	Name	Position**	Name	Position
Chairman of the Board of Directors				
1	Yegor Prokhorov	Deputy CEO for Finances, Rosseti, OJSC	Yegor Prokhorov	Deputy CEO for Finances, Rosseti, PJSC
Members of the Board of Directors				
2	Sergey Lebedev	Director of Strategic Development, Rosseti, OJSC	Sergey Lebedev	Director of Strategic Development, Rosseti, PJSC
3	Andrey Sorochinsky	CEO, Lenenergo, OJSC	Vasily Nikonov	Director of the Energy Department, Rosneft Oil Company, OJSC
4	Yevgeniya Rozova	Deputy Chairperson, Saint Petersburg Energy and Building Services Committee	Yevgeniya Rozova	Deputy Chairperson, Saint Petersburg Energy and Building Services Committee
5	Valentin Komarov	Deputy Head of Special Projects Organization of the Special Projects Department, Rosseti, OJSC	Aleksandr Kalinin	President, OPORA RUSSIA All-Russian Public Organization of Small and Medium Business
6	Oleg Zotov	Head of State Administrative and Technical Inspection of Saint Petersburg	Andrey Bondarchuk	Chairman, Saint Petersburg Energy and Building Services Committee
7	Dmitry Koptin	Chairman, Saint Petersburg Tariff Committee	Dmitry Koptin	Chairman, Saint Petersburg Tariff Committee
8	Yuri Zafesov	Director of Procurements, Rosseti, OJSC	Yuri Zafesov	Director of Procurements, Rosseti, PJSC
9	Svetlana Zholnerchik	First Deputy CEO, Rosseti, OJSC	Svetlana Zholnerchik	Senior Advisor, Deputy CEO, Rosseti, PJSC
10	Leonid Akimov	Director of Legal, Rosseti, OJSC	Vladimir Sofyin	Director of Process Development and Innovations, Rosseti, PJSC
11	Andrey Kolyada	Head of Share Capital of the Corporate Governance and Shareholders and Investors Relations Department, Rosseti, OJSC	Andrey Kolyada	Head of Share Capital of the Corporate Governance and Shareholders and Investors Relations Department, Rosseti, PJSC
12	Konstantin Serebryakov	Head of SDC Corporate Actions of the Corporate Governance and Shareholders and Investors Relations Department, Rosseti, OJSC	Khasan Likhov	Deputy CEO for Special Projects, Rosseti, PJSC
13	Pavel Snikkars	Director of the Electric Power Industry Development Department, Ministry of Energy of the Russian Federation	Pavel Snikkars	Director of the Electric Power Industry Development Department, Ministry of Energy of the Russian Federation

**The biography summaries of the members who left the Board of Directors of Lenenergo, PJSC on June 22, 2015, are presented in the 2014 Annual Report.*

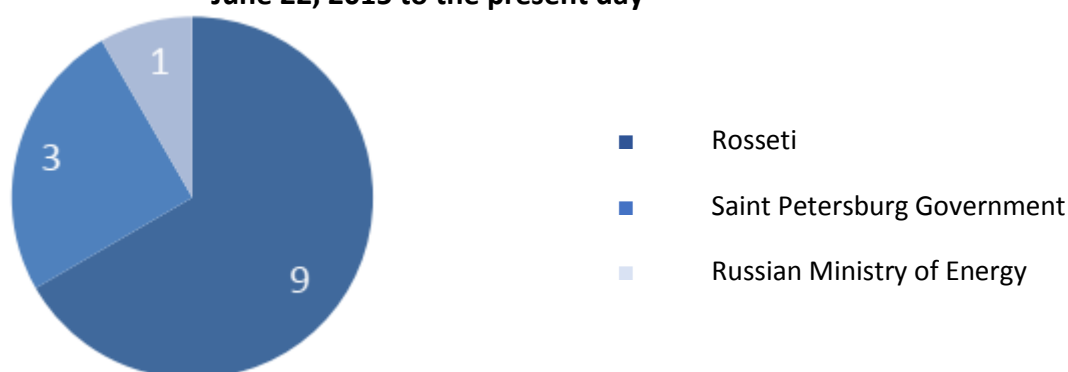
***Here and further in the text, the positions and information on the employment are provided as of the moment the person is nominated to the Board of Directors*

Representation of Shareholders in the Board of Directors of Lenenergo, PJSC

June 23, 2014 - June 22, 2015



June 22, 2015 to the present day



Active members of the Board of Directors of Lenenergo, PJSC were appointed by the Annual General Meeting of Shareholders of the Company on June 22, 2015:*

Name	Yegor Prokhorov
Position	Chairman of the Board of Directors
Year of Birth. Nationality	1982, Russia
Status in the Board of Directors	Non-Executive Dependent (related to a substantial shareholder)
Key competences as a Director	Issues related to the credit policy, financial stability plans, approval of the loan agreements
First appointed in the Board of Directors	First appointed in the Board of Directors at the General Meeting of Shareholders on March 17, 2014
Education	Higher. Saint Petersburg State University, Mathematical Methods in Economics, Mathematical Economist, Candidate of Science (PhD) in Economics
Positions for the Past 5 Years	2014 to the present day: member of the Board of Directors 2013 to the present day: Deputy CEO for Finances, Financial Director, Rosseti, PJSC 2012 to 2013: Director for Finances, IDGC Holding, OJSC 2011 to 2013: CEO, FGC UES Power Index, LLC 2009 to 2013: Director for Finances, Head of Corporate Finances, FGC UES, OJSC
Share in the Authorized Capital	None
Positions Held in Other Entities	Member of the Board of Directors, IDGC of Siberia, PJSC, FITS, PJSC, TDC, PJSC

Name	Sergey Lebedev
Position	Deputy Chairman of the Board of Directors Chairman of the Strategy and Development Committee of the Board of Directors
Year of Birth. Nationality	1967, Russia
Status in the Board of Directors	Non-Executive Dependent (related to a substantial shareholder)

Key competences as a Director	Issues related to setting of priorities, strategic development, strategic plans review
First appointed in the Board of Directors	First appointed in the Board of Directors at the General Meeting of Shareholders on June 20, 2013
Education	Higher. M.V. Lomonosov Moscow State University, Finances and Credit, Master of Economics (1999)
Positions for the Past 5 Years	2013 to the present day: Member of the Board of Directors, Lenenergo, PJSC 2013 to the present day: Director of Strategic Projects, Director of Strategic Development, Rosseti, PJSC 2003 to 2013: Deputy Head of Economic Planning and Budgeting, Head of Capital Investments Management, Head of Tariff Setting, Director for Economic Forecasts - Head of Economic Forecasting, FGC UES, OJSC
Share in the Authorized Capital	None
Positions Held in Other Entities	Member of the Board of Directors, MOESK, PJSC

Name	Vasily Nikonov
Position	Member of the Board of Directors Chairman of the Management Board, CEO (January 16, 2015 to June 29, 2015)
Year of Birth. Nationality	1972, Russia
Status in the Board of Directors	Executive (January 16, 2015 to June 29, 2015) Dependent (related to the Company)
Key competences as a Director	Issues related to the setting of priorities, corporate governance, control over the SDCs
First appointed in the Board of Directors	First appointed in the Board of Directors at the General Meeting of Shareholders on June 22, 2015
Education	Higher. Samara State Technical University, Composite and Powder Materials and Coatings, Metallurgical Engineer (1994) Samara State Academy of Economics, Finances and Credit, Economist (1997)
Positions for the Past 5 Years	2015 to the present day: Member of the Board of Directors, Lenenergo, PJSC 2015: CEO, First Deputy CEO for Government Agencies Relations 2012 to the present day: Director of the Energy Department, Rosneft Oil Company, OJSC 2010 to 2012: Director of the Electric Power Industry Development Department, Ministry of Energy of the Russian Federation 2010: Advisor to the Chairman of the Management Board, INTER RAO UES, OJSC 2008 to 2010: Advisor to the President, Avtovoz, OJSC
Share in the Authorized Capital	None
Positions Held in Other Entities	Member of the Board of Directors, Kurortenergo, CJSC

Name	Yevgeniya Rozova
Position	Member of the Board of Directors Member of the Audit Committee of the Board of Directors Member of the Strategy and Development Committee of the Board of Directors Member of the HR and Remuneration Committee of the Board of Directors (from August 1, 2014 to July 13, 2015)
Year of Birth. Nationality	1961, Russia
Status in the Board of Directors	Non-Executive Dependent (related to a substantial shareholder)
Key competences as a Director	Issues related to business planning, investments, internal audit and control system arrangement
First appointed in the Board of Directors	First appointed in the Board of Directors at the General Meeting of Shareholders on June 20, 2012
Education	Higher. P. Togliatti Leningrad Engineering and Economic Institute, Economics and Urban Economy Organization, Engineer Economist (1983)
Positions for the Past 5 Years	2012 to the present day: Member of the Board of Directors, Lenenergo, PJSC 2005 to the present day: Deputy Chairperson, Saint Petersburg Energy and Building Services Committee
Share in the Authorized Capital	None
Positions Held in Other Entities	Member of the Board of Directors, SPb ES, JSC, PES, OJSC, Southwest Heat

	Station, JSC
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Name	Aleksandr Kalinin
Position	Member of the Board of Directors
Year of Birth. Nationality	1966, Russia
Status in the Board of Directors	Non-Executive Dependent (related to a substantial contractor)
Key competences as a Director	Issues related to representation of SME interests, grid connection, consumer services
First appointed in the Board of Directors	First appointed in the Board of Directors at the General Meeting of Shareholders on June 22, 2015
Education	Higher. Chelyabinsk Institute of Engineering and Technology, Engineer, Electromechanical Technician Urals Academy of Civil Service, Legal Professional
Positions for the Past 5 Years	2015 to the present day: Member of the Board of Directors, Lenenergo, PJSC 2014 to the present day: President, OPORA RUSSIA All-Russian Public Organization of Small and Medium Business 2003 to 2014: Director, Granitny Bereg, LLC
Share in the Authorized Capital	None
Positions Held in Other Entities	Member of the Board of Directors, Rosseti, PJSC, SO UPS, OJSC, TDC, PJSC

Name	Andrey Bondarchuk
Position	Member of the Board of Directors Member of the Audit Committee of the Board of Directors
Year of Birth. Nationality	1977, Russia
Status in the Board of Directors	Non-Executive Dependent (related to a substantial shareholder)
Key competences as a Director	Issues related to reliable power supply of consumers, grid connection, investments
First appointed in the Board of Directors	First appointed in the Board of Directors at the General Meeting of Shareholders on August 27, 2012
Education	Higher. Saint Petersburg Mining University, Enterprise Power Supply (1999) Saint Petersburg State University, General Management (2006)
Positions for the Past 5 Years	2015 to the present day: Member of the Board of Directors, Lenenergo, PJSC 2013 to the present day: Chairman, Saint Petersburg Energy and Building Services Committee 2006-2013: Chairman of the Leningrad Region Fuel and Energy Sector Committee, Deputy Chairman of the Leningrad Region Tariff and Price Committee
Share in the Authorized Capital	None
Positions Held in Other Entities	Member of the Board of Directors, SPb ES, JSC

Name	Dmitry Koptin
Position	Member of the Board of Directors Chairman of the Grid Connection Committee of the Board of Directors Member of the Audit Committee of the Board of Directors
Year of Birth. Nationality	1975, Russia
Status in the Board of Directors	Non-Executive Dependent (related to a substantial shareholder)
Key competences as a Director	Issues related to tariff regulation and business planning
First appointed in the Board of Directors	First appointed in the Board of Directors at the General Meeting of Shareholders on March 17, 2014
Education	Higher. St. Petersburg College of Aviation Instrumentation and Automation St. Petersburg Engineering Institute (LMZ-VTUZ) North-West Institute of Management
Positions for the Past 5 Years	2014 to the present day: Member of the Board of Directors, Lenenergo, PJSC 2008 to the present day: Chairman, Saint Petersburg Tariff Committee
Share in the Authorized Capital	None
Positions Held in Other Entities	Member of the Board of Directors, SPb ES, JSC

Name	Yuri Zafesov
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Position	Member of the Board of Directors Chairman of the Audit Committee of the Board of Directors
Year of Birth. Nationality	1975, Russia
Status in the Board of Directors	Non-Executive Dependent (related to a substantial shareholder)
Key competences as a Director	Issues related to procurement policy and internal audit and control system arrangement
First appointed in the Board of Directors	First appointed in the Board of Directors at the General Meeting of Shareholders on March 17, 2014
Education	Higher. M.V. Lomonosov Moscow State University, Social Administration, Administrator
Positions for the Past 5 Years	2014 to the present day: Member of the Board of Directors, Lenenergo, PJSC 2013 to the present day: Director of Procurements, Rosseti, PJSC 2010 to 2013: Head of Procurement Methodology and Organization, Head of Aggregate Procurement Planning and Organization, FGC UES, OJSC 2009 to the present day: CEO, ESK UES, OJSC
Share in the Authorized Capital	None
Positions Held in Other Entities	Member of the Board of Directors, ESK UES, OJSC

Name	Svetlana Zholnerchik
Position	Member of the Board of Directors Chairperson of the HR and Remuneration Committee of the Board of Directors (from August 1, 2014 to July 13, 2015) Member of the Audit Committee of the Board of Directors Member of the Strategy and Development Committee of the Board of Directors
Year of Birth. Nationality	1964, Russia
Status in the Board of Directors	Non-Executive Dependent (related to a substantial shareholder)
Key competences as a Director	Issues related to setting the operating priorities and HR policy
First appointed in the Board of Directors	First appointed in the Board of Directors at the General Meeting of Shareholders on March 17, 2014
Education	Higher. Saint Petersburg State University, Legal Studies, Legal Professional P. Togliatti Leningrad State Engineering and Economic Institute, Economics and Engineering Industry Organization, Engineer Economists, Candidate of Science (PhD) in Economics
Positions for the Past 5 Years	2014 to the present day: Member of the Board of Directors, Lenenergo, PJSC 2013 to the present day: Senior Advisor, Deputy CEO, Rosseti, PJSC 2008 to 2013: member of the Management Board - Deputy Chairperson of the Management Board of Market Council for Wholesale and Retail Power and Capacity Market Efficient System
Share in the Authorized Capital	None
Positions Held in Other Entities	Chairperson of the Board of Directors, IDGC of the North-West, PJSC; member of the Board of Directors, TGC-14, PJSC

Name	Vladimir Sofyin
Position	Member of the Board of Directors Member of the Audit Committee of the Board of Directors
Year of Birth. Nationality	1969, Russia
Status in the Board of Directors	Non-Executive Dependent (related to a substantial shareholder)
Key competences as a Director	Issues related to reliability of power supply to consumers, energy preservation, and energy efficiency
First appointed in the Board of Directors	First appointed in the Board of Directors at the General Meeting of Shareholders on June 22, 2015
Education	Higher. Kirov Urals Institute of Engineering and Technology, Electrical Engineer
Positions for the Past 5 Years	2014 to the present day: Member of the Board of Directors, Lenenergo, PJSC 2013 to the present day: Director of Process Development and Innovations, Rosseti, PJSC 2012 to 2013: Director for Innovative Development, FGC UES, OJSC 2010 to 2012: First Deputy Minister of Energy and Utilities of the Government of

	the Murmansk Region 2010: Executive Director for Energy, Olympstroy Group
Participatory Interest in the Company	None
Positions Held in Other Entities	Chairman of the Board of Directors, VNIPIenergoprom, OJSC Member of the Board of Directors, ENIN, OJSC, FITS, PJSC, FOL-OL Management, OJSC

Name	Andrey Kolyada
Position	Member of the Board of Directors Member of the Audit Committee of the Board of Directors Member of the Strategy and Development Committee of the Board of Directors
Year of Birth. Nationality	1984, Russia
Status in the Board of Directors	Non-Executive Dependent (related to a substantial shareholder)
Key competences as a Director	Issues related to corporate governance of the Company and SDCs, interactions with the shareholders and investors
First appointed in the Board of Directors	First appointed in the Board of Directors at the General Meeting of Shareholders on March 17, 2014
Education	Higher. State University of Management, Power Management Institute, Business Administration (2007) Russian State Trade and Economic University, Legal Studies, Master of Law (2011)
Positions for the Past 5 Years	2014 to the present day: Member of the Board of Directors, Lenenergo, PJSC 2013 to the present day: Head of Share Capital of the Corporate Governance and Shareholders and Investors Relations Department, Rosseti, PJSC 2008 to 2013: Chief Expert, Senior Expert, Deputy Head, Head of Property Relations Management and Largest Entities Privatization, Federal Agency for State Property Management
Share in the Authorized Capital	None
Positions Held in Other Entities	Member of the Board of Directors, Uralenergotrans, OJSC, Yantarenergoservis, OJSC, Yargorelectroset, OJSC, Dagestan Utility Company, PJSC

Name	Khasan Likhov
Position	Member of the Board of Directors
Year of Birth. Nationality	1983, Russia
Status in the Board of Directors	Non-Executive Dependent (related to a substantial shareholder)
Key competences as a Director	Issues related to investments From July 2015 does not participate in the activity of the Board of Directors
First appointed in the Board of Directors	First appointed in the Board of Directors at the General Meeting of Shareholders on June 22, 2015
Education	Higher. Economic Security Academy of the Ministry of Interior of Russia, Legal Studies, Legal Professional (2005)
Positions for the Past 5 Years	2015 to the present day: Member of the Board of Directors, Lenenergo, PJSC 2014 to 2015: Deputy CEO for Special Projects, Rosseti, PJSC 2012 to 2014: Deputy Director of the Corporate Management, Pricing Environment, and Control and Revision of the Fuel and Energy Sector Department, Ministry of Energy of the Russian Federation 2010 to 2012: Deputy Director of the Economic Regulation and Property Relations in the Fuel and Energy Sector Department, Ministry of Energy of the Russian Federation
Share in the Authorized Capital	None
Positions Held in Other Entities	No

Name	Pavel Snikkars
Position	Member of the Board of Directors
Year of Birth. Nationality	1978, Russia
Status in the Board of Directors	Non-Executive Dependent (related to the state)
Key competences as a Director	Issues related to setting the operating priorities, investments, grid connection

First appointed in the Board of Directors	First appointed in the Board of Directors at the General Meeting of Shareholders on June 23, 2014
Education	Higher
Positions for the Past 5 Years	2014 to the present day: Member of the Board of Directors, Lenenergo, PJSC 2013 to the present day: Director of Power Industry Development Department, Ministry of Energy of the Russian Federation 2012 to 2013: member of the Management Board, Deputy Chairman of the Management Board of Market Council for Wholesale and Retail Power and Capacity Market Efficient System 2010 to 2012: Deputy CEO for Development, UNECO, JSC 2010: Commercial Director, SibirEnergo, OJSC
Share in the Authorized Capital	None
Positions Held in Other Entities	Member of the Board of Directors, Inter RAO, PJSC, IDGC of the Urals, OJSC, TDC, PJSC, TsFR, OJSC

**Information is provided as of December 31, 2015*

Information on the members of the Board of Directors of Lenenergo, PJSC who left the Board on June 22, 2015:*

Name	Andrey Sorochinsky
Position	Member of the Board of Directors Chairman of the Management Board, CEO (to January 16, 2015)
Year of Birth. Nationality	1975, Russia
Education	Higher. Saint Petersburg State University, Department of Economics, Macroeconomics and Economic Theory, Economist (1997) North-West Institute of Management, Public and Municipal Administration (2007) Candidate of Science (PhD) in Economics
Positions for the Past 5 Years	2011 to 2015: Member of the Board of Directors 2010 to 2015: Chairman of the Management Board, CEO, Lenenergo, PJSC 2004 to 2010: Deputy Chairman, Saint Petersburg Energy and Building Services Committee
Share in the Authorized Capital	None
Positions Held in Other Entities	Member of the Board of Directors, TSEK, CJSC, Kurortenergo, CJSC, NITS UES, JSC
Name	Valentin Komarov
Position	Member of the Board of Directors
Year of Birth. Nationality	1973, Russia
Education	Higher. Moscow Power Engineering Institute, Electrical Engineer (1996) Moscow University of Economics, Statistics, and Informatics, Administrator (1999)
Positions for the Past 5 Years	2013 to 2015: Member of the Board of Directors 2013 to the present day: Deputy Head of Special Projects Organization, Rosseti, PJSC 2008 to 2013: Deputy Head of Prospective Development and Grid Connection, IDGC Holding, OJSC
Share in the Authorized Capital	None
Positions Held in Other Entities	No
Name	Oleg Zotov
Position	Member of the Board of Directors Member of the Audit Committee of the Board of Directors
Year of Birth. Nationality	1982, Russia
Education	Higher. Saint Petersburg Institute of Management and Law, Saint Petersburg State University, Public and Municipal Administration
Positions for the Past 5 Years	2014 to 2015: Member of the Board of Directors 2013 to the present day: Head of State Administrative and Technical Inspection of Saint Petersburg 2010 to 2013: Advisor to the Vice Governor of Saint Petersburg
Share in the Authorized Capital	None
Positions Held in Other Entities	No
Name	Leonid Akimov
Position	Member of the Board of Directors

	Chairman of the Audit Committee
Year of Birth. Nationality	1965, Russia
Education	Higher. Bauman Moscow Higher Technical College, Impulse Thermal Machines (1989) Regional Open University, Legal Studies (1995) Financial Academy of the Government of the Russian Federation, Anti-Crisis Management (2004) Candidate of Science (PhD) in Legal Studies
Positions for the Past 5 Years	2014 to 2015: Member of the Board of Directors 2013 to the present day: Director of Legal, Rosseti, PJSC 2009 to 2013: Director for Legal Support - Head of Legal Support, FGC UES, OJSC
Share in the Authorized Capital	None
Positions Held in Other Entities	Member of the Board of Directors, Tyumenenergo, OJSC
Name	Konstantin Serebryakov
Position	Member of the Board of Directors Member of the Audit Committee
Year of Birth. Nationality	1981, Russia
Education	Higher.
Positions for the Past 5 Years	2014 to 2015: Member of the Board of Directors 2013 to the present day: Head of SDC Corporate Actions of the Corporate Governance and Shareholders and Investors Relations Department, Rosseti, PJSC 2009 to 2013: Head of Corporate Actions Directorate, IDGC Holding, OJSC
Share in the Authorized Capital	None
Positions Held in Other Entities	Member of the Board of Directors, IDGC of South, PJSC, Tyvaenergobyty, OJSC, Dagenergoset, OJSC, Volgogradsetremont, OJSC, Energoefficient Technology IEC, OJSC

Information is provided as of June 22, 2015

Information on the Board of Directors Members' Attendance of the Board of Directors Meetings*

The Board of Directors Member	The Board of Directors		Attendance	The Strategy and Development Committee	The Reliability Committee	The Grid Connection Committee	The Audit Committee	The HR and Remuneration Committee
	Non-Executive	Independent ⁸						
Ye. Prokhorov	X		50/50					
S. Lebedev	X		50/49	13/13				
V. Nikonov	X**		28/15					
Ye. Rozova	X		50/35	9/3(2)			13/9	8/5
A. Kalinin	X		28/21					
A. Bondarchuk	X		28/26				6/5	
D. Koptin	X		50/45			9/9	6/3	
Yu. Zafesov	X		50/50				13/13	
S. Zholnerchik	X		50/49	9/9			6/6	8/8
V. Sofyin	X		28/27				6/4	
A. Kolyada	X		50/50	13/12(1)			13/11	
Kh. Likhov	X		28/3					
P. Snikkars	X		50/41(1)					
A. Sorochinsky			22/20					
V. Komarov	X		22/22					
O. Zotov	X		22/16				7/2	
L. Akimov	X		22/22				7/7	
K. Serebryakov	X		22/22				7/5	

*The data are presented in the table in X/Y(2) format, where X is the number of the meetings of the Board or a Committee the Director could attend, Y is the number of meetings actually attended by the Director, and 2 is the number of meetings, for which the Director sent in his(her) written opinion

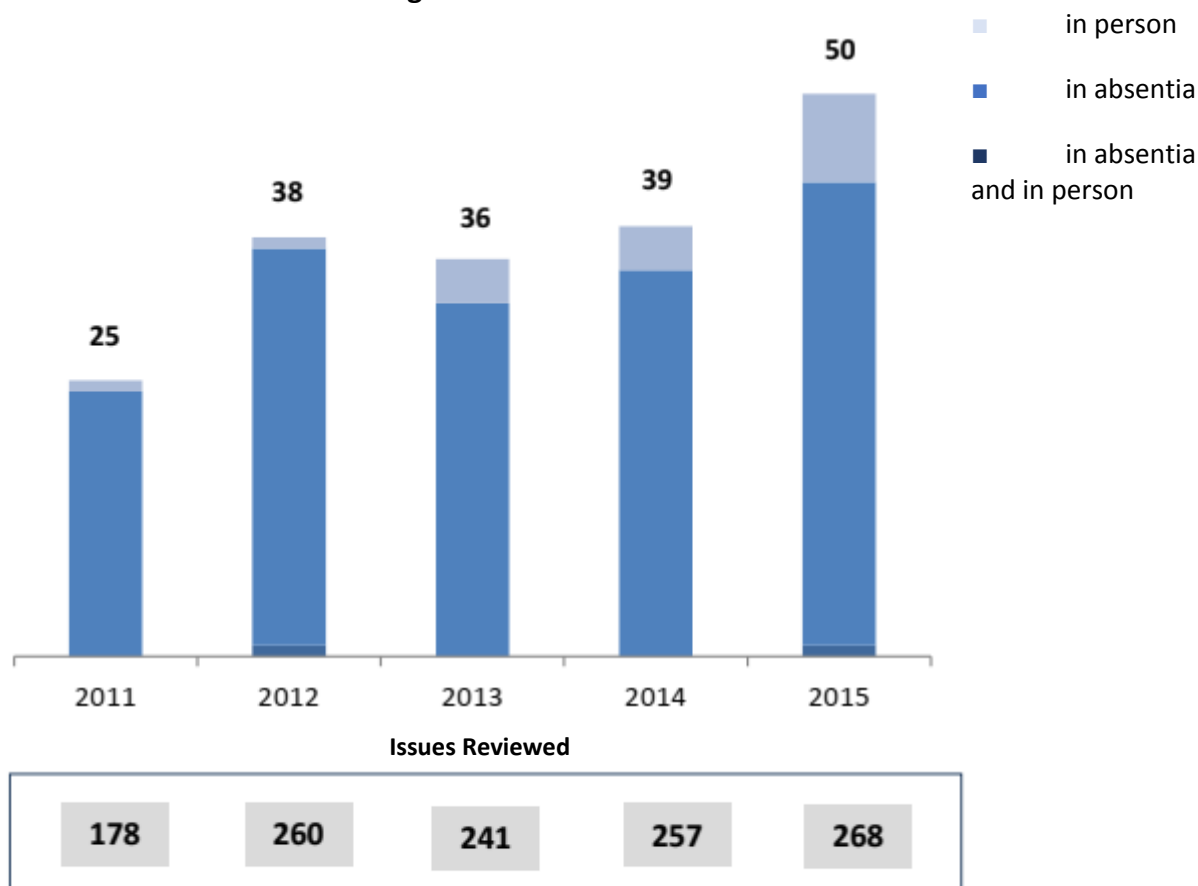
**V. Nikonov was an executive director from June 22, 2015 to June 29, 2015.

⁸ Subject to the requirements of the Listing Rules of MICEX Stock Exchange, CJSC approved by the Board of Directors of MICEX Stock Exchange on July 31, 2014 (registered by the Central Bank of Russia on September 4, 2014).

In 2015, the Board of Directors held 50 meetings; of those: 42 in absentia (by poll), and 8 in person and in absentia (personal attendance along with the polling forms being sent out).

The Board of Directors reviewed 260 issues in 2015.

The Board of Directors' Meetings Statistics for 2011-2015



The Board of Directors' Participation in the Business Administration

The Board of Directors plays a key role in organizing an efficient corporate governance system.

The applicable Russian laws and the Articles of Association of Lenenergo, PJSC set out issues that fall within the competence of the Board of Directors. They can be divided into 4 main groups.

Strategic Management

The strategic management issues include:

- determining the strategic goals of the Company
- setting out the operating priorities for the Company
- preparing and holding the General Meetings of Shareholders
- increasing the authorized capital of the Company
- assessing the Company's long-term efficiency
- forming, implementing, and adjusting the investment program of the Company
- identifying and improving the business planning policy of the Company.

Operative Management

The operative management issues include:

- appointing the CEO of the Company and terminating the CEO's powers early
- appointing the members of the Management Board of the Company and terminating their powers early
- approving the organizational structure of the executive bodies of the Company and amending it
- approving the nominations to individual positions in the executive bodies

- approving the internal documents of the Company within the competence of the Board of Directors
- recommending the executive bodies of the Company on any issues related to the Company's operations.

Control Over the Executive Bodies' Activities

The issues of control over the executive bodies' activities include:

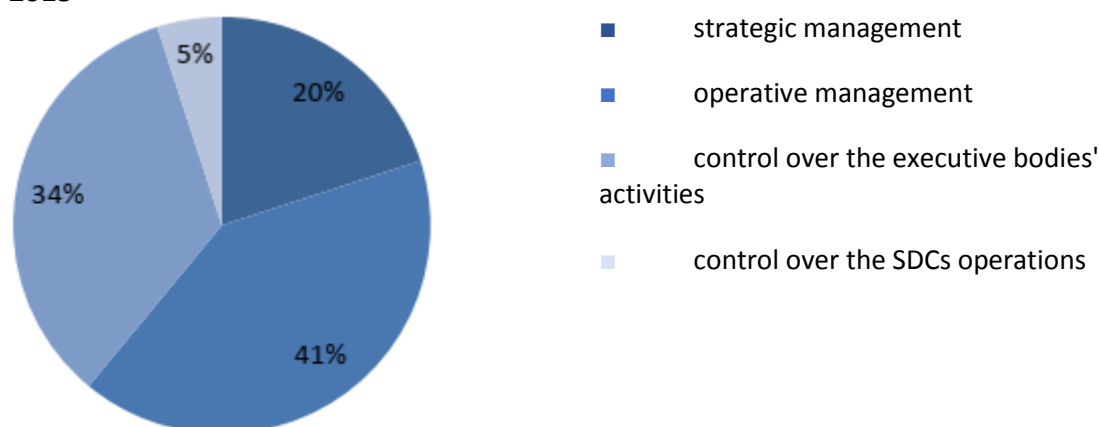
- controlling the compliance of the executive bodies to the Company's strategy
- reviewing the annual (quarterly) reports of the CEO and members of the Management Board on implementing the resolutions of the Board of Directors and the General Meeting
- approving the large transactions in cases stipulated in Chapter X of the Federal Law *On Joint Stock Companies* within the competence of the Board of Directors
- approving the transactions listed in Chapter XI of the Federal Law *On Joint Stock Companies* within the competence of the Board of Directors
- setting out the principles and approaches to the risk management and internal control system organization
- annually reviewing the organization, functioning, and efficiency of the risk management and internal control system.

Control Over the SDCs Operations

The issues of control over the SDCs operations include:

- the Company's participation in other entities, change of participation interest, termination of participation in other entities
- approving the procedure for the Company's interaction with entities, shares and interest in which the Company holds
- determining the Company's (Company representatives') position with respect to the items on the agendas of the general meetings of the SDCs and meetings of the board of directors of the SDCs
- nominating the candidates for the sole executive body position, other governance bodies, control bodies, and for the auditor's position in the entities, in which the Company participates and which produce, transmit, dispatch, distribute, and sell electric and thermal power, as well as carry out repair and service operations.

The Board of Directors' Jurisdiction and Competence Breakdown When Reviewing the Issues in 2015



The Board of Directors holds its meeting subject to the Board operating schedule. The Chairman of the Board sets the date for the Board Meeting. The Board of Directors holds its meeting as necessary, but at least once a quarter.

The Board of Directors of Lenenergo, PJSC drafts its operating plan in line with the Russian laws, suggestions from the Board members, and executive bodies. The plans are then subject to approval by the Chairman of the Board. The operating plans are made for a year and cover the period between two annual General Meetings of Shareholders. As necessary, but at least once each 6 months the plans are to be adjusted (corrected).

The agenda of the Board Meetings includes issues stipulated by the Board operating plans, and some additional issues as well.

In 2015, the Board of Directors of Lenenergo, PJSC made the following decisions in the key competences

Strategic Management	Operative Management	Control Over the Executive Bodies' Activities	Control Over the SDCs Operations
<p>1) decisions related to the organization and holding of the annual General Meeting of Shareholders of Lenenergo, PJSC, and the extraordinary General Meeting of Shareholders of Lenenergo, PJSC</p> <p>2) decisions related to the review and approval of the long-term investment program of the Company</p> <p>3) decisions related to the review and approval of the 2015 business plan of the Company</p> <p>4) decisions related to the increase of the authorized capital of the Company by issuing additional ordinary shares of Lenenergo, PJSC.</p>	<p>1) decisions related to the appointment and early termination of powers of the CEO of the Company and the members of the Management Board</p> <p>2) decisions related to the approval of the organizational structure of the executive bodies of the Company</p> <p>3) decisions related to changing the compositions of the Committees of the Board of Directors</p> <p>4) decisions related to changing the composition of the Central Procurement Body of the Company</p> <p>5) decisions related to the approval of the Operations Efficiency and Financial and Economic Position Improvement Action Plan</p> <p>6) decisions related to the approval of the following internal documents of the Company:</p> <ul style="list-style-type: none"> - the Investment Policy of Lenenergo, PJSC - the Injury Risk Mitigation Program of Lenenergo, OJSC and the third parties at power facilities for 2015-2017 - the Electric Power Losses Reduction Program for the grids of Lenenergo, PJSC for 2016 and up to 2020 - the Employees Non-State Pension Support Program of Lenenergo, PJSC for 2015 - the Insider Information Regulations of Lenenergo, PJSC (revised) the Regulations for the Corporate Secretary of Lenenergo, PJSC (revised) -the Payments Processing Regulations of Lenenergo, OJSC -the Regulations for Review and Resolution of Disputes 	<p>1) the following reports of the CEO were reviewed:</p> <ul style="list-style-type: none"> - report on the Company's financial and economic position in 2014 and forecast for 2015 - report on the business plan (including the investment program) performance in 2014 - report on the efficiency of the internal control system of the Company in 2014 - report on managing the key operating risks of the Company in 2014 -report on the sale and disposal of the non-core assets in 2014 - report on the credit policy of the Company in 2014-2015 - report on the implementation of the Board of Directors' instructions in Q4 2014 - report on the implementation of the Innovative Development Program of Lenenergo, OJSC for 2011-2016 - reports on the additional issue of shares of Lenenergo, PJSC and consolidation of power assets - reports on the analysis of the Company's risks arising from consolidation of the power sector in Saint Petersburg - reports on the due diligence and market appraisal of the shares of Lenenergo, PJSC, SPb ES, JSC, and PES, OJSC - report on setting the long-term parameters of state regulation of tariffs for the Company's power transmission services - reports on fulfillment of grid connection contracts - reports on the implementation of the action plan of Lenenergo, PJSC for 	<p>1) decisions related to the nomination of candidates to the governance bodies of the SDCs of Lenenergo, PJSC (TSEK, CJSC, Kurortenergo, CJSC)</p> <p>2) decisions related to the determination of the position of Lenenergo representatives on the items on the agenda of the board of directors' meetings and general meetings of shareholders (TSEK, CJSC, Kurortenergo, CJSC, LESR, CJSC, Lenenergo Energoservice Company, OJSC)</p> <p>3) decisions related to the approval of Lenenergo, PJSC participation in SPb ES, JSC and PES, OJSC</p> <p>4) decisions related to the approval of related party transactions (between Lenenergo, PJSC and its SDCs).</p>

	<p>and Conflicts of Interest in the Rosseti Group</p> <ul style="list-style-type: none"> - the Standard and Regulations for Business Planning of Lenenergo, OJSC (revised) - the Common Procurement Standard (Procurement Regulations) <p>7) decisions related to the charitable actions of Lenenergo, OJSC in 2015.</p>	<p>reaching the key parameters for grid connection that serve as the criteria of the Doing Business rating in 2015 in the category of connection to the power supply system</p> <p>2) decisions related to the approval of related party transactions</p>	
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In 2015, the Board reviewed the following issues regarding organization, functioning, and efficiency of the internal control and audit system of the Company:

- report of the CEO of the Company on the efficiency of the internal control system of the Company in 2014 (Minutes No. 31 dd. April 14, 2015)
- report of the CEO of the Company on the key operating risk management in the Company in 2014 (Minutes No. 31 dd. April 14, 2015)
- report on the business plan (including the investment program) performance in 2014 (Minutes No. 35 dd. May 25, 2015)
- report on the business plan (including the investment program) performance in Q1 2015 (Minutes No. 39 dd. June 19, 2015)
- reports of the CEO of the Company on the analysis of the Company risks arising from consolidation of the grid sector of Saint Petersburg (Minutes No. 9 dd. August 25, 2015, No. 12 dd. September 17, 2015, No. 19 dd. October 28, 2015)
- report on the business plan (including the investment program and the information on the key operating risks) performance in Q1 2015 (Minutes No. 15 dd. October 2, 2015)
- report on the business plan (including the investment program and the information on the key operating risks) performance in H1 2015 (Minutes No. 30 dd. December 31, 2015)
- report on the business plan (including the investment program and the information on the key operating risks) performance in 9 months of 2015 (Minutes No. 30 dd. December 31, 2015).

The Internal Control System section of this Report contains information on the efficiency assessment of the internal control system of the Company in the report year.

Minutes of the meetings of the Board of Directors of Lenenergo, PJSC are published on the corporate website at www.lenenergo.ru (For Shareholders and Investors - Corporate Governance - Management and Control Bodies - Board of Directors - Resolution).

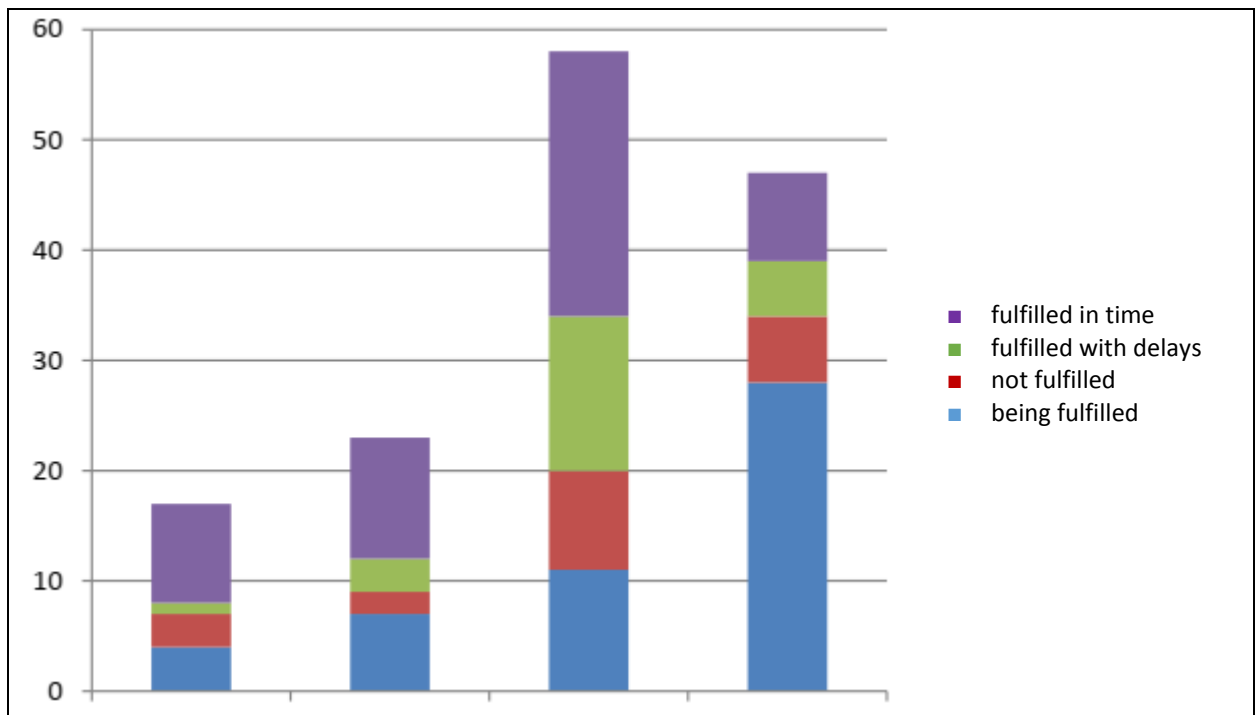
The operations of the Board of Directors in 2015 were in compliance with the applicable Russian laws, the Articles of Association of the Company, and the Regulations for the Board of Directors of Lenenergo, PJSC.

Information on the Instructions of the Board of Directors

In 2015, the Board gave 145 instructions to the Company management, of those:

- 52 fulfilled in time (36%)
- 23 fulfilled with delay (16%)
- 20 not fulfilled (14%)
- 50 are being fulfilled (34%).

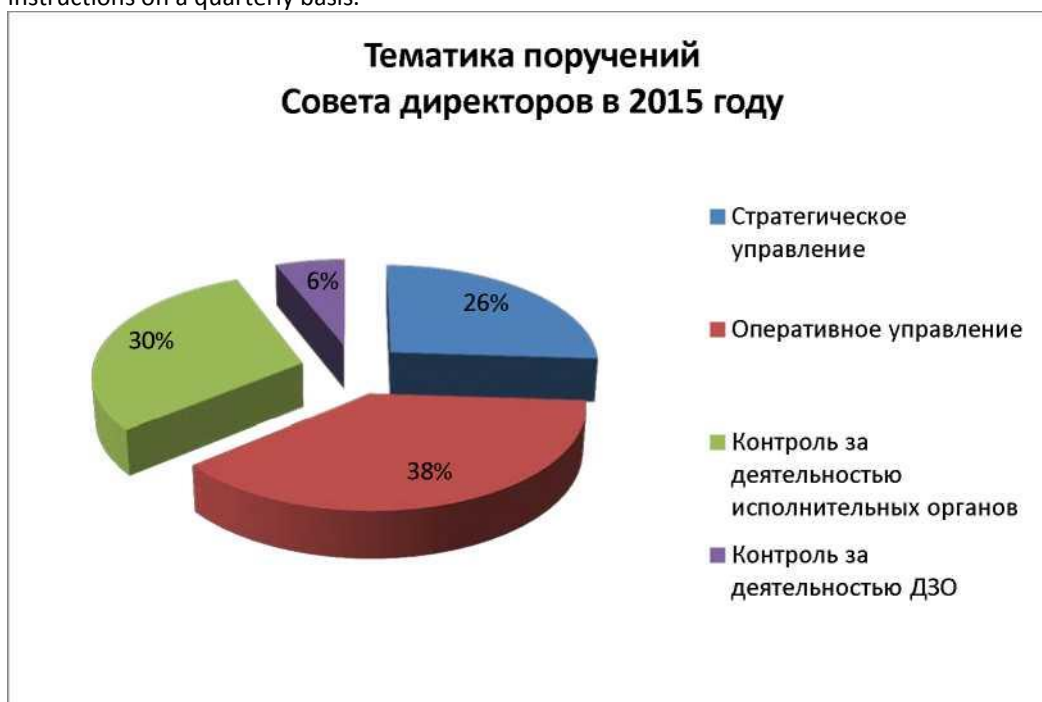
Information on the Fulfillment of the Instructions of the Board of Directors in 2015



Instructions issued in 2015



The Board of Directors reviews reports from the Company's CEO on the fulfillment of the Board's instructions on a quarterly basis.



Тематика поручений Совета директоров в 2015 году	Areas of the Board of Directors' Instructions, 2015
Стратегическое управление	strategic management
Оперативное управление	operative management
Контроль за деятельностью исполнительных	control over the executive bodies' activities

органов	
Контроль за деятельностью ДЗО	control over the SDCs' activities

Corporate Secretary

The Corporate Secretary of Lenenergo, PJSC acts under the Articles of Association and the Regulations for the Corporate Secretary of Lenenergo, PJSC approved by the Board of Directors on December 1, 2015 (Minutes No. 24 dd. December 4, 2015).

The Corporate Secretary answers directly to the Board of Directors.

The following are the principal functions of the Corporate Secretary:

- participation in preparing for and holding of the General Meetings of Shareholders
- support of the operations of the Board of Directors and its Committees
- participation in implementing the Company's disclosure policy, as well as arrangement of the corporate records storage
- arrangement of interaction between the Company and its shareholders; participation in corporate conflicts prevention
- arrangement of interaction between the Company and the regulatory bodies, trade organizers, registrar, and other professional participants of the securities market within the corporate secretary's competence
- arrangement of implementation of the procedures set out in the laws and in the internal documents of the Company that ensure the shareholders' vested rights and interests, and control over those
- prompt notification to the Board of Directors of all identified cases of violation of laws or provisions of the internal documents of the Company, compliance with which is in line with the corporate secretary's functions
- participation in upgrading the system and practices of corporate governance of the Company.

The Board of Directors appointed Andrey Smolnikov the Corporate Secretary on June 29, 2015 (Minutes No. 1 dd. June 29, 2015):*

Name	Andrey Smolnikov
Year of Birth. Nationality	1979, Russia
Education	Higher. Udmurt State University, Legal Studies (2003)
Positions for the Past 5 Years	2008 to the present day: Corporate Secretary of Lenenergo, PJSC 2006 to the present day: Acting Deputy CEO for Legal and Corporate Governance, Head of Corporate Governance and Shareholder Relations, Head of Corporate Policy Service and Investor Relations, Head of Capital Management and Investor Relations, Lenenergo, PJSC
Share in the Authorized Capital	None
Positions Held in Other Entities	Acting CEO, member of the Board of Directors, LESR, CJSC member of the Board of Directors, TSEK, CJSC

*Information is provided as of

Committees of the Board of Directors of Lenenergo, PJSC

The Committees are created in order to preliminarily review the most crucial specific issues that fall within the competence of the Board, to resolve the disputes between the shareholders' representatives prior to the meetings, to formulate reasonable recommendations to the Board of Directors, and to ensure the Board's efficient performance of its functions with respect to the overall management of the Company's operations.

The Strategy and Development Committee

The Strategy and Development Committee is aimed at playing a crucial part in determining the strategic goals of the Company, assessing its long-term efficiency, and recommending the Board of Directors on adjustment of the existing development strategy.

The Committee acts based on the revised Regulations for the Strategy and Development Committee of the Board of Directors of Lenenergo, OJSC approved by the Board of Directors on September 8, 2009 (Minutes No. 4 dd. September 9, 2009).

Principal objectives:

- recommending the Board of Directors with respect to the strategic goals of the Company
- forming, fulfilling, and adjusting the business plan
- including the investment program of the Company, as well as controlling the fulfillment of the approved

business plan and the investment program of the Company
- assessing the Company's long-term efficiency.

Active Members of the Strategy and Development Committee of the Board of Directors:

№	Name	Position
Chairman of the Committee		
1	Sergey Lebedev	Director of Strategic Projects, Rosseti, PJSC
Members of the Committee		
2	Yuri Pankstiyarov	Head of Tariff Policy, Rosseti, PJSC
3	Svetlana Balayeva	Deputy CEO for Investments, Rosseti, PJSC
4	Anton Smirnov	Head of Strategic Projects of the Finances Department, Rosseti, PJSC
5	Svetlana Zholnerchik	Senior Advisor, Rosseti, PJSC
6	Andrey Kolyada	Head of Share Capital, Rosseti, PJSC
7	Aleksandr Dyuzhinov	Deputy CEO for Development, Economics and Finances, FITS, PJSC
8	Yulia Yashcheritsyna	Director of Economic Planning and Budgeting, Rosseti, PJSC
9	Yelena Bogach	Head of Strategic Planning, Rosseti, PJSC
10	Svetlana Melnikova	Deputy Chairperson, Saint Petersburg Energy and Building Services Committee
11	Roman Kanivtsov	Head of the Power Sector Tariff Regulation, Saint Petersburg Tariff Committee
12	Yevgeniya Rozova	Deputy Chairperson, Saint Petersburg Energy and Building Services Committee
13	Anton Erdyniyev	Deputy Director of the Electric Power Industry Development, Ministry of Energy of the Russian Federation
14	Takhir Bikbayev	Acting Chairman of the Saint Petersburg branch, Opora Russia
15	Anna Koneva	Deputy CEO for Services Development and Sales, Lenenergo, PJSC

The Board of Directors appointed the following members of the Strategy and Development Committee of the Board of Directors on August 27, 2015 (Minutes No. 10 dd. August 31, 2015):*

№	Name	Position
Chairman of the Committee		
1	Sergey Lebedev	Director of Strategic Projects, Rosseti, PJSC
Members of the Committee		
2	Yuri Pankstiyarov	Head of Tariff Policy, Rosseti, PJSC
3	Svetlana Balayeva	Deputy CEO for Investments, Rosseti, PJSC
4	Fedor Terebkov	Head of Capital Markets and Structured Financing, Rosseti, PJSC
5	Svetlana Zholnerchik	Senior Advisor, Rosseti, PJSC
6	Andrey Kolyada	Head of Share Capital, Rosseti, PJSC
7	Aleksandr Dyuzhinov	Deputy CEO for Development, Economics and Finances, FITS, PJSC
8	Yulia Yashcheritsyna	Director of Economic Planning and Budgeting, Rosseti, PJSC
9	Yelena Bogach	Head of Strategic Planning, Rosseti, PJSC
10	Svetlana Melnikova	Deputy Chairperson, Saint Petersburg Energy and Building Services Committee
11	Yekaterina Anonen	Head of Tariff Regulation Office, Saint Petersburg Tariff Committee
12	Yevgeniya Rozova	Deputy Chairperson, Saint Petersburg Energy and Building Services Committee
13	Anton Erdyniyev	Deputy Director of the Electric Power Industry Development, Ministry of Energy of the Russian Federation
14	Takhir Bikbayev	Acting Chairman of the Saint Petersburg branch, Opora Russia
15	Anna Koneva	Deputy CEO for Services Development and Sales, Lenenergo, PJSC

The Board of Directors appointed the following members of the Strategy and Development Committee of the Board of Directors on August 1, 2014 (Minutes No. 3 dd. August 4, 2014):*

№	Name	Position
Chairman of the Committee		

1	Sergey Lebedev	Director of Strategic Development, Rosseti, OJSC
Members of the Committee		
2	Yuri Pankstiyarov	Director of Tariff Policy, Rosseti, OJSC
3	Svetlana Balayeva	Deputy CEO for Investments, Rosseti, OJSC
4	Valery Krasnikov	Director of Corporate Finances, Rosseti, OJSC
5	Yuri Savvin	Deputy Head of SDC Economics of the Economic Planning and Budgeting, Rosseti, OJSC
6	Andrey Kolyada	Head of Share Capital of the Corporate Governance and Shareholders and Investors Relations, Rosseti, OJSC
7	Arseny Shatokhin	Director of Special Projects Implementation, Rosseti, OJSC
8	Yuri Antimenko	Head of Grid Prospective Development Office, Rosseti, OJSC
9	Yelena Bogach	Head of Strategic Planning, Rosseti, OJSC
10	Irina Permyakova	First Deputy Chairman, Saint Petersburg Energy and Building Services Committee
11	Ivan Boltenkov	First Deputy Chairman, Saint Petersburg Tariff Committee
12	Aleksey Grigoriyev	Advisor to the Head of State Administrative and Technical Inspection of Saint Petersburg
13	Yuri Andreev	First Deputy Chairman of the Fuel and Energy Committee of the Leningrad Region
14	Tatiana Sviridova	Deputy Chairman of the Leningrad Region Tariff and Pricing Policy Committee - Head of Tariff Regulation for Housing and Power Sector Entities Department

The resolutions of the Board of Directors dd. February 16, 2015 (Minutes No. 23 dd. February 17, 2015), dd. June 17, 2015 (Minutes No. 38 dd. June 19, 2015), dd. December 1, 2015 (Minutes No. 24 dd. December 4, 2015) changed the composition of the Strategy and Development Committee.

In 2015, the Committee held 13 meetings, 4 of those in person.

The Committee prepared the recommendations for the Board of Directors on the following issues:

- approval of the operations efficiency and financial and economic position improvement action plan
- approval of the report on the business plan (including the investment program) performance in 2014
- approval of the business plan (including the investment program) for 2016
- setting the operating priorities for the Company
- approval of the participation in other entities (SPb ES, JSC, PES, OJSC)

The Committee quarterly pre-reviewed the reports on the Business Plan (including the investment program) performance.

Minutes of the meetings of the Strategy and Development Committee of the Board of Directors of Lenenergo, PJSC are published on the corporate website at www.lenenergo.ru (For Shareholders and Investors - Corporate Governance - Management and Control Bodies - Strategy and Development Committee).

The Reliability Committee

The Reliability Committee of the Board of Directors plays an important role in ensuring the overall reliability of the grid equipment and plants.

The Committee acts based on the revised Regulations for the Reliability Committee of the Board of Directors of Lenenergo, PJSC approved by the Board of Directors on December 1, 2015 (Minutes No. 24 dd. December 4, 2015).

Principal objectives:

- expert review of the investment programs and power facilities repair plans, analysis of the performance of those from the point of view of ensuring the overall reliability
- assessment of the completeness and sufficiency of measures taken to mitigate the consequences of accidents and large technical disturbances; control over the implementation of those measures; assessment of the Company's technical services' operations.

Active Members of the Reliability Committee of the Board of Directors of the Company:

No	Name	Position
Chairman of the Committee		
1	Sergey Kataev	Director of Business Assets Management, Rosseti, PJSC

Members of the Committee		
2	Vladimir Kukushkin	Deputy Chairperson, Saint Petersburg Energy and Building Services Committee
3	Dmitry Mikheev	Head of the Power Sector Prospective Development Office, Ministry of Energy of the Russian Federation
4	Yelena Illarionova	Head of Grid Connection Office of Tariff Regulation, Saint Petersburg Tariff Committee
5	Aleksandr Kurilkin	Power industry veteran
6	Maksim Artemiev	First Deputy CEO - Chief Engineer, Lenenergo, PJSC
7	Viktor Chernetsov	Deputy Chief Engineer for Operation, Lenenergo, PJSC
8	Aleksandr Matyushin	Head of Organization of Electrical Equipment Operation of the Business Assets Management, Rosseti, PJSC
9	Eduard Bogomolov	First Deputy Director of Technical Supervision Center, branch of Rosseti, PJSC

The Board of Directors appointed the following members of the Reliability Committee of the Board of Directors on August 1, 2014 (Minutes No. 3 dd. August 4, 2014):

№	Name	Position
Chairman of the Committee		
1	Sergey Frolov	Head of Accident-Prevention Management Directorate, Rosseti, OJSC
Members of the Committee		
2	Aleksandr Matyushin	Head of Primary Equipment of the Business Assets Management, Rosseti, OJSC
3	Aleksey Grigoriyev	Advisor to the Head of State Administrative and Technical Inspection of Saint Petersburg
4	Yelena Illarionova	Head of Grid Connection Office of Tariff Regulation, Saint Petersburg Tariff Committee
5	Valery Uskov	Head of Engineering and Energy Industry Development Office, Saint Petersburg Energy and Building Services Committee
6	Maksim Artemiev	Deputy CEO for Technical Issues - Chief Engineer, Lenenergo, OJSC
7	Viktor Chernetsov	Deputy Chief Engineer for Operation and Repair, Lenenergo, OJSC
8	Natalia Antonova	Head of Electric Power Sector Office of the Leningrad Region Fuel and Energy Sector Committee
9	Irina Markelova	Head of Electric Power Tariff Regulation Office, the Leningrad Region Tariff and Pricing Policy Committee

In 2015, the Committee held 8 in absentia meetings.

The Committee quarterly reviewed the following issues:

- arrangement of the production support with respect to the materials, equipment and machinery
- issues related to the labor protection in Lenenergo, PJSC in 2014-2015
- organization and implementation of overhauls of power facilities equipment
- issues related to the state of the power equipment of Lenenergo, PJSC

In 2015, the Committee also reviewed the report on the implementation of the repair program of the Company in 2015, and the Injury Risk Mitigation Program of Lenenergo, OJSC Employees and Third Parties at Power Grid Facilities for 2015-2017.

The Audit Committee

In order to pre-review the issues related to controlling the business and financial operations of the Company, the Board established an Audit Committee.

The Committee acts based on the revised Regulations for the Audit Committee of the Board of Directors of Lenenergo, OJSC approved by the Board of Directors on April 10, 2015 (Minutes No. 31 dd. April 14, 2015).

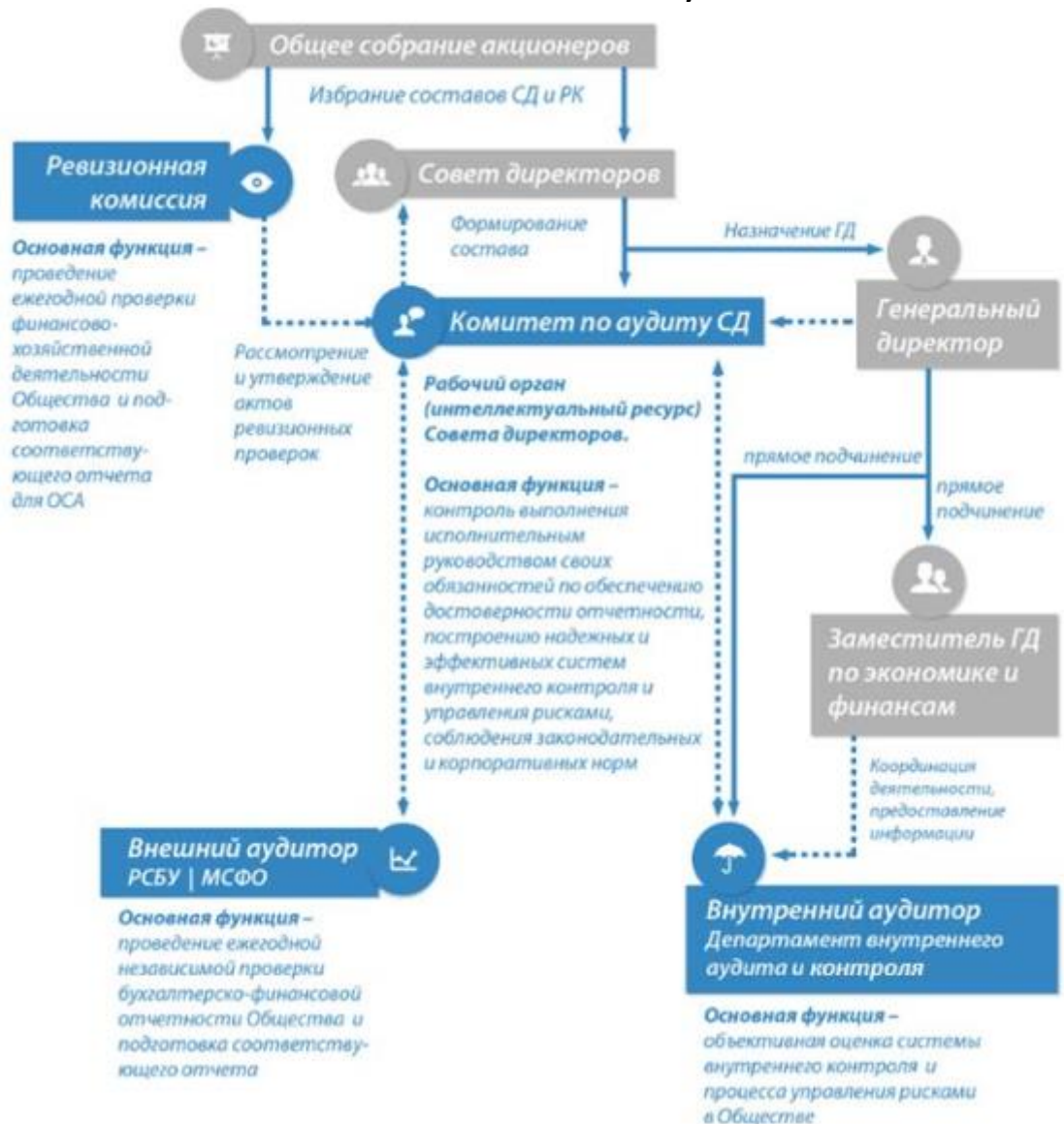
The Audit Committee does not consist of independent directors.

Principal objectives:

- control over the process and procedures of preparation of the accounting reports and financial statements, including the review of the accounting reports and financial statements

- recommendations to the Board of Directors on improvement of the internal control and risk management systems' efficiency
- selection of the independent external auditor and assessment of its work.

Role of the Audit Committee in the Internal Control System



	The General Meeting of Shareholders Appointment of the Board of Directors and Internal Audit Board members			
The Internal Audit Board Main function: annual review of the business and financial operations of the Company and preparation of the relevant report for the General Meeting	Review and approval of the internal audit reports	The Board of Directors Appointment of members	Appointment of the CEO	
		The Audit Committee of the Board of Directors Working body (intellectual resource) of the Board of Directors Main function: control over the executive management's	Direct accountability	CEO Deputy CEO for economy and finance Coordination of activities, provision of information

		fulfillment of their obligations to ensure the accuracy of the reports, creation of the reliable and efficiency internal control and risk management systems, compliance with the laws and corporate regulations	
The Independent Auditor The RAS / IFRS Main function: annual independent review of the accounting reports and financial statements of the Company, preparation of the relevant report			The Internal Auditor The Internal Audit and Control Department Main function: objective assessment of the internal control system and the risk management process in the Company

Active Members of the Audit Committee of the Board of Directors of the Company:

№	Name	Position	Status
1.	Yuri Zafesov	CHAIRMAN, Director of Procurements, Rosseti, PJSC	non-executive, dependent
2.	Andrey Kolyada	Head of Share Capital of the Corporate Governance and Shareholders and Investors Relations Department, Rosseti, PJSC	non-executive, dependent
3.	Vladimir Sofyin	Director of Process Development and Innovations, Rosseti, PJSC	non-executive, dependent
4.	Svetlana Zholnerchik	Senior Advisor, Rosseti, PJSC	non-executive, dependent
5.	Andrey Bondarchuk	Chairman, Saint Petersburg Energy and Building Services Committee	non-executive, dependent
6.	Dmitry Koptin	Chairman, Saint Petersburg Tariff Committee	non-executive, dependent
7.	Yevgeniya Rozova	Deputy Chairperson, Saint Petersburg Energy and Building Services Committee	non-executive, dependent

The Board of Directors appointed the following members of the Audit Committee of the Board of Directors on August 1, 2014 (Minutes No. 3 dd. August 4, 2014):

№	Name	Position	Status
1.	Leonid Akimov	CHAIRMAN, Director of Legal, Rosseti, OJSC	non-executive, dependent
2.	Andrey Kolyada	Head of Share Capital of the Corporate Governance and Shareholders and Investors Relations, Rosseti, OJSC	non-executive, dependent
3.	Yuri Zafesov	Director of Procurements, Rosseti, OJSC	non-executive, dependent
4.	Konstantin Serebryakov	Head of SDC Corporate Actions of the Corporate Governance and Shareholders and Investors Relations Department, Rosseti, OJSC	non-executive, dependent
5.	Yevgeniya Rozova	Deputy Chairperson, Saint Petersburg Energy and Building Services Committee	non-executive, dependent
6.	Oleg Zotov	Head of State Administrative and Technical Inspection of Saint Petersburg	non-executive, dependent

In 2015, the Committee held 13 meetings, 4 of those in person.

The following were among the significant issues reviewed by the Audit Committee in 2015:

- assessment of the efficiency of the internal audit process (the Committee reviewed the 2014 report of

the internal auditor, Minutes No. 51 dd. March 5, 2015)

- review of the reports on the compliance control actions with respect to the insider information control in Q4 2014, and 2014 overall (Minutes No. 51 dd. March 5, 2015)

- review of the report on the key risks management in the Company in 2014 (Minutes No. 52 dd. March 23, 2015, No. 59 dd. September 29, 2015)

- review of the written information presented by the independent auditor with respect to the main issues with the accounting report and financial statements of the Company for 2014 prepared subject to the RAS, as well as information from the Company's management on the material adjustments made as a result of the independent audit of the accounting report and financial statements (Minutes No. 54 dd. April 20, 2015)

- review of the accounting report and financial statements of the Company for 2014 prepared subject to the RAS (Minutes No. 54 dd. April 20, 2015)

- review of the consolidated accounting report and financial statements of the Company for 2014 prepared subject to the IFRS (Minutes No. 55 dd. May 8, 2015)

- consideration of the candidate for the position of an independent auditor to audit the accounting report and financial statements of the Company for 2015 prepared under the RAS, and to audit the consolidated financial statements for the year ending on December 12, 2015 prepared under the IFRS (Minutes No. 55 dd. May 8, 2015)

- assessment of the quality of work of the independent auditor, including the assessment of the Auditor's Report on the accounting report and financial statements of the Company for 2014 prepared subject to the RAS (Minutes No. 55 dd. May 8, 2015)

- review of the report of the Audit Committee of the Board of Directors of Lenenergo, OJSC on the results of 2014-2015 corporate season (Minutes No. 56 dd. June 1, 2015)

- review of the terms of the agreement made with the independent auditor auditing the accounting report and financial statements for 2015 prepared subject to the RAS, and the consolidated financial statements for 2015 prepared subject to the IFRS, including the recommendation to the Board of Directors as to the remuneration of the independent auditor (Minutes No. 57 dd. August 6, 2015)

- review of the information on the justification of provisions for bad debts and future expenses (Minutes No. 59 dd. September 29, 2015, No. 61 dd. October 29, 2015)

- review of the written information presented by the independent auditor with respect to the main issues with the accounting report and financial statements of the Company for 9 months of 2015 prepared subject to the RAS, including the results of additional audits of the total amount of provisions for bad debts and future expenses reflected in the accounting report as of September 30, 2015 (Minutes No. 62 dd. December 25, 2015)

- review of the report of the Internal Audit and Control of the Company on the performance under the plan for 9 months of 2015, and the internal audit performance results (Minutes No. 62 dd. December 25, 2015).

The HR and Remuneration Committee

The goal of the HR and Remuneration Committee of the Board of Directors is to provide recommendations on the system of selecting and motivating the employees that ensures the efficient fulfillment of the strategic plans of the Company.

The Committee acts based on the revised Regulations for the HR and Remuneration Committee of the Board of Directors of Lenenergo, OJSC approved by the Board of Directors on August 11, 2014 (Minutes No. 4 dd. August 13, 2014).

Principal objectives:

- provision of recommendations to the Board of Directors on changes to the structure of the executive bodies and the branches of the Company, and on determining the material clauses of the employment agreements and remuneration conditions for the members of the governance bodies of the Company

- identification of selection criteria for the candidates to the collective executive body of the Company and to the position of the Company's CEO.

Active Members of the HR and Remuneration Committee of the Board of Directors of the Company:

No	Name	Position
Chairman of the Committee		
1	Nikolay Varlamov	Deputy CEO - Chief of Staff, Rosseti, PJSC
Members of the Committee		
2	Dmitry Chevkin	Director of the HR Policy and Organization Development, Rosseti, PJSC
3	Nataliya Erpsher	Head of the Organization Development of the HR Policy and Organization Development, Rosseti, PJSC
4	Natalia Shumakher	Chief Expert of the Ownership Rights Exercise Office of the Property Management, IDGC of Center, PJSC

5	Ksenia Zimnukhova	Head of the Public Service and HR Issues Office, Saint Petersburg Energy and Building Services Committee
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The Board of Directors of Lenenergo, PJSC appointed the following members of the HR and Remuneration Committee of the Board of Directors of the Company on August 1, 2014 (Minutes No. 3 dd. August 4, 2014):

№	Name	Position
Chairman of the Committee		
1	Svetlana Zholnerchik	Deputy CEO, Rosseti, OJSC
Members of the Committee		
2	Dmitry Chevkin	Director of the HR Policy and Organization Development, Rosseti, OJSC
3	Yevgeniya Rozova	Deputy Chairperson, Saint Petersburg Energy and Building Services Committee

In 2015, the Committee held 14 in absentia meetings.

The Committee prepared recommendations to the Board of Directors with respect to the approval of the organizational structure of the executive bodies and branches of the Company, and the HR and social policy of Lenenergo, PJSC.

The Committee also considered the candidates to the positions of the deputy CEOs and branch directors.

The Grid Connection Committee

The main goal of the Grid Connection Committee is to provide for transparent operations and an equal-opportunity access to the grid connection for the consumers of the Company.

The Committee acts under the Regulations for the Grid Connection Committee of the Board of Directors of Lenenergo, PJSC approved by the Board of Directors on February 9, 2009 (Minutes No. 8 dd. February 10, 2009).

Principal objectives:

- provision of recommendations to the Board of Directors on improving the internal regulations and standards of the Company governing the equal-opportunity access to the grid connection services for consumers
- assessment of the Company's grid connection performance.

Active Members of the Grid Connection Committee of the Board of Directors:

№	Name	Position
Chairman of the Committee		
1	Dmitry Koptin	Chairman, Saint Petersburg Tariff Committee
Members of the Committee		
2	Igor Denisov	Deputy Head of Tariff Regulation - Head of Tariff Regulation for Heat, Water, and Gas Supply, and Housing and Utility Entities, Saint Petersburg Tariff Committee
3	Dmitry Mikheev	Head of the Power Sector Prospective Development Office, Ministry of Energy of the Russian Federation
4	Svetlana Melnikova	Deputy Chairperson, Saint Petersburg Energy and Building Services Committee
5	Valery Uskov	Head of Engineering and Energy Industry Development Office, Saint Petersburg Energy and Building Services Committee
6	Irina Volodina	Deputy CEO for Corporate Governance, Lenenergo, PJSC
7	Anna Koneva	Deputy CEO for Services Development and Sales, Lenenergo, PJSC
8	Tatiana Novikova	Acting Director for Grid Connection, Lenenergo, PJSC
9	Vladimir Mlynchik	CEO, Quadro Electric, LLC
10	Irina Bogacheva	Head of the Investment Projects Efficiency Analysis and Assessment Office of Investment Activities, Rosseti, PJSC
11	Irina Masaleva	Director for Grid and Grid Connection Prospective Development, Rosseti, PJSC
12	Aleksandr Korneev	Head of the Grid Connection Regulation Office of Grid and Grid Connection Prospective Development, Rosseti, PJSC
13	Timur Boytsov	Chief Expert of the Grid Connection Regulation Office of Grid and Grid Connection Prospective Development, Rosseti, PJSC
14	Nadezhda Lebedeva	Chief Expert of the Grid Connection Regulation Office of Grid and Grid

	Connection Prospective Development, Rosseti, PJSC
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The Board of Directors appointed the following members of the Grid Connection Committee of the Board of Directors of the Company on August 1, 2014 (Minutes No. 3 dd. August 4, 2014):*

№	Name	Position
Chairman of the Committee		
1	Dmitry Koptin	Chairman, Saint Petersburg Tariff Committee
Members of the Committee		
2	Ivan Boltentkov	First Deputy Chairman, Saint Petersburg Tariff Committee
3	Aleksey Grigoriyev	Advisor to the Head of State Administrative and Technical Inspection of Saint Petersburg
4	Svetlana Melnikova	Deputy Chairperson, Saint Petersburg Energy and Building Services Committee
5	Valery Uskov	Head of Engineering and Energy Industry Development Office, Saint Petersburg Energy and Building Services Committee
6	Yevgeny Melnichenko	Deputy CEO for Corporate Governance, Lenenergo, OJCS
7	Andrey Zykov	Deputy CEO for Services Development and Sales, Lenenergo, OJSC
8	Sergey Yeresov	Director for Grid Connection, Lenenergo, OJSC
9	Yusif Sadykhov	Director for 0.4-10 kV Grid Construction and Development, Lenenergo, OJSC
10	Vitaly Korotaev	Head of Client Relations for the Leningrad Region, Lenenergo, OJSC
11	Aleksey Kuznetsov	Head of Connection and Categorization Sector, Leningrad Region Fuel and Energy Sector Committee
12	Yelena Reshetnikova	Deputy Head of the Tariff Regulation for the Housing and Utility Entities and Electric Power Sector - Head of Process Expert Review, the Leningrad Region Tariff and Pricing Policy Committee
13	Irina Masaleva	Director for Grid and Grid Connection Prospective Development, Rosseti, OJSC
14	Aleksandr Korneev	Head of the Grid Connection Regulation Office of Grid and Grid Connection Prospective Development, Rosseti, OJSC
15	Timur Boytsov	Chief Expert of the Grid Connection Regulation Office of Grid and Grid Connection Prospective Development, Rosseti, OJSC

The Board of Directors changed the composition of the Grid Connection Committee on June 17, 2015 (Minutes No. 38 dd. June 19, 2015).

In 2015, the Committee held 9 meetings, 1 of those in person.

The Committee quarterly reviewed the reports on the Company's performance with respect to the grid connection.

The Committee prepared recommendations to the Board of Directors with respect to the approval of the Grid Connection Accumulated Obligations Fulfillment Plan of Lenenergo, OJSC in Saint Petersburg and the Leningrad Region no later than Q3 2015.

The Committee also reviewed the reports on the implementation of the action plan of Lenenergo, PJSC for reaching the key parameters for grid connection that serve as the criteria of the Doing Business target rating in 2015 in the category of connection to the power supply system.

The Committee also analyzed the effect of the changes to the Grid Connection Rules for the power receivers of the electric power consumers, the power generating facilities, and the power facilities owned by the grid entities and third parties, approved by the Government of the Russian Federation (Decree No. 861 dd. December 27, 2004) with respect to the following issues: regulation of the relations between the grid entity and the owners of premises located in the apartment blocks, and regulation of the relations between the grid entity and the applicants entitled to the application of the subsidized tariff (RUB 550) for grid connection (changes introduced by Russian Government Decree No. 915 dd. October 12, 2013).

Information on Remuneration and Compensations Paid to the Members of the Board of Directors and Its Committees

The internal documents of the Company approved by the General Meeting of Shareholders and the Board of Directors of Lenenergo, PJSC govern the Board of Directors and its Committees members' remuneration and

compensation amounts and payment procedures.

In 2015, two versions of the internal document governing the procedure for payment of remunerations and compensations to the members of the Board of Directors were in force:

1. From May 30, 2008 to June 22, 2015, the Regulations for Remuneration and Compensations to the Board of Directors of Lenenergo, OJSC approved by the Annual General Meeting of Shareholders on May 30, 2008 (AGM Minutes No. 1 dd. June 9, 2008) was in force.

2. From June 22, 2015, the revised Regulations for the Remuneration and Compensations to the Board of Directors of Lenenergo, PJSC approved by the Annual General Meeting of Shareholders on June 22, 2015 (AGM Minutes No. 1/2015 dd. June 24, 2015) was in force.

Comparative Analysis of the Previous and the Revised Regulations for the Remuneration and Compensations to the Board of Directors:

The Regulations for the Remuneration and Compensations to the Board of Directors approved by the AGM on May 30, 2008	The Regulations for the Remuneration and Compensations to the Board of Directors approved by the AGM on June 22, 2015
Remuneration for attending the meetings of the Board of Directors	
Remuneration paid to the member of the Board of Directors for attending the meetings of the Board: <ul style="list-style-type: none"> - for 1 in-absentia meeting: 4 minimum monthly base salaries* - for 1 in person meeting: 8 minimum monthly base salaries. The Chairman receives the remuneration increased by 50%. Reference: 1 minimum monthly base salary = RUB 6300.	The remuneration (\$) of the member of the Board of Directors depends on: <ul style="list-style-type: none"> - base remuneration in view of the Company's revenue (for Lenenergo, PJSC: RUB 900,000) - the number of the meetings attended by the member of the Board of Directors. Additional bonuses: <ul style="list-style-type: none"> 30% of \$ — to the Chairman of the Board of Directors 20% of \$ — to the Chairman of the special committee of the Board of Directors 10% of \$ — to the member of the special committee of the Board of Directors Overall remuneration received by a member of the Board of Directors (including the bonuses) may not exceed the base remuneration (RUB 900,000).
Additional Remuneration for the Net Profit Specified in the Annual Financial Statements	
The remuneration of the member of the Board of Directors depends on: <ul style="list-style-type: none"> - the net profit for the year - the number of the meetings attended by the member of the Board of Directors. 	No additional remuneration for the net profit specified in the annual financial statements applies.
Additional remuneration in case the Company's market capitalization amount increases	
The calculation coefficient remains unchanged: 0.0175 percent of the Company's market value increase from the moment the member is appointed to the Board of Directors to the moment a new Board is appointed.	
The remuneration of the member of the Board of Directors depends on: <ul style="list-style-type: none"> - the average weighted price of the Company's shares at the RTS and MICEX - the Company shares' traded value at the RTS and MICEX - the indices at the RTS and MICEX. The remuneration paid to the member of the Board of Directors may not exceed the amount set by the Board of Directors in 2006 as the salary of the Company's CEO more than 3 times.	The remuneration amount depends on the following factors: <ul style="list-style-type: none"> - the average weighted price of the Company's shares at the MICEX - the Company shares' traded value at the MICEX - the MICEX index. The aggregate remuneration paid to the members of the Board of Directors may not exceed 5% of the net profit of the financial year under RAS.

* The minimum monthly base salary of the worker first category set subject to the industry tariff agreement for the power sector of Russia (H1 2014: RUB 5400, H2 2014: RUB 6000).

Information on the Remuneration of the Members of the Board of Directors in 2015 (tax included):

Name	Bonuses, fees, compensations	Remuneration Paid to the Board Member	Total
Ye. Prokhorov	309,856	108,000	417,856

S. Lebedev	213,762	72,000	285,762
V. Nikonov	-	-	-
Ye. Rozova	-	-	-
A. Kalinin	-	-	-
A. Bondarchuk	-	-	-
D. Koptin	-	-	-
Yu. Zafesov	259,682	72,000	331,682
S. Zholnerchik	174,620	72,000	246,620
V. Sofyin	125,407	-	125,407
A. Kolyada	112,282	72,000	184,282
Kh. Likhov	44,949	-	44,949
P. Snikkars	-	-	-
A. Sorochinsky	-	72,000	72,000
V. Komarov	30,000	72,000	102,000
O. Zotov	-	-	-
L. Akimov	75,755	72,000	147,755
K. Serebryakov	35,453	72,000	107,453

In 2015, the members of the Board of Directors also received remuneration for the meetings held in December 2014.

Subject to the previously applied Regulations for Remuneration and Compensations to the Board of Directors approved by the AGM on May 30, 2008, no payments were made to the members of the Board of Directors in H1 2015 due to the implementation of the financial rehabilitation plan for the Company.

Subject to the currently applicable Regulations for Remuneration and Compensations to the Board of Directors approved by the AGM on June 22, 2008, payments for the members' participation in the Board of Directors' operations in H2 will be made after the Annual General Meeting of Shareholders dedicated to the results of 2015.

In 2015, no payments were made to the members of the Board of Directors' Committees due to the Board's approval of amendments to the Regulations for Remuneration and Compensations to the Committees of the Board of Directors approved by the Board on December 13, 2013 (Minutes No. 15 dd. December 17, 2013).

In 2015, there were no transactions made between the members of the Board of Directors or its Committees; and the Company did not provide any loans to the members of the Board of Directors or its Committees. The Company did not file any lawsuits against the members of the Board of Directors or its Committees.

The members of the Board of Directors or its Committees did not make any transactions with the Company in 2015.

In 2015, there were no transactions made between the members of the Board of Directors or its Committees and the Company; and the Company did not provide any loans to the members of the Board of Directors or its Committees.

The Company's Executive Bodies

The Management Board held 11 meetings in 2015. Within its competence, the Management Board functioned as the general meetings of the entities wholly owned by Lenenergo, PJSC, quarterly approved the passports of operating risks and lists of operating risk management actions for the Company, pre-reviewed reports on the business and financial operations of the SDCs and the reports on the 6-110 kV cable grid retrofitting project progress.

The Chairman of the Management Board (the Company's CEO) organizes the Management Board operations.

The Collective Executive Body (the Management Board)

Active Members of the Management Board:*

Name	Roman Berdnikov
Position	Chairman of the Management Board, Acting CEO
Year of Birth. Nationality	1973, Russia
Education	Higher. Moscow Power Engineering Institute, Electrical Plants (1998)
Positions for the Past 5 Years	2015 to the present day: Chairman of the Management Board, Acting CEO,

	Lenenergo, PJSC 2013 to the present day: member of the Management Board, Rosseti, PJSC, First Deputy CEO 2009 to 2013: Deputy Chairman of the Management Board, First Deputy Chairman of the Management Board, FGC UES, OJSC
Share in the Authorized Capital	None
Positions Held in Other Entities	Member of the Board of Directors, FITS, PJSC

Name	Maksim Artemiev
Position	Member of the Management Board, First Deputy CEO - Chief Engineer
Year of Birth. Nationality	1977, Russia
Education	Higher. Ivanovo State Power University (1999)
Positions for the Past 5 Years	2010 to the present day: First Deputy CEO - Chief Engineer, Deputy CEO for Sale of Services, Lenenergo, PJSC
Share in the Authorized Capital	None
Positions Held in Other Entities	Chairman of the Board of Directors, TSEK, CJSC

Name	Aleksandr Nikonov
Position	Member of the Management Board, Deputy CEO for Safety and Security
Year of Birth. Nationality	1960, Russia
Education	Higher. Higher Technical College of 60th Anniversary of the USSR Ministry of Interior Komsomol, Officer with Higher Military Political Training (1984) Saint Petersburg Legal Institute, Legal Studies, Legal Professional (1996)
Positions for the Past 5 Years	2013 to the present day: Deputy CEO for Safety and Security, Lenenergo, PJSC 2008 to 2013: Deputy CEO, Galaks Security Company, LLC
Share in the Authorized Capital	None
Positions Held in Other Entities	Chairman of the Board of Directors, Energoservice Company Lenenergo, OJSC

Name	Maksim Ivanov
Position	Member of the Management Board, First Deputy CEO for Fixed Assets Construction and Investments
Year of Birth. Nationality	1974, Russia
Education	Higher. Saint Petersburg State University of Aerospace Instrumentation, Aviation Instrumentation and Computing and Measuring Sets
Positions for the Past 5 Years	2015 to the present day: First Deputy CEO for Fixed Assets Construction and Investments, Advisor to the CEO for Executive Bodies, Lenenergo, PJSC 2004 to 2014: CEO, North-West Gas Company, LLC
Share in the Authorized Capital	None
Positions Held in Other Entities	No

**Information is provided as of December 31, 2015*

In 2015, the following changes were introduced to the composition of the Management Board:

- on March 30, 2015 the powers of Ye. Melnichenko and I. Meshcheryakov were terminated, A. Ganin was appointed to the Management Board
- on June 17, 2015 the powers of A. Zykov were terminated, M. Kobyakova was appointed to the Management Board
- on August 27, 2015 the powers of M. Kobyakova and A. Ganin were terminated, N. Grigorieva, A. Koneva, M. Ivanov appointed to the Management Board
- on December 23, 2015 the number of members of the Management Board was set to 4; the powers of N. Grigorieva and A. Koneva were terminated.

Information on the managers of Lenenergo, PJSC who left the Company and the Management Board earlier in 2015:

Name	Position held	Term of powers of the member of the Management Board
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Ilya Meshcheryakov	Deputy CEO for Fixed Assets Construction and Investments	June 18, 2012 to March 30, 2015
Yevgeny Melnichenko	Deputy CEO for Corporate Governance	October 30, 2013 to March 30, 2015
Andrey Zykov	Deputy CEO for Services Development and Sales	November 10, 2011 to June 17, 2015
Aleksandr Ganin	Deputy CEO for Economics and Finances	March 30, 2015 to August 27, 2015
Marianna Kobyakova	Deputy CEO for Corporate Governance	June 17, 2015 to August 27, 2015
Natalia Grigorieva	Deputy CEO for Economics	August 27, 2015 to December 23, 2015
Anna Koneva	Deputy CEO for Services Development and Sales	August 27, 2015 to December 23, 2015

The Sole Executive Body (CEO)

Name	Roman Berdnikov
Position	Chairman of the Management Board, Acting CEO
Year of Birth. Nationality	1973, Russia
Education	Higher. Moscow Power Engineering Institute, Electrical Plants (1998)
Positions for the Past 5 Years	2015 to the present day: Chairman of the Management Board, Acting CEO, Lenenergo, PJSC 2013 to the present day: First Deputy CEO, member of the Management Board, Rosseti, PJSC 2009 to 2013: Deputy Chairman of the Management Board, First Deputy Chairman of the Management Board, FGC UES, OJSC
Share in the Authorized Capital	None
Positions Held in Other Entities	Member of the Board of Directors, FITS, PJSC

In 2015, the Board of Directors made the following decisions related to the appointment and early termination of powers of the sole executive body:

- 1) on January 16, 2015 - to terminate the powers of Andrey Sorochinsky as the CEO, and to appoint Vasily Nikonov the Acting CEO (Minutes No. 19 dd. January 16, 2015)
- 2) on June 29, 2015 - to terminate the powers of Vasily Nikonov as the CEO, and to appoint Andrey Sizov the CEO (Minutes No. 1 dd. June 29, 2015)
- 3) on December 23, 2015 - to terminate the powers of Andrey Sizov as the CEO, and to appoint Roman Berdnikov the Acting CEO (Minutes No. 29 dd. December 23, 2015).

Name	Andrey Sorochinsky	Vasily Nikonov	Andrey Sizov
Year of Birth. Nationality	1975, Russia	1972, Russia	1981, Russia
Education	Higher. Saint Petersburg State University, Economist (1997) North-West Institute of Management (2007) Candidate of Science (PhD) in Economics	Higher. Samara State Technical University, Composite and Powder Materials and Coatings, Metallurgical Engineer (1994) Samara State Academy of Economics, Finances and Credit, Economist (1997)	Higher. South Russian State University (Novocherkassk Technical Institute), the Russian Presidential Academy of Public Administration, Public and Municipal Administration (2012) Mirbis Moscow International Higher School of Business of the Plekhanov Russian Academy of Economy, Master of Business Administration (MBA) (2012) MBA London Metropolitan University, the United Kingdom, Administration, International Administration, Marketing, Commerce, Economy, Business English (2012) Sayano-Shushensky Branch of the Siberian Federal University,

			Electric Power Industry and Electric Equipment (Hydropower Plants) Master's Program
Term of powers of the sole executive body	July 30, 2010 to January 16, 2015	January 16, 2015 to June 29, 2015	June 29, 2015 to December 23, 2015
Positions for the Past 5 Years	2011 to 2015: Member of the Board of Directors, Lenenergo, PJSC 2010 to 2015: Chairman of the Management Board, CEO, Lenenergo, PJSC 2004 to 2010: Deputy Chairperson, Saint Petersburg Energy and Building Services Committee	2015 to the present day: Member of the Board of Directors, Lenenergo, PJSC 2015: CEO, Acting CEO, First Deputy CEO for Government Agencies Relations, Lenenergo, PJSC 2012 to the present day: Director of the Energy Department, Rosneft Oil Company, OJSC 2010 to 2012: Director of the Electric Power Industry Development Department, Ministry of Energy of the Russian Federation 2010: Advisor to the Chairman of the Management Board, INTER RAO UES, OJSC 2008 to 2010: Advisor to the President, Avtovaz, OJSC	2015: Chairman of the Management Board, CEO, Lenenergo, PJSC 2015 to 2016: CEO, SPb ES, JSC 2015 to the present day: CEO, PES, OJSC 2013 to 2014: Advisor to the CEO, Rosseti, PJSC 2011 to 2012: Deputy Chairman, Saint Petersburg Energy and Building Services Committee 2009 to 2010: Director, UTEK Regional Grids, OJSC
Share in the Authorized Capital	None	None	None
Positions Held in Other Entities	No	Member of the Board of Directors, Kurortenergo, CJSC	CEO, PES, OJSC

Information on Remuneration Paid to the Members of the Management Board and the CEO

Financial incentives and KPI systems for the CEO are set out in the revised Regulations for the CEO Financial Incentives approved by the Board of Directors on July 22, 2011 (Minutes No. 1 dd. July 25, 2011).

The top management financial incentives system is set out in the Regulation on the Top Management Financial Incentives and Benefits approved by the Board of Directors on July 22, 2011 (Minutes No. 1 dd. July 25, 2011).

The top management KPI system is set out in compliance with the principles used for awarding bonuses to the CEO of the Company, but according to the specific weights and targets for each of the top managers determined by the CEO of the Company.

A key performance indicators (KPI) system of Lenenergo, PJSC assesses how the Company fulfills its priority goals.

Starting from 2015, the KPI composition was substantially changed in order to include the priorities set out by the Power Grid Development Strategy approved by the Russian Government (Instruction No. 511-r dd. April 3, 2013), connect the KPI to the goals of the Long-Term Development Program of the Company, and to fulfill certain instructions of the Russian Government. Subject to the decision of the Board of Directors of the Company dd. March 10, 2015 (Minutes No. 27 dd. March 12, 2015), a method of calculation and the following composition and targets for the KPI were set for 2015:

Key Performance Indicators

No	Indicator	2015 Target
Quarterly KPIs		
2.1	Absence of growth in the number of large accidents or emergencies	Absence of growth

2.2	Prevention of growth in the number of injuries sustained from accidents or emergencies	Absence of growth
2.3	Financial soundness indicator - leverage ratio	< 1.5, of subject to the business plan (in view of the borrowing capacity category)
Annual KPIs		
3.1	Total shareholder return (TSR)	> average value for the companies included in the calculation base for MICEX PWR as of the end of the report period, or > average value for the past three years preceding the report year
3.2	Return on invested capital (ROIC)	> 0.9 if <i>ROIC plan</i> > 0, or > 0 if <i>ROIC plan</i> < 0
3.3	Decrease of specific operating expenses	> the approved in the business plan
3.4	Power losses	< the approved in the business plan
3.5	Reaching the required level of reliability of services	1
3.6	Decrease of specific investment costs	> 15%
3.7	Commissioning schedule fulfilled	> 95%
3.8	Compliance with the grid connection designated timelines	< 1.1
3.9	Productivity indicator	> the approved in the business plan

The KPI Estimation and Fulfillment Assessment Method is provided in Annex No. _____ hereto.

The KPI system used by the Company is based on the consideration of the variable portion of the management remuneration: each indicator is taken in proportion with the amount of the bonuses paid out. The quarterly and annual bonuses are paid if the relevant KPIs are fulfilled.

The Regulations for the CEO Financial Incentives approved by the Board of Directors on July 22, 2011 (Minutes No. 1 dd. July 25, 2011) sets out certain types and amounts to be paid out to the CEO based on the resolution of the Board of Directors:

Remuneration Type	Remuneration Amount
Bonus for quarterly KPI fulfillment	up to 1.5 salary
Bonus for annual KPI fulfillment	up to 12 salaries
Bonus for work with state secret	The amount of the bonus is set in percent of the salary (subject to Rules of Monthly Percent Bonuses to the Salary (Rate) of Citizens Authorized to Continuously Work with State Secrets, and Employees of State Secret Protection Divisions, approved by the Russian Government (Decree No. 573 dd. September 18, 2006).
Additional bonuses for the annual fulfillment of conditions (strategic priorities) set out by the Board of Directors	up to 6 salaries
Bonus for high KPIs set out by the Board of Directors as a priority	up to 1% of net profit
Bonus for crucial task fulfillment (work)	up to 6 salaries per task

The Regulations for the CEO Financial Incentives approved by the Board of Directors on July 22, 2011 (Minutes No. 1 dd. July 25, 2011) sets out certain types and amounts to be paid out to the top management based on the resolution of the CEO:

Remuneration Type	Remuneration Amount
Bonus for quarterly KPI fulfillment	up to 1.5 salary
Bonus for annual KPI fulfillment	up to 12 salaries
Personal bonus when appointed to the Management Board	up to 15% of salary
Bonus for work with state secret	The amount of the bonus is set in percent of the salary (subject to Rules of Monthly Percent Bonuses to the Salary (Rate) of Citizens Authorized to Continuously Work with State Secrets, and Employees of State Secret Protection Divisions, approved by the Russian Government (Decree

	No. 573 dd. September 18, 2006).
Additional bonuses for the annual fulfillment of conditions (strategic priorities) set out by the Board of Directors	up to 4 salaries
Bonus for high KPIs set out by the CEO as a priority	Special bonus for the CEO approved by the Board of Directors (in aggregate for all top managers)
Bonus for crucial task fulfillment (work)	up to 3 salaries per task - subject to the decision of the CEO; may not exceed 6 salaries per year - subject to the recommendation of the Board of Directors: excluding the restrictions contained herein
Lump sum payment for scheduled leave	1 salary

Aggregate amount of remunerations and compensations paid to the members of the Management Board in 2015 (taxes incl.):

Remuneration Type	Aggregate remuneration, RUB
Salary	43,032,257
Bonuses, fees, compensations	4,521,395
Remuneration paid to the member of the Committee of the Board of Directors	—
Remuneration paid to the member of the Management Board	110,810
Other remuneration	-
Total	47,664,462

The employment agreement with the CEO and the Regulations for Financial Incentives approved by the Board of Directors of the Company (Minutes No. 1 dd. October 29, 2011) set out the criteria for determination and the amounts of remuneration paid out to the CEO.

Bonuses are paid to the CEO based on the fulfillment of the KPI set by the Board of Directors for certain report periods (quarters and year).

The Board of Directors of the Company approved the KPI Estimation and Fulfillment Assessment Method for the CEO on February 10, 2015 (Minutes No. 27 dd. March 12, 2015).

Aggregate amount of remunerations and compensations paid to the sole executive body in 2015 (taxes incl.):

Remuneration Type	Aggregate remuneration, RUB
Salary	11,500,533
Bonuses, fees, compensations	1,656,337
Remuneration paid to the member of the Management Board	15,830
Other remuneration	2,747
Total	13,175,447

Aggregate amount of remunerations and compensations paid to the other top managers in 2015 (taxes incl.):

Remuneration Type	Aggregate remuneration, RUB
Salary	15,844,429
Bonuses, fees, compensations	3,999,856
Remuneration paid to the members of the governance bodies and control bodies	—
Other remuneration	-
Total	19,844,285

The executive bodies of Lenenergo, PJSC did not make any transactions with the Company's shares in 2015.

The executive bodies of the Company and Lenenergo, PJSC did not make any transaction with each other in 2015; and the Company did not provide any loans to the executive bodies.

4.3 Control Bodies

The Internal Audit Board

The Internal Audit Board of Lenenergo, PJSC conducted the following in 2015:

- 1) audit of the business and financial operations of Lenenergo, PJSC for 9 months of 2014. The Audit Report was prepared, and Instructions were given
- 2) audit of the business and financial operations of Lenenergo, PJSC for 2014. The opinion on the accuracy of the data contained in the annual report and the financial statements of the Company for 2014, and the Audit Report was prepared
- 3) 1 stage of the audit of the business and financial operations of Lenenergo, PJSC for 2015. The Audit Report was prepared.

Active Members of the Internal Audit Board of the Company Appointed by the General Meeting of Shareholders on June 22, 2015 (Minutes No. 1/2015 dd. June 24, 2015):*

Name	Marina Lelekova
Position	Chairperson of the Internal Audit Board
Year of Birth. Nationality	1961, Russia
Education	Higher. Far East Institute of Soviet Trade, Economist M.V. Lomonosov Moscow State University, Department of Economy, Auditor Training Course at the Training Center for Training and Re-Training of Auditors, Auditor Far East State University, Professional Accountants Training Course at the Training Center, Financial Manager, Financial Expert
Information on Employment Over the Past 5 Years	2013 to the present day: Director of Control and Audit Activity, Rosseti, PJSC 2008 to 2013: Head of Control and Audits, Head of Financial Control and Internal Audit, FGC UES, OJSC
Share in the Authorized Capital	None

Name	Yelena Kabizskina
Position	Member of the Internal Audit Board
Year of Birth. Nationality	1964, Russia
Education	Higher. Far East Technical Institute of Fishing Industry, Engineer Economist
Information on Employment Over the Past 5 Years	2014 to the present day: Deputy Head of the Audit Activity Office of the Control and Audit Activity Department, Rosseti, PJSC 2013 to 2014: Head of Department, MOESK, OJSC 2005 to 2013: Head of Department, FGC UES, OJSC
Share in the Authorized Capital	None

Name	Oksana Medvedeva
Position	Member of the Internal Audit Board
Year of Birth. Nationality	1978, Russia
Education	Higher. Russian Business Academy, Accounting, Analysis and Audit
Information on Employment Over the Past 5 Years	2014 to the present day: Chief Expert of Control and Audit Activity, Rosseti, PJSC 2011 to 2014: Head of Control and Audits, FGC UES, OJSC 2010 to 2011: Head of Internal Audit, Baikal-Servis TK, LLC
Share in the Authorized Capital	None

Name	Artem Kirillov
Position	Member of the Internal Audit Board
Year of Birth. Nationality	1984, Russia
Education	Higher. Moscow Power Engineering Institute, Electrical Engineer
Information on Employment Over the Past 5 Years	2013 to the present day: Deputy Head of the Audit Activity Office of the Control and Audit Activity Department, Head of the Department,

	Rosseti, PJSC 2009 to 2013: Chief Expert, FGC UES, OJSC
Share in the Authorized Capital	None

Name	Vladislav Kozelsky
Position	Member of the Internal Audit Board
Year of Birth. Nationality	1976, Russia
Education	Higher. Engineering and Economy Academy, Public and Municipal Administration (1998)
Information on Employment Over the Past 5 Years	2004 to 2015 : Head of the Department, Head of Sector, Saint Petersburg Municipal Property Management Committee
Share in the Authorized Capital	None

Members of the Internal Audit Board of the Company Appointed by the Annual General Meeting of Shareholders on June 23, 2014 (Minutes No. 2/2014 dd. June 23, 2014):*

No	Name	Position
1.	Marina Lelekova	Chairperson of the Internal Audit Board Director of Internal Audit and Control, Rosseti, OJSC
2.	Sergey Malyshev	Senior Expert of Audit Activity and Internal Audit Office of the Internal Audit and Control, Rosseti, OJSC
3.	Sergey Ochikov	Senior Expert of Audit Activity and Internal Audit Office of the Internal Audit and Control, Rosseti, OJSC
4.	Irina Lukovkina	Chief Expert of Control and Risks Office of the Internal Audit and Control, Rosseti, OJSC
5.	Vladislav Kozelsky	Head of the Saint Petersburg Municipal Property Management Committee

**Short biographies of the members of the Internal Audit Board who left the Internal Audit Board on June 22, 2015 are presented in the 2014 Annual Report.*

Information on Remuneration and Compensation Paid to the Members on the Internal Audit Board

The internal documents of the Company approved by the General Meeting of Shareholders of Lenenergo, PJSC govern the Internal Audit Board members' remuneration and compensation amounts and payment procedures.

In 2015, two versions of the internal document governing the procedure for payment of remunerations and compensations to the members of the Internal Audit Board were in force:

1. From May 30, 2008 to June 22, 2015, the Regulations for Remuneration and Compensations to the Internal Audit Board of Lenenergo, OJSC approved by the Annual General Meeting of Shareholders on May 30, 2008 (AGM Minutes No. 1 dd. June 9, 2008) was in force.

2. From June 22, 2015, the revised Regulations for the Remuneration and Compensations to the Internal Audit Board of Lenenergo, PJSC approved by the Annual General Meeting of Shareholders on June 22, 2015 (AGM Minutes No. 1/2015 dd. June 24, 2015) was in force.

Comparative Analysis of the Previous and the Revised Regulations for the Remuneration and Compensations to the Internal Audit Board:

The Regulations for the Remuneration and Compensations to the Internal Audit Board approved by the AGM on May 30, 2008	The Regulations for the Remuneration and Compensations to the Internal Audit Board approved by the AGM on June 22, 2015
The Internal Audit Board Members Remuneration	
A lump sum remuneration is paid to the member of the Internal Audit Board for the revision (audit) of the business and financial operations in the amount equivalent to twenty-three minimum monthly base salaries of the worker first category set subject to the industry tariff agreement for the power sector of Russia (hereafter - the Agreement) for	The Internal Audit Board Members Remuneration depends on the base remuneration (Rbas). The base remuneration is paid to the member of the Internal Audit Board based on the Company's revenue. The actual remuneration of the member of the Internal Audit Board based on the corporate year performance

<p>the revised (audited) period, in view of the indexation set out in the Agreement. The Chairman receives the remuneration increased by 50%.</p>	<p>results is calculated as follows: $R_{act} = R_{bas} * (m_i / m) * I_c$, where: R_{act} is the actual remuneration paid out depending on the base remuneration R_{bas} is the base remuneration determined subject to the scale provided in Par. 2.2 m_i is the number of calendar days in the corporate year, during which the member of the Internal Audit Board performed as a member m is the total number of calendar days in the corporate year I_c is the personal contribution index of the member of the Internal Audit Board. The personal contribution index reflects the participation and contribution of the member during the meetings of the Internal Audit Board, as well as the member's fulfillment of additional duties such as serving as a chairman or a secretary of the Internal Audit Board. The personal contribution index of a member of the Internal Audit Board is determined individually for each member as follows: $I_c = (1 + I_m + I_{add}) * I_{insp}$, where: I_c is the personal contribution index I_m is the index of attendance in the meetings of the Internal Audit Board; I_{add} is the index of additional services, such as fulfilling the duties of a chairman or a secretary of the Internal Audit Board I_{insp} is the index of participation in the inspections carried out by the Internal Audit Board.</p>
Compensations Paid to the Members of the Internal Audit Board	
<p>The members of the Internal Audit Board are compensated for the expenses related to their attendance of the meetings of the Internal Audit Board and to the audits, under the business trip compensation standards applicable as of the moment of the meeting or audit.</p>	<p>The members of the Internal Audit Board are compensated for their documented expenses related to their participation in the activity of the Internal Audit Board incurred when visiting the Company's facilities, attending the meetings of the Internal Audit Board held at the Company's location, as well as fulfilling other tasks of the Internal Audit Board of the Company.</p>

Information on Remuneration and Compensations Paid to the Members of the Internal Audit Board and Engaged Experts in 2015

The aggregate amount of remuneration and compensations paid to the members of the Internal Audit Board and the engaged experts in 2015 was RUB 1,461,004.

The members of the Internal Audit Board did not make any transactions with the Company. The Company did not file any lawsuits against the members of the Internal Audit Board.

The Internal Audit and Control Department

The Internal Audit and Control Department of Lenenergo, PJSC was established in 2008. It is accountable to the Deputy CEO for the Control Activity, and is functionally accountable to the Audit Committee of the Board of Directors.

Subject to Par. 3.2 of the Regulations for the Internal Audit and Control approved by the Audit Committee of the Board of Directors on September 19, 2014 (Minutes No. 47 dd. September 22, 2014), the following are the main objectives of the Department:

- organization and conducting of the further control of the Company and SDCs' operations
- organization of the efficient interaction and support of the Internal Audit Board's operations, organization of the internal audit boards of the Company's SDCs
- organization of the interaction with the independent auditor of the Company and the SDCs with respect to the assessment of the internal control and risk management efficiency

- arrangement of the interaction with the Audit Committee of the Board of Directors in line with the functional accountability
- introduction of the common approaches to the internal control and risk management in the Company and the SDCs
- methodology and organizational support of the introduction of preventive and operative control in the Company and the SDCs
- interaction with the government regulatory agencies with respect to the internal control issues.

The Internal Audit and Control Department operated in 2015 based on the following:

- the Regulations for the Internal Audit and Control approved by the Audit Committee of the Board of Directors on September 19, 2014 (Minutes No. 47 dd. September 22, 2014)
- the revised Risk Management Policy of Lenenergo, OJSC approved by the Board of Directors on September 5, 2014 (Minutes No. 6 dd. September 9, 2014). The Policy sets out the main principles for the risk management organization, its tasks and objectives, approaches to the identification, assessment and management of risks, as well as functions and responsibilities of the members of the risk management system
- the revised Internal Control Policy of Lenenergo, OJSC approved by the Board of Directors on September 5, 2014 (Minutes No. 6 dd. September 9, 2014). The Policy sets out the main statutory principles for the internal control organization and functioning, the common approach to the internal control processes, as well as functions and responsibilities of the members of the internal control system, and the criteria for the internal control assessment
- the Internal Audit Policy of Lenenergo, OJSC approved by the Board of Directors on September 5, 2014 (Minutes No. 6 dd. September 9, 2014). The Policy sets out the main goals and objectives of the internal audit, powers of the internal auditors and corresponding obligations of the officers and employees of the audited divisions, control over the internal auditors, and reporting.

The Independent Auditor

The Annual General Meeting of Shareholders appointed RSM Rus, LLC (Minutes No. 1/2015 dd. June 24, 2015) to audit the accounting report and financial statements of the Company for 2015 prepared under the RAS, and the consolidated financial statements for the year ending on December 31, 2015, prepared under the IFRS.

After the procurement procedures were completed, the Audit Committee of the Board of Directors of Lenenergo, PJSC considered RSM Rus, LLC as the candidate on May 8, 2015 (Minutes No. 55 dd. May 8, 2015). Based on the Committee's recommendation, the Board of Directors decided on submit RSM Rus, LLC's candidacy for approval of the Annual General Meeting of Shareholders (Minutes No. 36 dd. May 22, 2015).

Subject to Art. 22, Par. 22.8, of the Articles of Association of the Company, the Board of Directors sets out the amount of the Auditor's remuneration.

Subject to the Board of Directors' decision dd. September 29, 2015, the amount of the remuneration paid to RSM Rus, LLC for the auditing services is RUB 5,190,154.66, including the VAT of 18% (Minutes No. 15 dd. October 2, 2015).

4.4 Subsidiaries and dependent companies

Name	Lenenergospetsremont, Closed Joint Stock Company (LESR, CJSC)
Registered and actual address	43, liter A, 12th Line of V.O., Saint Petersburg, 199178
Authorized capital	RUB 7,500,000
Lenenergo, PJSC share in the capital	100%
Customer area	Saint Petersburg
Core activities	construction, assembly, design and survey for clients in the Kurortny District of Saint Petersburg
CEO	Acting CEO Andrey Smolnikov Date of birth: 1978 Appointment date: March 4, 2015.

Name	Energoservice Company Lenenergo, Open Joint Stock Company (Energoservice Company Lenenergo, OJSC)
Registered and actual address	60-62, lit. A, Sinopskaya naberezhnaya, Saint Petersburg, 191124

Authorized capital	RUB 1,000,000
Lenenergo, PJSC share in the capital	100%
Customer area	Saint Petersburg
Core activities	<ul style="list-style-type: none"> • provision of services to the consumers • consumer's electric units inspection • commercial projects implementation • identification and elimination of non-contractual power consumption.
CEO	<p>Sergey Krylov Date of birth: 1970 Appointment date: August 7, 2015</p> <p>Diana Syunyaeva Date of birth: 1989 Appointment date: October 17, 2013 Powers termination date: August 6, 2015</p>

Name	Tsarskoe Selo Energy Company, Closed Joint Stock Company (TSEK, CJSC)
Registered and actual address	5, ul. Glinki, Pushkin, Saint Petersburg, 196601
Authorized capital	RUB 13,152,000
Lenenergo, PJSC share in the capital	96.95%
Customer area	Saint Petersburg
Core activities	<ul style="list-style-type: none"> • provision of power transmission services in the distribution grids • grid connection of the electric plants • operation of the street lighting networks
CEO	<p>Veronika Tarnorutskaya Date of birth: 1959 Appointment date: 2005.</p>

Name	Kurortenergo, Closed Joint Stock Company (Kurortenergo, CJSC)
Registered and actual address	16, ul. Kommunarov, Sestroretsk, Saint Petersburg, 197706
Authorized capital	RUB 209,160
Lenenergo, PJSC share in the capital	98.13%
Customer area	Saint Petersburg
Core activities	<ul style="list-style-type: none"> • provision of power transmission services in the distribution grids • grid connection of the electric plants • operation of the street lighting networks
CEO	<p>Acting CEO Pavel Diyakov Date of birth: 1978 Appointment date: March 4, 2015.</p>

Name	Saint Petersburg Power Grids, Joint Stock Company (SPb ES, JSC)
Registered and actual address	Saint Petersburg, Russia
Authorized capital	RUB 35,769,200
Lenenergo, PJSC share in the capital	100%
Customer area	Saint Petersburg and the Leningrad Region
Core activities	<ul style="list-style-type: none"> • provision of power transmission services in the distribution grids • grid connection of the electric plants • operation of the street lighting networks
CEO	<p>Acting CEO Maksim Ivanov Date of birth: 1974 Appointment date: February 17, 2016.</p> <p>Andrey Sizov Date of birth: 1981 Appointment date: February 11, 2015. Powers termination date: February 16, 2016.</p>

Name	Petrodvorets Power Grid, Open Joint Stock Company (PES, OJSC)
Registered and actual address	9, ul. Volodi Dubinina, Petergof, Saint Petersburg, Russian Federation, 198510
Authorized capital	RUB 10,370
Lenenergo, PJSC share in the capital	60.096%
SPb ES, JSC share in the capital	28.6%
Customer area	Saint Petersburg and the Leningrad Region
Core activities	<ul style="list-style-type: none"> provision of power transmission services in the distribution grids grid connection of the electric plants operation of the street lighting networks
CEO	Andrey Sizov Date of birth: 1981 Appointment date: February 11, 2015.

Information on the Company's Contribution to Other Entities

Entity Name	Activity	Authorized Capital, RUB	Share in the Authorized Capital, %	Contribution Made In
North-West Power Management Company, PJSC	Trust management of property, consulting	897,363,008,00	12.51	2005
Akvatron, CJSC	Fish production and trade	3,000.00	1.33	1991
Federal Testing Center, PJSC	Research and development	350,000,000	1	2014

The Company's Participation in Non-Profit Organizations

The Company participates in the following non-profit organizations and partnerships:

Entity Name	Date of Entry
The Leningrad Region Chamber of Commerce and Industry	September 3, 2003
Saint Petersburg Chamber of Commerce and Industry	December 14, 2006
All-Russia Public Organization Business Russia	September 27, 2007
Construction Union of Saint Petersburg, (non-profit partnership)	September 25, 2008
Science and Engineering Board of the Unified Energy System of Russia (non-profit partnership)	December 1, 2008
Saint Petersburg Union of Industrialists and Entrepreneurs (regional association of employers)	December 24, 2009
Energostroy (non-profit partnership)	December 7, 2009
Energoproekt (non-profit partnership)	March 5, 2010
Energy Auditors and Power Industry Entities Union (non-profit partnership)	December 23, 2010
National Committee of CIRED. Electrical distribution networks (non-profit partnership)	May 29, 2012
Strategic Partnership for Economic and Social Development of the North-West of Russia (independent non-profit entity)	2012
Non-Profit Partnership of Territorial Grid Entities	February 25, 2014

Information on the Large Related-Party Transactions and Other Significant Transactions Made by the Company in 2015

In 2015, the Company did not make transactions deemed large under the Federal Law *On Joint Stock*

Companies.

Annex No. ___ hereto contains information on the information on the related-party transactions made by the Company in 2015 under the criteria of the Federal Law *On Joint Stock Companies*.

SECTION 5. SECURITIES

- 5.1. Shares. Capitalization
- 5.2. Profit Distribution and Dividend Policy
- 5.3. Bonds
- 5.4. Relations with the Shareholders and Investment Community Representatives

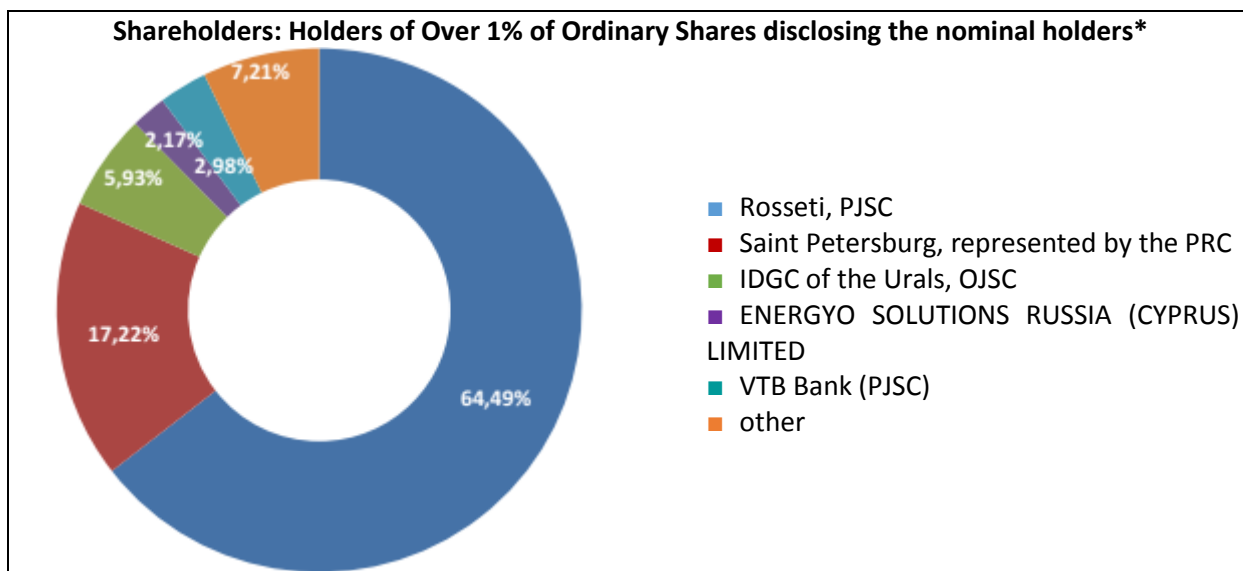
5.1 Shares. Capitalization

As of December 31, 2015, the authorized capital of Lenenergo, PJSC is RUB 1,752,079,150.05, and is divided in 1,658,814,839.05 ordinary shares and 93,264,311 preference shares (with nominal value of RUB 1 each).

The Company has 18,882,455,451 additional authorized shares (ordinary shares with nominal value of RUB 1 each). The additional authorized shares provide the same rights as the issued ordinary shares.

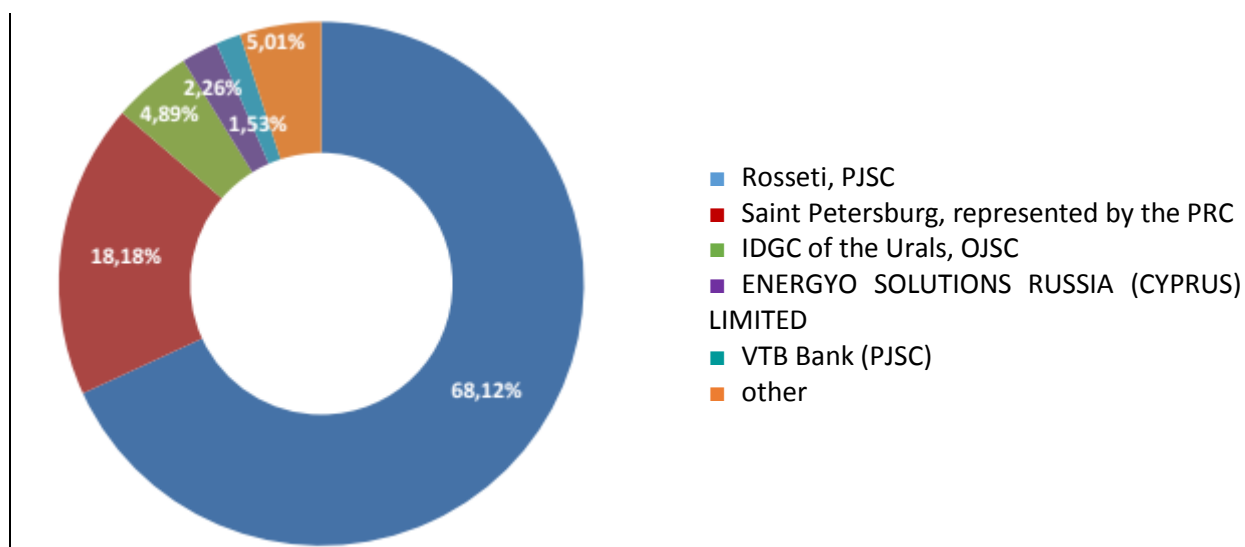
Share Capital Structure

Shareholding Structure: Holders of Over 1% of Ordinary Shares disclosing the nominal holders*



Shareholding Structure: Holders of Over 1% of Authorized Capital disclosing the nominal holders*

Shareholders: Holders of Over 1% of Authorized Capital disclosing the nominal holders*



The authorized capital structure is provided as of the register closing deadline on October 19, 2015 (prior to the EGM of November 24, 2015), including the nominal holder disclosure

The Share Capital Structure as of December 31, 2015

Information on the shareholders as of December 31, 2015	Number of Shareholders	Share of the Authorized Capital
Nominal holders	1	93.20
Corporate holders	42	6.35
Individual holders	6,131	0.444
Shares in the joint ownership	46	0.004
Unidentified persons account	1	0.0005
TOTAL of persons in the register	6,221	100.0%

Brief history of the Company's securities issue

Brief history of the company's securities issue	State Registration Number	Number of shares
First Issue	72-1p-191	2,951,852
Issue was due to privatization of the Company under Order No. 923 dd. August 15, 1992 of the President of Russia. The issue was registered by the Financial Committee of the Saint Petersburg City Administration on February 1, 1993. The following shares were placed:		
Ordinary shares		2,519,852
Preference shares		432,000
Nominal value of each security within the issue: RUB 1,000 (pre-revaluation). Date of the state registration of the issue report: September 6, 1999.		
Additional Issue (1)	72-1-2367	894,411,156
The Saint Petersburg Finance and Economics Committee registered the issue on November 29, 1995. The following additional shares were placed:		
Ordinary registered shares		763,515,156
Preference shares, Class A		130,896,000
Nominal value of each security within the issue: RUB 1,000 (pre-revaluation). Date of the state registration of the issue report: August 9, 1999.		
Issues Consolidation		
The securities from the different issues were consolidated subject to Decree No. 03-1269/r dd. June 27, 2003 by the Federal Commission on Securities Market of Russia.		
Nominal value of each security within the issue: RUB 1.		

The authorized capital reduced as a result of shares redemption subject to the resolution of the General Meeting of Shareholders on reorganization held on April 8, 2005 (report on the redemption dd. August 1, 2005). Following the shares redemption, the authorized capital included:		
Ordinary registered shares	1-01-00073-A	691,854,144
Preference shares, Class A	2-01-00073-A	93,264,311
Additional Issue (2)*	1-01-00073-A-00D	234,167,535.04
The Financial Market Service of the Bank of Russia registered the issue on October 25, 2007. The following additional shares were placed:		
Ordinary registered shares		234,167,535.04
Nominal value of each security within the issue: RUB 1. Date of the state registration of the issue report: December 12, 2008. Three months after the state registration of the report on additional issue of ordinary registered shares of Lenenergo, OJSC the individual No. of the additional issue: 001D (state registration number: 1-01-00073-A-001D) was cancelled (Notice No. 09-EK-03/6679 dd. April 1, 2009).		
Additional Issue (3)**	1-01-00073-A-002D	209,039,634.04
The Financial Market Service of the Bank of Russia registered the issue on February 21, 2012. The following additional shares were placed:		
Ordinary registered shares		209,039,634.04
Nominal value of each security within the issue: RUB 1. Date of the state registration of the issue report: September 18, 2012. Three months after the state registration of the report on additional issue of ordinary registered shares of Lenenergo, OJSC the individual No. of the additional issue: 002D (state registration number: 1-01-00073-A-002D) was cancelled (FFMS of Russia's Notice No. 13-EK-03/3554 dd. February 7, 2013).		
Additional Issue (4)**	1-01-00073-A-003D	926,876,304
The Financial Market Service of the Bank of Russia registered the issue on September 10, 2013. The following additional shares were placed:		
Ordinary registered shares		523,753,525.97
Nominal value of each security within the issue: RUB 1. Date of the state registration of the issue report: October 16, 2014. Three months after the state registration of the report on additional issue of ordinary registered shares of Lenenergo, OJSC the individual No. of the additional issue: 003D (state registration number: 1-01-00073-A-003D) was cancelled (Bank of Russia's Notice No. 52-4/290 dd. January 16, 2015).		
Additional Issue (5)***	1-01-00073-A-004D	
The Bank of Russia registered the issue on December 3, 2015. The overall issue is 18,882,455,451 ordinary shares. Nominal value of each security within the issue: RUB 1.		

* The main objective of Lenenergo, OJSC issue of additional shares in 2008 was to establish a joint grid company in Saint Petersburg and to improve both the technological and economic reliability using the technically integral and interconnected grid equipment.

** The main objective of Lenenergo, OJSC issue of additional ordinary shares in 2012-2014 was financing of the 6-110 kV cable lines retrofitting program in Saint Petersburg.

*** The additional ordinary shares are issued within the framework of Lenenergo, PJSC financial recovery and consolidation of Lenenergo, PJSC grid assets.

Principal Features of Lenenergo, PJSC Shares

Type	Ordinary Uncertificated Registered Shares	Preference Uncertificated Registered Shares, Class A
State registration No.	1-01-00073-A	2-01-00073-A
Shares issued	1,658,814,839.05	93,264,311
Nominal value	RUB 1	RUB 1
Exchange	MICEX Stock Exchange	MICEX Stock Exchange
Trading Began On	July 16, 2003	July 16, 2003
ISIN	RU0009034490	RU0009092134
Stock code	LSNG	LSNGP
List	2 Level	2 Level
Stock indices of the exchange	MICEX BMI, MICEX PWR, MICEX SC	MICEX BMI, MICEX PWR, MICEX SC

In 2015, the shares of Rosseti, PJSC were traded without single identifiable dynamics, mostly remaining under pressure. The industry index of MICEX PWR for the period grew by 18.4%.

In 2015, the shares of Lenenergo, PJSC demonstrated a stable growth, reflecting the increasing trust from the investment community as a result of a successful implementation of the anti-crisis and stabilization actions.

Lenenergo, PJSC Shares' Principal Trading Parameters*

	2013	2014	2015	2015 over 2014, %
Ordinary shares				
Minimum price, RUB	2.15	1.40	1.575	12.5
Maximum price, RUB	7.00	3.17	4.245	33.9
Price at the end of the year	2.32	1.75	2.285	30.6
Traded scope, number of shares	47,366,000	79,266,600	146,923,200	85.4
Traded value, RUB	183,900,139	196,710,215	380,319,835	93.3
Number of transactions	19,255	22,145	48,118	117.3
Preference shares				
Minimum price, RUB	10.8	10.401	9.25	-11.1
Maximum price, RUB	20.29	18.39	17.00	-7.6
Price at the end of the year	11.374	11.2	11.9	6.25
Traded scope, number of shares	12,735,500	14,715,200	13,342,400	-9.2
Traded value, RUB	157,571,099	201,232,486	158,224,725	-21.4
Number of transactions	12,020	9,664	11,133	15.2

*According to MICEX Stock Exchange (<http://www.micex.ru/>).

Key Multipliers for the Lenenergo, PJSC Ordinary Shares

	2013	2014	2015
EPS*, RUB	0.34	-4.8	-3.6
P/E**	7.04	-0.37	-0.64

*Calculated as follows: (net profit for the report year calculated under the RAS — the amount of dividend accrued on the preference shares for the report year) / the number of ordinary shares in circulation.

**Calculated as follows: the average weighted price of one ordinary share as of the end of the report year / earnings per share.

Key Events that Affected the Shares' Price, According to the Company

Date	Event
March 20, 2015	Lenenergo, PJSC published its 2014 financial statements prepared subject to the RAS
March 25, 2015	Moody's confirmed the corporate rating of Lenenergo, PJSC of Ba2 (negative outlook) and Aa2.ru national rating
April 13, 2015	Lenenergo, PJSC published its 2014 financial statements prepared subject to the IFRS
May 5, 2015	Lenenergo, PJSC published its financial statements for Q1 2015 prepared subject to the RAS
May 22, 2015	The Board of Directors of Lenenergo, PJSC recommended the General Meeting of Shareholders to decide not to pay the dividend for 2014 financial year on ordinary and preference shares
June 15, 2015	The leading Russian and foreign media began reporting that the Russian government approved the additional capitalization of Lenenergo, PJSC using federal bonds in the amount of RUB 32 bn
June 22, 2015	The Annual General Meeting of Shareholders of Lenenergo, PJSC decided not to pay out the dividend for 2014
July 31, 2015	Lenenergo, PJSC published its financial statements for H1 2015 prepared subject to the RAS
August 24, 2015	Lenenergo, PJSC published its financial statements for H1 2015 prepared subject to the IFRS
November 2, 2015	Lenenergo, PJSC published its financial statements for 9 months of 2015 prepared subject to the RAS
November 24, 2015	Extraordinary General Meeting of Shareholders of Lenenergo, PJSC approved the increase of the share capital by issuing additional shares

Ordinary Shares Traded Values and Scopes at MICEX Stock Exchange Over 2015



Securities scope, number of ordinary shares

Ordinary shares, RUB

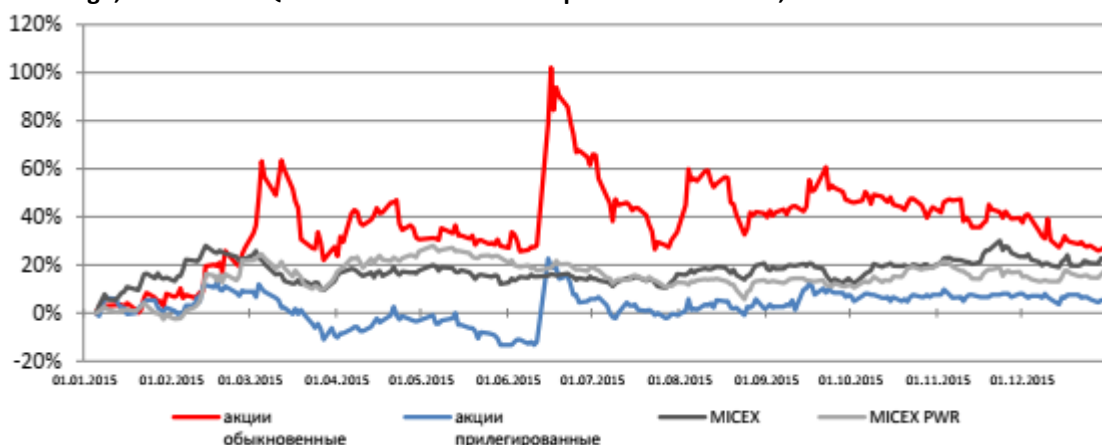
Preference Shares Traded Values and Scopes at MICEX Stock Exchange Over 2015



Securities scope, number of preference shares

Preference shares, RUB

Lenenergo, PJSC Shares Quotations Over Time Compared to the MICEX, MICEX PWR Indices Over 2015



Ordinary shares

Preference shares

MICEX

MICEX PWR

Lenenergo, PJSC Shares, MICEX, MICEX PWR Indices Over Time at MICEX Stock Exchange*

	2013	2014	2015	2015 over 2014, %
MICEX, p.	1504.08	1396.61	1761.36	26.1
MICEX PWR, p.	1032.39	797.54	944.51	18.4
Ordinary share (LSNG)*, RUB	2.32	1.75	2.28	30.29%
Preference shares (LSNGP)*, RUB	11.37	11.20	11.85	5.80%

*prices specified as of the last trading day of the report period

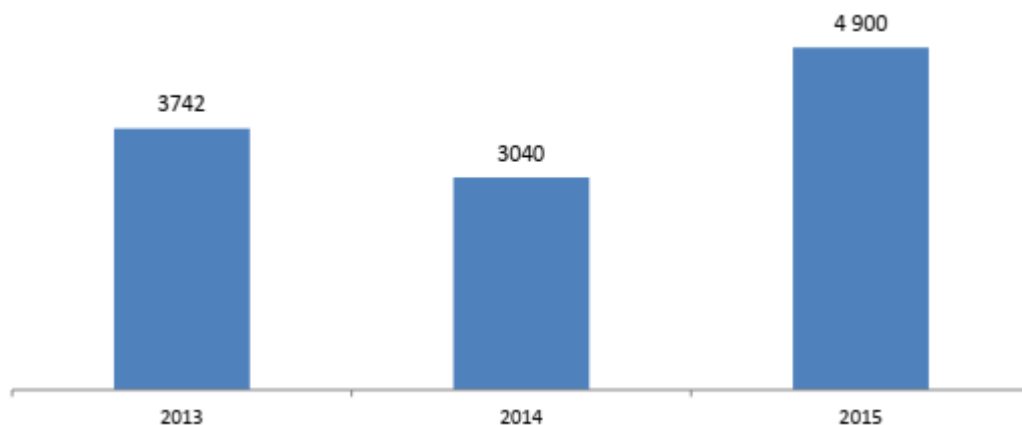
Capitalization

Lenenergo, PJSC Capitalization Over Time at MICEX Stock Exchange, RUB mn

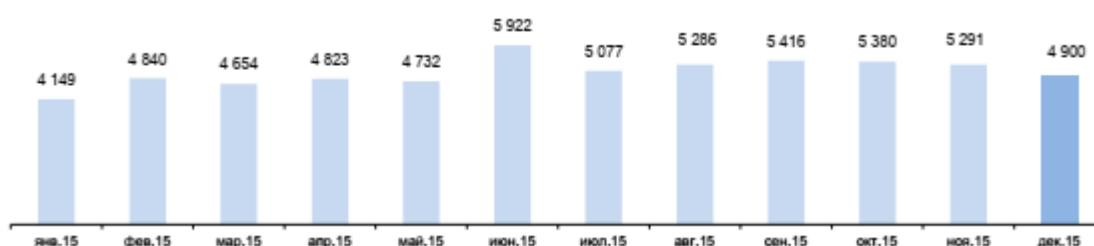
	2013	2014	2015	2015 over 2014, %
Capitalization, RUB mn*	3,742	3,040	4,900	61.2

Here and further in the text, the capitalization is calculated based on the average weighted price of shares at the MICEX Stock Exchange (Moscow Exchange, PJSC) as of the last trading day of the report period, net of additional issues of ordinary shares in 2015.

Lenenergo, PJSC Capitalization at MICEX Stock Exchange Over 2013-2015, RUB mn

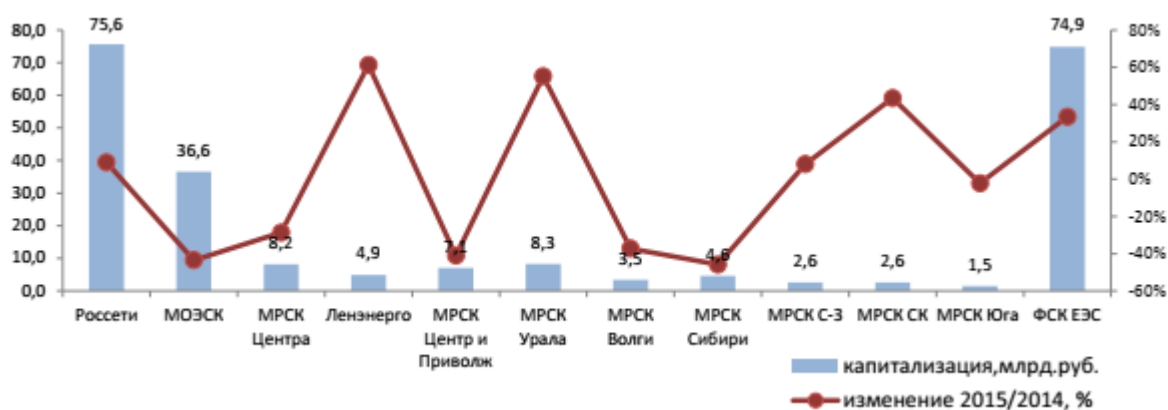


Lenenergo, PJSC Capitalization at MICEX Stock Exchange Over 2015 by Months, RUB mn



Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
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Capitalization of the Distribution Grid Entities at MICEX Stock Exchange in 2015, RUB bn



Rosseti	MOESK	IDGC of Center	Lenenergo	IDGC of Center and Volga Region	IDGC of the Urals	IDGC of Volga	IDGC of Siberia	IDGC of the North-West	IDGC of the North Caucasus	IDGC of South	FGC UES
Capitalization, RUB bn											
Change 2015/2014, %											

Key Macroeconomic Indices

Name	December 31, 2013	December 31, 2014	December 31, 2015	2015 over 2014, %
S&P 500	1841.07	2058.9	2043.94	-0.7266
Dow Jones Industrial Average	16576.66	17823.07	17425.03	-2.23329
DAX	9552.16	9805.55	10743.01	9.560504
Nikkei 225	16291.31	17450.77	19033.71	9.070889

Hang Seng	23306.39	23605.04	21914.40	-7.1622
MSCI World (MXWO Ind)	1661.069	1709.672	1662.79	-2.74216
MSCI EM (MXEF Ind)	1002.693	956.308	794.14	-16.9577
MSCI Russia (MXRU IND)	786.89	404.92	404.7	-0.05433
USD/RUR	32.7292	56.2584	72.8827	29.5499
EUR/USD	1.3744	1.2100	1.0865	-10.2066
Oil, Brent	110.9	57.54	37.28	-35.2103

The global financial market environment in 2015 remained lackluster under the local shocks and sectoral issues continuing. The global economy sore spots identified in 2013-2014 still affected the situation; however, the system retained the overall relevant stability despite the pessimistic outlook the investment community had. The commodity markets along with the risky assets (including the currencies of certain developing markets) suffered the most substantial pressure.

GDR Program

The Russian Federal Commission on Securities Market issued a permit for trading of ordinary and preference shares of Lenenergo, PJSC outside Russia on September 30, 2008. Abroad, 74,206,626 ordinary shares and 19,585 preference shares of the Company are permitted for trade, which amounts for 12.0% of the overall number of shares placed (as of the permit date).

In Q4 2008, Lenenergo, OJSC opened four sponsored programs of depositary receipts (GDR) for the shares of Lenenergo, OJSC with a right to be traded in Central Europe and the USA. The GDRs were issued within the programs under Rule 144A and Regulation S. The GDR for the shares of Lenenergo, OJSC are available on the over-the-counter market. The GDR depositary of Lenenergo, OJSC is The Bank of New York Mellon.

Security name	Program	Opening date	Ratio	Number of receipts
Ordinary shares	144A	October 24, 2008	1:10	0
Preference shares	144A	October 28, 2008	1:10	0
Ordinary shares	RegS	October 24, 2008	1:10	7496
Preference shares	RegS	October 28, 2008	1:10	0

5.2. Profit Distribution and Dividend Policy

The Lenenergo, PJSC dividend policy is set out in the Dividend Policy Regulation approved by the Board of Directors dd. August 31, 2010 (Minutes No. 4) designed in compliance with the applicable laws, the Articles of Association of Lenenergo, PJSC, and the Lenenergo, PJSC Corporate Governance Code recommendations, as well as other internal documents. The regulation determines the general principles of the dividend policy of Lenenergo, PJSC, the terms of payment and the amount of dividend to be paid out, the procedure for deciding on the payment of dividend, the procedure for determining the list of people entitled to receive dividend, the procedure for, terms and form of the dividend payment, the dividend policy information disclosure, and the Company's liability for failure to pay the dividend.

The dividend policy of Lenenergo, PJSC is a set of principles and methods used by the Company to estimate the proportion between the capitalized portion of the Company's profit and the portion that is paid out as dividend, as well as a system of principles used to determine the procedure for and terms of dividend payment and to specify the Company's liability in case it fails to fulfill its obligation to pay dividend. The policy is based on maintaining the balance between the Company's interests and the interests of its shareholders when determining the amount to be paid as dividend, and on strict observation and respect of the shareholders' rights subject to the applicable Russian laws, the Articles of Association, and the internal documents of the Company. The dividend policy aims to improve the Company's investment attractiveness and the growth of its market capitalization.

The Lenenergo, PJSC dividend policy is based on the following principles:

- Dividend is calculated out of the profit, without provision for the revaluation of financial investments.
- A certain specific financial and technical position of the Company is to be maintained (implementation

of the investment program), as well as the Company's development prospects.

- The dividend accrual and payment must be in compliance with the Company's approved practice, the Russian laws, and the best corporate conduct standards.
- The dividend payment must maintain the best possible balance between the interests of the Company and of its shareholders.
- The Company needs to improve its investment attractiveness and capitalization.
- The Company ensures the transparency of the mechanism of the dividend calculation and payment.
- The dividend on the ordinary shares is only paid out when the dividend on the preference shares is paid out in full subject to the Company's Articles of Association (if the Company has preference shares).

The Board of Directors determines the recommended amount of dividend to be paid based on the financial performance results. The Board of Directors takes effort to ensure the upward trend in the dividend payments to the shareholders.

The Company provides for the dividend policy information disclosure by publishing the Lenenergo, PJSC Dividend Policy Regulation and all amendments thereto on the corporate website and providing users with permanent access to it.

Profit Distribution in 2012-2014*

	for 2012 (2013 AGM)	for 2013 (2014 AGM)	for 2014 (2015 AGM)
Retained profit	1,234,328	424,867	-7,967,844
TOTAL, RUB thousand, including:			
Reserve fund, RUB thousand	31,356	0	0
Profit set aside for development, RUB thousand	894,389	318,637	0
Dividend, RUB thousand	308,583	106,229	0
Recovery of loss brought forward, RUB thousand	0	0	0
For dividend,			
RUB thousand	308,583	106,229	0
% of the net profit	25%	25%	0
Dividend on an ordinary share, RUB	0.00	0.16	0
Dividend on a preference share, RUB	1.52	1.32	0

*Information on the profit distribution is provided according to the resolutions of the Annual General Meetings of Shareholders.

2013 AGM (for 2012) - AGM Minutes No. 1/2013 dd. June 21, 2013.

2014 AGM (for 2013) - AGM Minutes No. 2/2014 dd. June 24, 2014.

2015 AGM (for 2014) - AGM Minutes No. 1/2015 dd. June 24, 2015.

Subject to the Articles of Association of the Company, the annual general meeting of shareholders will decide on the distribution of the 2015 profit.

Dividend History

Income Type	for 2012 (2013 AGM)	for 2013 (2014 AGM)	for 2014 (2015 AGM)
on an ordinary share, RUB	0.16	0.04	0
on a preference share, RUB	1.32	0.46	0

Information on the Accrued Dividend Amounts in 2013-2015

Income Type	for 2012 (2013 AGM)	for 2013 (2014 AGM)	for 2014 (2015 AGM)
Ordinary shares, RUB thousand	185,150.07	63,738.07	0
Preference shares, RUB thousand	123,432.84	42,491.22	0

Information on the Paid Dividend Amounts in 2013-2015

Income Type	for 2012 (2013 AGM)	for 2013 (2014 AGM)	for 2014 (2015 AGM)
Ordinary shares, RUB thousand	184,398.00	63,658.38	0
Preference shares, RUB thousand	112,675.26	40,459.87	0

The Annual General Meeting (Minutes No. 2/2012 dd. June 20, 2012) decided not to pay dividend on the ordinary shares for 2011.

Reasons for the Declared Dividend Not Being Paid in 2012:

- the persons included in the dividend list did not request the receipt of dividend in monetary form
- persons included in the dividend list did not provide accurate and full information required for the dividend payment

Reasons for the Declared Dividend Not Being Paid in 2013:

- persons included in the dividend list did not provide accurate and full information required for the dividend payment

Dividend Yield of Lenenergo, PJSC Shares

		2011	2012	2013	2014
Payout Ratio*, %	(ordin	0.00	15.00	15.00	0
	(preference	10.00	10.00	10.00	0
Dividend Yield**, %	(ordin	0.00	2.47	1.65	0
	(preference	6.99	7.51	4.04	0

*Calculated as follows: the amount of the accrued dividend for the report year / net profit for the report year, calculated in accordance with the financial statements under the RAS.

**Calculated as follows: dividend on a share in the report period / the average weighted price of a share as of the end of the report year.

5.3 Bonds

Bonds in Circulation

	Issue 1	Issue 2	Issue 3
Securities Type	Corporate bonds, Series 04	Listed bonds, Series BO-01	Listed bonds, Series BO-05
Registration No.	No. 4 04 00073-A	4B02-01-00073-A	4B02-05-00073-A
Issued amount, RUB mn	3,000	3,000	2,400
Quantity, thousand bonds	3,000	3,000	2,400
Nominal value, RUB	1,000	1,000	1,000
Circulation period, years	5	3	10
Rate, %	17.00%	8.25%	13.00%
State registration of the issue	March 29, 2012	July 20, 2012	June 7, 2013
Placement date	April 24, 2012	April 17, 2013	July 22, 2015
Redemption/offer date	April 18, 2017 / April 22, 2016	April 13, 2016	July 9, 2025 / January 23, 2017
Coupon yield on 1 bond	84.77	41.14	64.82
Exchange List	MICEX Level 2	MICEX Level 3	MICEX Level 3

As of December 31, 2015, Lenenergo, PJSC has MICEX Stock Exchange, CJSC listed bond issues that have not been placed: Series BO-02, BO-03, and BO-04 (identification Nos.: 4B02-02-00073-A; 4B02-03-00073-A; 4B02-04-00073-A) dd. June 7, 2013, with the aggregate value of RUB 16 bn (16 billion bonds with nominal value of RUB 1,000).

5.4 Information Disclosure and Interaction with the Investments Community

An efficient interaction with the shareholders and the investments community is among the Lenenergo, PJSC's priorities.

Lenenergo, PJSC strives to build a regular and efficient dialog with the investments community in order to

maximize the transparency of the Company's operations with a focus on interacting with analysts and investors from both the securities market, and the debt market. The Company actively works with the representatives of the leading rating agencies and credit institutions, since using the market tools and mechanisms to attract funding is one of the strategic priorities of the Lenenergo, PJSC financial policy. The Company endeavors to provide the information requested by the analysts, investors, and minority shareholders as promptly and possible. The Lenenergo, PJSC management is always open to personal meetings, conference calls, and investment conferences attendance.

Lenenergo, PJSC has an active information disclosure policy: apart from the mandatory disclosure subject to the applicable laws, the Company continuously publishes additional materials on its website containing material information for the shareholders and potential investors. For example, the Company prepares IR releases on a quarterly basis that cover the operating and financial performance results (both subject to the RAS, and the IFRS) for the report period. The Company also prepares presentations for the investors on the financial year results (and as necessary). Such presentations contain information on the key results and long-term forecasts, as well as the required comments.

The Company's efforts to maintain an open and transparent information policy were highly praised by the members of the professional community: Lenenergo, PJSC annual reports have been awarded three times (reports for 2011, 2012, 2013) for the Best Information Disclosure in an Annual Report of a Company with Capitalization of Under RUB 10 bn at annual report contests held by the Moscow Exchange.

SECTION 6. RESPONSIBLE BUSINESS

- 6.1. HR Policy
- 6.2 Key Performance Indicators
- 6.3. OHS
- 6.4. Social Policy and Charity
- 6.5. Environmental Policy
- 6.6. Responsible Business in Procurements

6.1 HR Policy

The key objectives of the HR and Social Policies of the Company aimed at ensuring the targets of the Power Sector Development Strategy are reached, are:

- planning the staffing requirements - ensuring there is accurate information on the operative and forecast headcount and qualitative need in human resources required and sufficient for the performance of the Company's tasks

- prompt meeting the required qualification personnel recruitment needs
- ensuring the productivity and efficiency of the personnel.

These key targets are reached through the set of measures in various fields:

- organization design
- headcount management
- staffing and personnel development
- personnel efficiency management (motivation and incentives)
- social benefits and guarantees
- personnel safety and work culture.

The Company applies the following regulations with respect to HR management:

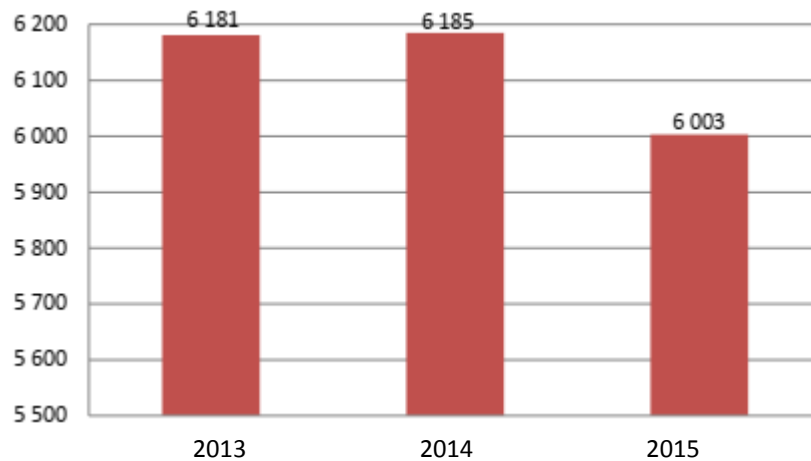
No.	Document Name	Approved Subject To
	Collective Agreement of Lenenergo, OJSC	Minutes No. 3 dd. December 21, 2011 of the Collective Agreement Committee of Lenenergo, OJSC
	Regulations for Payments and Incentives to Employees of Lenenergo, OJSC (Annex 1 to the Collective Agreement of Lenenergo, OJSC)	Minutes No. 15 dd. December 30, 2011 of the Board of Directors of Lenenergo, OJSC
	Regulations for Bonus Payment to Employees of Lenenergo, OJSC for Crucial Tasks (Works) (Annex 2 to the Collective Agreement of Lenenergo, OJSC)	
	Regulations for Bonuses for High Performance Paid to Officers, Experts, and Employees of Lenenergo, OJSC (Annex 3 to the Collective Agreement of Lenenergo, OJSC)	
	Regulations for Bonuses for Professional Excellence Paid to Workers of Lenenergo, OJSC (Annex 4 to the Collective Agreement of Lenenergo, OJSC)	
	Regulations for Bonuses Paid to Workers of Lenenergo, OJSC for Concurrent Work (Positions) and Expanded Service Area (Annex 5 to the Collective Agreement of Lenenergo, OJSC)	
	Regulations for the Payment Procedure and Amounts of Bonuses for the Itinerary Nature of Work (Annex 6 to the Collective Agreement of Lenenergo, OJSC)	
	Regulations for a Lump Sum Incentive Bonus to the Annual Paid Leave (Annex 7 to the Collective Agreement of Lenenergo, OJSC)	
	Regulations for Bonus Payments to the Workers of Lenenergo, OJSC for Long-Term Faithful Work and Anniversaries (Annex 8 to the Collective Agreement of Lenenergo, OJSC)	
0	Regulations for Financial Aid to Non-Working Retirees, Retired Industry Veterans of Lenenergo, OJSC, WWII Veterans, and Disabled	

	(Annex 9 to the Collective Agreement of Lenenergo, OJSC)		
1	Regulations for the Long Service Benefit Paid to Workers of Lenenergo, OJSC (Annex 11 to the Collective Agreement of Lenenergo, OJSC)		
2	Regulations for Qualification Category Assignment to Drivers of Lenenergo, OJSC (Annex 13 to the Collective Agreement of Lenenergo, OJSC)		
3	Regulations for the Procedure of Organization and Funding of Healthcare Treatments and Wellness Holidays (Annex 14 to the Collective Agreement of Lenenergo, OJSC)		
4	Regulations for the Procedure of Organization and Payment for Overtime Duty Assignments Outside the Employer's Territory (Annex 15 to the Collective Agreement of Lenenergo, OJSC)		
5	Regulations for Work Under Extreme Temperatures (Annex 16 to the Collective Agreement of Lenenergo, OJSC)		
6	Regulations for the Continuous Competition between the Electric Grid Regions of the Branches of Lenenergo, OJSC for the Power Distribution Zone Class 1, Power Distribution Zone Class 3, and Power Distribution Zone Class 3 Awards.	Lenenergo, OJSC	Order No. 255 dd. May 13, 2012
7	Regulations for Aggregate Recording of Work Hours of Employees of Lenenergo, PJSC	Lenenergo, PJSC	Order No. 250-z dd. October 30, 2015
8	Internal Labor Rules and Regulations of Lenenergo, OJSC	Lenenergo, OJSC	Order No. 104 dd. March 20, 2012
9	Corporate Code of Lenenergo, OJSC	Lenenergo, OJSC	Order No. 175 dd. May 26, 2008
0	Regulations for Arrangement of Commercially Sensitive Information Protection at Lenenergo, OJSC	Lenenergo, OJSC	Order No. 634 dd. November 8, 2013
1	Regulations for Work with Personal Data of Employees of Lenenergo, OJSC	Lenenergo, OJSC	Order No. 773 dd. December 27, 2013
2	Regulations for Certification of Personnel of Lenenergo, OJSC	Lenenergo, OJSC	Order No. 433 dd. September 19, 2011
3	Workers Training Organization Guidelines of Lenenergo, OJSC	Lenenergo, OJSC	Order No. 7 dd. January 17, 2011
4	Regulations for Insurance Protection of Lenenergo, OJSC for 2013-2015 (revised)	Lenenergo, OJSC Board of Directors	Minutes No. 10 dd. October 22, 2013
5	On Introduction of Lenenergo, OJSC Corporate Standard of Job Description. Procedure for Drafting, Requirements to Composition and Execution	Lenenergo, OJSC	Order No. 567 dd. November 17, 2014

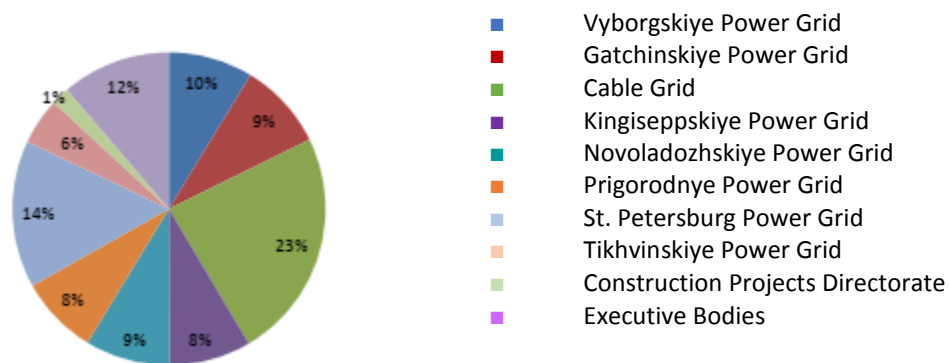
Information on the Personnel

The average headcount of Lenenergo, PJSC in 2015 was 6,003 persons, which is less than in 2014. The reduction in the headcount was due to the optimization of the headcount of the administrative and managerial personnel and gradual filling of the additional positions for the service of new facilities.

Average Headcount Over 2013-2015, persons



Average Headcount Over 2013-2015, persons



Headcount Distribution in 2015, persons

The staff sufficiency in 2015 was 93.6%. The decrease in the staff sufficiency was due to the introduction of additional positions in H2 2014 to provide for the construction of new facilities and failure to fill those positions.

The average age of the employees in 2015 was 44 years (2014: 44).

For the past three years, the share of the employees of the age from 25 to 50 years grew (+3 p.p.), while the share of the employees from 50 to the retiring age decreased (-2 p.p.). The share of the employees of under 25 also decreased (-2 p.p.), while the share of working retirees grew (+1 p.p.).

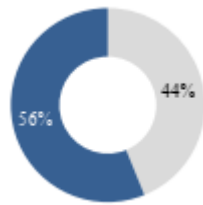
The personnel of the Company have a relatively high qualification: around 81.6% of the employees have professional formal training. This parameter demonstrated a positive change: it increased by 3.3 p.p. for the past three years.

Personnel Training and Development

Training is one of the priorities of the HR policy of the Company. It is governed by the Workers Training Organization Guidelines.

In 2012-2015, the share of employees annually undergoing off-the-job training did not fall below 30%, which is in line with the objectives of the HR and Social Policies. The share of the employees who underwent off-the-job training in 2015 was 58.8% (3,532 people) of the average headcount.

The majority of the trained employees is the production personnel (56%). The structure of the employees who underwent training, broken down by categories (administrative and managerial staff, production and auxiliary staff), is provided below:



■ administrative and managerial staff
 ■ production staff

Structure of the Personnel Having Undergone Off-the-Job Training, Broken Down by Categories, %

Out of the trained personnel, 18% (634 people) were trained at the training center and corporate department of Business Energy Preservation and Energy Efficiency Improvement created at a separate structural division of further vocational training for specialists at Saint Petersburg State Agricultural University, Administration and Agricultural Business Academy.

Training at the own Training Center has certain advantages:

- uniform standards and forms of training
- training principles aligned with the strategic plans of the Company
- prompt reaction and changes to the training process
- use of training and testing areas of the Company
- cost reduction
- qualifications of the trained personnel correspond the best to the needs of the Company
- training efficiency assessment.

The key suppliers of educational services, other than the training center and the corporate department, are:

- Institute of Industrial Safety, Occupational Health and Safety, and Social Partnership (Private educational institution of further vocational training)
- Training Complex (Independent non-profit entity of further vocational training)
- Environmental Training Center (Private educational institution of further vocational training)
- Training and Methodological Technical Engineering Center (Private educational institution of further vocational training)
- Saint Petersburg Energy Institute of Advanced Training (Federal state independent educational institution of further vocational training).

The actual cost of personnel training (regardless of the sources) was RUB 16,578.7 thousand, of that RUB 2,874.00 thousand (17%) for the training conducted at the training center and corporate department. The ratio of the actual cost of personnel training to the actual salary in 2015 was 0.4% (2014: 0.7%), which resulted from the Company's actions to optimize the operating expenses.

Share of Employees Who Underwent Training, and Ratio of Training Cost to the Actual Salary in 2015, %



executive bodies	Vyborgskiy Power	Gatchinskiy Power	Cable Grid	Kingiseppskiy Power Grid	Novoladozhskiy Power Grid	Prigorodnyye Power	SPb VS	Tikhvinskiy Power	SD Cs	Overall for the
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	Grid	Grid	d			Grid		Grid		Compa ny
Share of Trained Employees, %										
Including the Training Center and Corporate Department, %										
Ratio of Training Costs to the Actual Salary, %										

Share of Employees Who Underwent Training, and Ratio of Training Cost to the Actual Salary in 2015, %

Interactions with Educational Institutions

Lenenergo, PJSC cooperates with 4 higher educational institutions and 4 secondary vocational educational institutions. The key institutions are:

- the National Mineral and Raw Materials University Gorny
- the Platov South Russian State Technical University
- the National Research Tomsk Technical University
- the State Institute of Economy, Finance, Law, and Technology (Gatchina)
- Slantsy Industrial Technical School
- Kingisepp Technology and Service Technical School
- Begunitsy Agricultural Technical School
- Vyborg Aleksandrovskiy Technical School.

Lenenergo, PJSC has 11 cooperation agreements in place with the specific higher and secondary vocational educational institutions.

The students undergo production and pre-graduate internship and training in the Company's branches every year. In 2015, 185 students had their internship, and 23 graduates were employed by the branches of Lenenergo, PJSC, including 15 graduates from the partner higher educational institutions. Eighteen students from the partner higher educational institutions receives scholarships from the Company.

In 2015, the following training courses were arranged at the Training Center:

- for 24 students of St. Petersburg Polytechnic University within the training internship in the following areas: primary equipment (purpose of devices, structural specifics, equivalents, technical specifications) and occupational and production health and safety
- for 13 students of State Institute of Economy, Finance, Law, and Technology (Gatchina) for 0.4-10 kV Distribution Grid Operation Electrician, Class 2 (48 academic hours).

An educational course was designed and approved for the 2nd year students of applied Bachelor program at St. Petersburg Polytechnic University at the Training Center for Research and Development (90 academic hours). The training will be conducted from February to May 2016. The training is planned for these students during their 3rd and 4th years of study under the applied Bachelor program for PDZ 0.4-10 kV Distribution Grid Operation, Maintenance and Repair Electrician, Class 2.

Within the Youth Innovations Center operations at the corporate department of Lenenergo, PJSC, two conferences were held in 2015 attended by the students and faculty members from the partner higher educational institutions.

Under a designated employer-sponsored quota agreement with St. Petersburg Polytechnic University, two children of the Company's employees were accepted for the budget education.

Guided trips to the Training Center are regularly provided to the higher and secondary vocational educational institution students; and career days are held for the school students of the 9th and 10th years.

In 2015, an adaptation program was designed and introduced for the new employees at the branches and the executive bodies of the Company. The training started in November 2015 at the Training Center and is conducted regularly every month.

Handling the Candidates Pool of the Company

In order to promptly feed the Company's need for the qualified and productive officers and to create conditions for the fullest realization of the labor potential in the executive bodies and branches, Lenenergo, PJSC continuously works to form and develop candidate pools: managerial and youth.

The managerial candidate pool serves the purpose of operative and qualitative satisfaction of the Company's need in employees trained for top positions:

- top managers
- mid-tier executives (from division head)
- officers and chief engineers of production departments and the PDZ

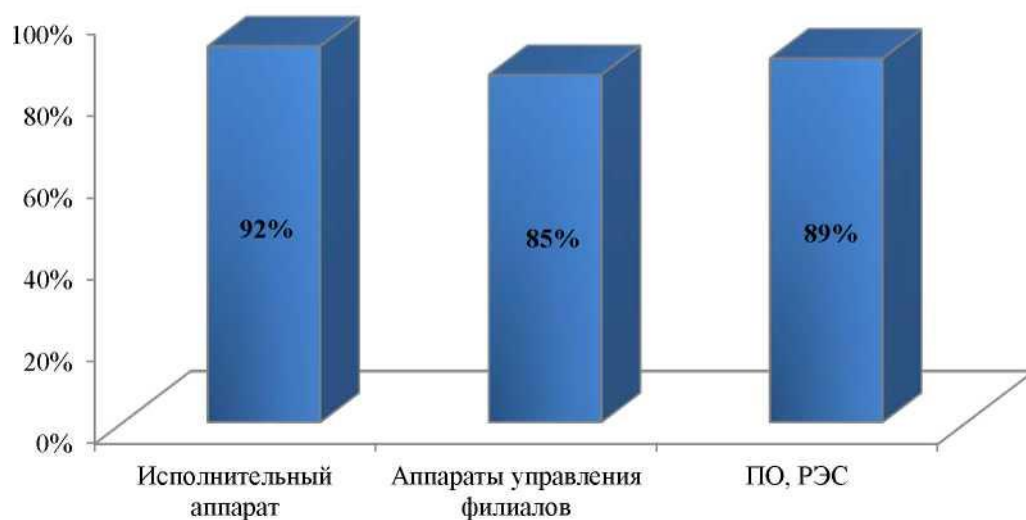
- operative managers.

The Company pays special attention to the candidate pools for the heads of engineering and technical divisions.

The following are the main criteria for including the employees into a managerial candidate pool:

- high professional competence
- high performance results of the production operations
- experience in certain positions
- personal and business potential required for professional and career growth.

As of December 31, 2015, the managerial candidate pools of the Company have 454 employees of the executive bodies and the branches.



■ % of positions provided for by the candidate pools

Executive bodies	Management bodies of the branches	Production departments and the PDZ
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Sufficiency of the candidate pools for the managerial positions as of the end of the report period, %

Since 2011, the Company has been systematically working to train recent graduates as part of the youth candidate pools in order to involve the young employees in the process of resolving of current issues in the power sector, improve their professional competence, and assist them in the career growth.

The youth candidate pools are formed at the branches and the Company in general from the recent graduates of under 35, demonstrating a high potential for growth and motivated for professional development and career growth in the Company.

The youth candidate pools are updated annually and added to by the recent graduates employed by the Company replacing the pool members appointed to the higher positions or excluded from the pool.

As of the end of 2015, the headcount of the youth candidate pools of the Company is 106 persons.

The main condition for the candidate pool efficiency is the improvement of the professional competence and managerial potential of the pool members. The pool members have the most experiences and respected workers as mentors, who are to assist the pool members in their training for the desired positions.

The members of the youth and managerial pools regularly take part in educational programs and industry-specific national and regional conferences that give them access to the best practices of the power grid entities, new technology, and the most efficient methods.

In 2015, twenty-eight pool members underwent further training at partner educational institutions, improving their professional competence.

During 2015, 24.5% of positions were provided for by the own candidates; of those 7% were filled by the candidate pool members (30 persons). Sixteen members of the managerial pool (3.5% of the managerial pool of the Company) were appointed to higher positions, including 11 (2.4% of the managerial pool) - to the target positions, and 5 - transferred to other positions within the rotation program. Fifty-four recent graduates were also appointed to new positions (50.9% of the youth candidate pool), including 7 - to the target positions (6.6% of the youth candidate pool).

6.2 Key Performance Indicators

A key performance indicators (KPI) system of Lenenergo, PJSC assesses how the Company fulfills its priority goals.

Starting from 2015, the KPI composition was substantially changed in order to include the priorities set out by the Power Grid Development Strategy approved by the Russian Government (Instruction No. 511-r), connect the KPI to the goals of the Long-Term Development Program of the Company, and to fulfill certain instructions of the Russian Government.

The CEO KPI system is based on the following:

- Art. 15 Par. 45 of the Articles of Association
- Board of Directors' Resolution dd. March 10, 2015 (Minutes No. 27 dd. March 12, 2015) on Item No. 1: Approval of the KPI Estimation and Fulfillment Assessment Method for the CEO of Lenenergo, OJSC.

In 2015, the following composition and targets were set for the KPI:

Key Performance Indicators		
No No.	Indicator	2015 Target
Quarterly KPIs		
2.1.	Absence of growth in the number of large accidents or emergencies	Absence of growth
2.2.	Prevention of growth in the number of injuries sustained from accidents or emergencies	Absence of growth
2.3.	Financial soundness indicator - leverage ratio	< 1.5, of subject to the business plan (in view of the borrowing capacity category)
Annual KPIs		
3.1.	Total shareholder return (TSR)	> average value for the companies included in the calculation base for MICEX PWR as of the end of the report period, or > average value for the past three years preceding the report year
3.2.	Return on invested capital (ROIC)	> 0.9 if ROIC plan > 0, or > 0 if ROIC plan < 0
3.3.	Decrease of specific operating expenses	> the approved in the business plan (>16.46%)
3.4.	Power losses	< the approved in the business plan (<12.21%)
3.5.	Reaching the required level of reliability of services	1
3.6.	Decrease of specific investment costs	> 15%
3.7.	Commissioning schedule fulfilled	> 95%
3.8.	Compliance with the grid connection designated timelines	< 1.1
3.9.	Productivity indicator	> the approved in the business plan (>RUB 3,675 per month/km)

In 2015, the target KPIs were not fully reached. The rate of the annual KPI fulfillment is 78% (the following were not fulfilled: Compliance with the grid connection designated timelines, Commissioning schedule fulfilled); the rate of the quarterly KPI fulfillment is 75% (the following were not fulfilled: Financial soundness indicator - leverage ratio, Prevention of growth in the number of injuries sustained from accidents or emergencies).

The 2015 targets were set in view of the benchmarks of the Power Grid Development Strategy (Russian Government Instruction No. 511-r) with respect to the reduction of specific operating costs by 2017 by at least 15% over 2012, the reduction of specific investment costs by at least 30%, and the reduction of power losses by 11% over 2012.

The KPI system used by the Company is based on the consideration of the variable portion of the management remuneration: each indicator is taken in proportion with the amount of the bonuses paid out. The quarterly and annual bonuses are paid if the relevant KPIs are fulfilled.

6.3 OHS

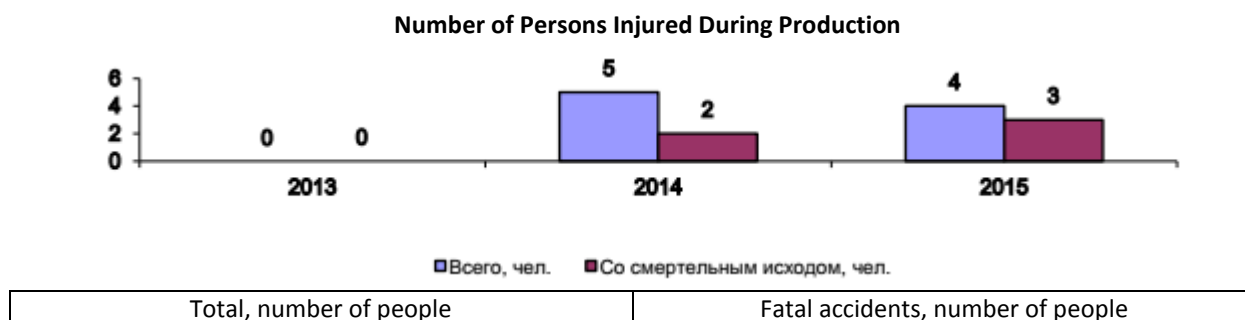
During 2015, the Company implemented organizational and technical actions under Lenenergo, OJSC OHS Risks Mitigation Program for 2014-2015 approved by Lenenergo, OJSC Order No. 28 dd. February 3, 2014 and Board of Directors' Minutes No. 37 dd. May 22, 2014, and the Trauma Risks Mitigation Program of Lenenergo, PJSC for 2015-2017 approved by the Board of Directors (Resolution No. 33 dd. May 7, 2015) and introduced by Lenenergo, PJSC Order No. 367 dd. August 13, 2015.

Subject to Order No. 570 dd. October 23, 2012, Lenenergo, PJSC implements
Lenenergo, PJSC OHS Policy.

Lenenergo, PJSC management understands its responsibility for the lives and health of its employees and undertakes the following obligations:

- to comply with the laws of the Russian Federation, Saint Petersburg, and the Leningrad Region, as well as other regulations governing the OHS and the OHS agreements
- to ensure OHS of the personnel and persons admitted to the production sites of Lenenergo, PJSC, by taking preventive measures to eliminate the risk of injuries and health threats
- to ensure continuous improvement of the OHS management system subject to OHSAS 18001, and the efficiency thereof
- to continuously monitor and assess the OHS risks, to take and implement managerial decisions based on the risk assessment aimed at mitigation or elimination of the risks identified
- to engage the personnel of Lenenergo, PJSC to design and implement the OHS risk mitigation actions
- to make each employee and person admitted to the production sites of Lenenergo, PJSC aware of the identified dangers and OHS risks at workplaces
- to improve the forms and methods of professional training of personnel, regularly improve the knowledge and skills of the staff with respect to the OHS
- to make the persons sent on business trips and the contractors conducting work and providing services at the production sites of Lenenergo, PJSC aware of the OHS requirements applied by Lenenergo, PJSC
- to implement the economy policy that promotes the creation of labor conditions that comply with the statutory OHS regulations
- to provide the employees with modern collective and personal protection equipment
- to ensure the functioning of all the levels of production control of the compliance with the OHS laws and regulations at the workplaces
- to certify the workplaces in a timely manner as to the labor conditions, and to conduct the sanitary rules compliance control and control over the implementation of the sanitary and anti-epidemic (preventive) measures
- to efficiently use the personnel life and health insurance mechanisms
- to ensure the identification, study and replication of the local and industry-specific best practices with respect to OHS by organizing and participating in workshops, conferences, exhibitions and fairs, professional skills competitions, experience exchange, and internships.

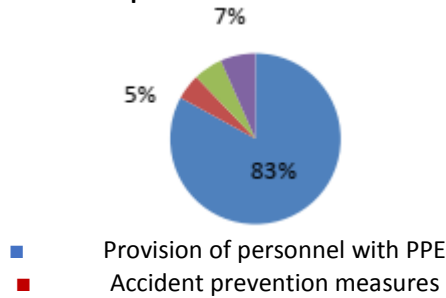
The top management of Lenenergo, PJSC considers the focus on the preservation of life and health of the personnel and persons admitted to the production sites of Lenenergo, PJSC and its prevalence over the production results the main OHS principle.



OHS Expenses Over Time, thousand



OHS Expenses Structure in 2015



6.4 Social Policy and Charity

Lenenergo, PJSC is a socially responsible employer. It pays considerable attention to providing social support to the employees, their relatives and family members, and the retirees.

The management considers creation of conditions that allow for the efficient and productive operations of the employees, their professional growth, and opportunities for good payment to be one of the key social policy objectives.

Social Policy Goals	Basic Principles and Objectives of the Social Policy	Social Policy Areas
<ul style="list-style-type: none"> social protection of the employees 	<ul style="list-style-type: none"> protecting the employees through the system of benefits and guarantees provided by the state and the Company itself 	<ul style="list-style-type: none"> provision of social benefits and compensations
<ul style="list-style-type: none"> improving the production efficiency 	<ul style="list-style-type: none"> ensuring and supporting the social stability at the Company 	<ul style="list-style-type: none"> preventive healthcare and health protection
<ul style="list-style-type: none"> supporting the Company's competitive ability 	<ul style="list-style-type: none"> creating efficient and safe workplaces 	<ul style="list-style-type: none"> arranging for the healthcare and wellness related vacations for the employees and their family members
<ul style="list-style-type: none"> motivating the employees for high productivity that will lead in the improvement of their welfare and living standards 	<ul style="list-style-type: none"> engaging and hiring qualified workers 	<ul style="list-style-type: none"> sports events and entertainment
<ul style="list-style-type: none"> creating a good social and psychological environment 		<ul style="list-style-type: none"> non-state pension provision
		<ul style="list-style-type: none"> work with youth and veterans
		<ul style="list-style-type: none"> supporting the retired employees of the Company.

The Lenenergo, PJSC Social Policy is built on the implementation of a collective agreement valid through December 31, 2015 setting the rights and obligations of the parties, which is the result of the cooperation between the employer and the professional union aimed at regulating the social and labor relations.

Social Policy Areas and Implementation Tools

Areas	Tools
Provision of social benefits and compensations	The collective agreement stipulated the following benefits and compensations for the Company's employees:

	<ul style="list-style-type: none"> • additional leaves provided and paid for • a bonus paid for the special working conditions that deviate from the acceptable standards • a lump sum incentive pay for an annual leave • a bonus for the long service • bonuses for the employees who are the recipients of the industry and departmental awards • a lump sum bonus for newborn children, and monthly maternity (child care) allowances for children under 3 • financial support in case of marriage • compensation of the children pre-school institution bills for the families with multiple children and the families with disabled children • anniversary bonuses • holiday bonuses (the International Women's Day (March 8), Power Engineer's Day) • partial compensation of the household electricity bills for all employees, as well as retirees and disabled of Lenenergo, PJSC • other payments.
Preventive healthcare and health protection	<p>In order to maintain and strengthen the employees' health, the Company arranges for the following:</p> <ul style="list-style-type: none"> • optional medical insurance • accident and disease insurance • preventive and regular medical examinations • fluorography examinations • flu vaccination • tick-borne encephalitis vaccination • special working conditions assessment • provision of special-purpose clothing and footwear, as well as other personal protection equipment • employees' first aid training in case of production accidents.
Arranging for the healthcare and wellness related vacations for the employees and their family members	<p>The Company offers special vouchers and packages partially or completely paid for by Lenenergo, PJSC to the employees who require health resort and wellness treatment. In 2015, the Company arranged for health resort and wellness treatment for 53 employees.</p> <p>Lenenergo, PJSC workers also received partial compensation of the children summer camp trips. In 2015, 99 children spent time at summer camps all over Russia.</p>
Non-state pension provision	<p>Lenenergo, OJSC provides non-state pension support to its employees through the Non-State Power Sector Pension Fund.</p> <p>In 2015, the following non-state pension provision programs have been implemented:</p> <ul style="list-style-type: none"> • the Support Program within the Corporate Plan: the Company arranges for the non-state pension provision for its employees who retire • the Solidary Company-Employee Non-State Pension Provision Financing Program within the Parity Plan: the Company and its employees form the non-state pension provision jointly, on a parity basis • the Co-Financing Program aimed at supporting the creation of pension savings subject to Federal Law No. 56-FZ dd. April 30, 2008 On Additional Premiums to the Accumulated Portion of the Retirement Pension and the State Support of Pension Savings.
Work with youth and veterans	<p>Lenenergo, PJSC annually invites the WWII veterans and home front workers who were employed by the Company to events commemorating the Lifting of the Leningrad Siege, the Breach of the Leningrad Energy Siege, and celebrating Victory Day. On every memorial event the Company's veterans receive congratulatory notes from the CEO. In order to maintain the historical values, all branches of the Company and its executive bodies distribute congratulatory posters.</p> <p>In 2015, a memorial event was dedicated to the 71st anniversary of the lifting of the Leningrad Siege. Veterans of the Power Sector and employees</p>

	<p>of the Company placed wreaths and flowers at the Piskaryovskoye Memorial Cemetery. A dinner and musical show were arranged for the veterans. Placing of wreaths and flowers at the Mother Homeland Memorial in Saint Petersburg and the plate commemorating the power sector workers at the Piskaryovskoye Memorial Cemetery were part of the city-wide memorial event dedicated to the Victory Day on May 8, 2015. The Company's employees and representatives of the Recent Graduates Council took part in the celebrations. Traditionally, a dinner and presents giving ceremony were held for the veterans.</p> <p>On the anniversary of the Day of the Breach of the Leningrad Energy Siege, September 23, 2015, the retired veterans and employees of the Company placed flowers at the Broken Circle Memorial and in the waters of the Lake Ladoga to commemorate one of the feats of the power sector participants during WWII. The veterans also visited the Road of Life Museum in Osinovets.</p> <p>The Recent Graduates Council of the Company successfully implemented the Action Plan for 2015. In the report year, the Youth Innovations Center based on the Company's corporate educational department held two conferences as part of the research, application and innovations development program.</p> <p>Recent graduates took part in the Youth Roundtable within the 2015 St. Petersburg International Economic Forum, the Forsage-2015 International Young Power Industry Workers Forum, the 25th White Nights International Festival of Intellectual Games, and various sports events (football, volleyball).</p> <p>Fifty recent graduates employed by the Company took part in the Recent Graduates Council. Reload workshop.</p>
Support of the retired employees of the Company	<p>The Company pays significant attention to the retirees, retired veterans, Eastern Front veterans, and disabled people. The following programs have been implemented for those groups:</p> <ul style="list-style-type: none"> • non-state pension provision • financial assistance • bonus payments for the Eastern Front veterans dedicated to the anniversaries, memorial dates, and holidays: the Lifting of the Leningrad Siege, Victory Day, the Power Engineer's Day • compensation of the household electricity bills • financial assistance for funerals.

Charity

Lenenergo, PJSC historically provides charity support to the public and religious organizations, cultural institutions, creativity foundations, and sports organization in Saint Petersburg and the Leningrad Region.

The Company cares for and supports child homes, veteran organizations, and disabled support foundations that regularly ask Lenenergo, OJSC for financial aid.

6.5 Environmental Policy

Environmental Policy Goals	Environmental Policy Objectives
Ensuring the productive functioning of the Environment Management System subject to ISO 14001:2004	<p>Fulfillment of all actions aimed at the productive functioning of the Environment Management System subject to ISO 14001:2004</p> <p>Confirmation of the Environment Management System compliance with ISO 14001:2004</p>
Reduction of the adverse impact the Company's production has on the environment	<p>Ensuring the waste disposal and landfilling at licensed landfills</p> <p>Ensuring the disposal of used luminescent lamps subject to the internal regulations of the Company</p> <p>Ensuring the contractors' compliance with the requirements of the Company with respect to the environmental aspects</p>
Improvement of the personnel's competence with respect to	Implementation of the plan for training, retraining, and

Environmental Policy, Goals, and Objectives

Lenenergo, PJSC Environmental Policy was drafted and introduced subject to Lenenergo, PJSC Order No. 639 dd. December 31, 2015.

The employees of the Company are made aware of the Environmental Policy by it being published on the external corporate website, Energoresurs, and the network resources of the branches, or by providing it for a read against a signed acknowledgement.

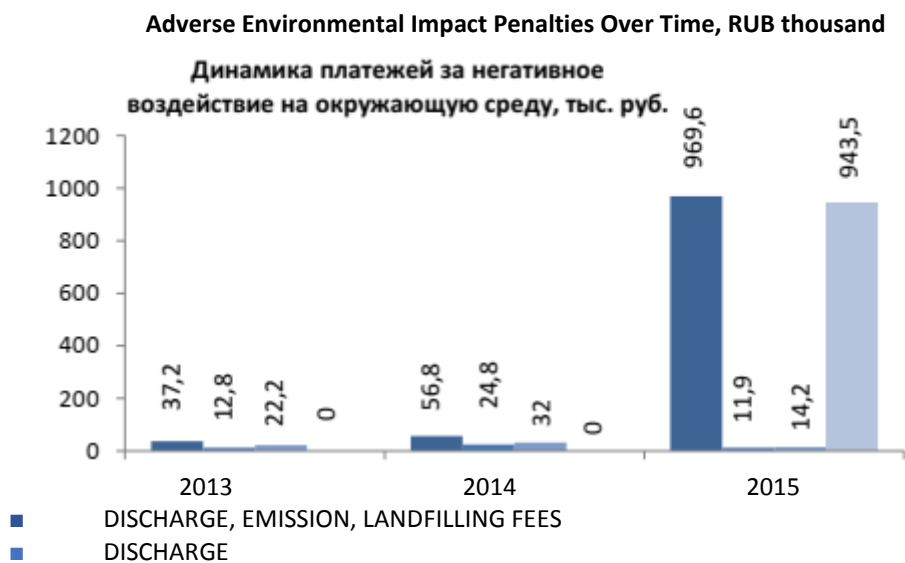
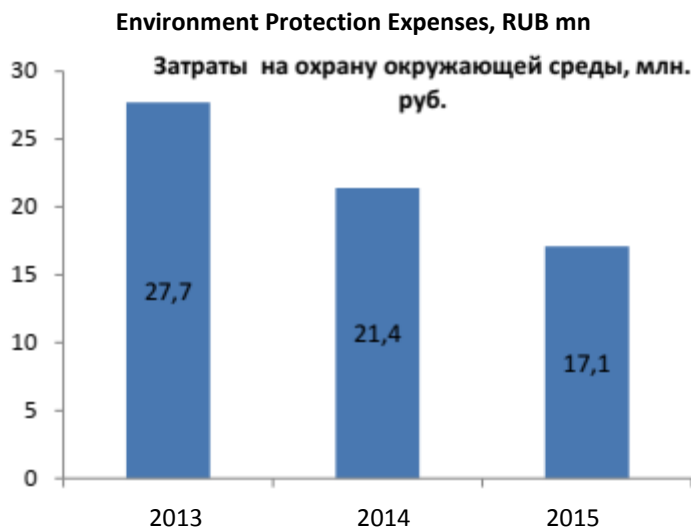
The environmental goals and objectives are drafted and introduced by Lenenergo, PJSC Order No. 389 dd. September 13, 2010 and updated by Order No. 229 dd. May 23, 2012.

Lenenergo, PJSC Order No. 226 dd. May 29, 2014 sets out the strategic goals of the integrated management system (IMS), including in the environmental aspect. Lenenergo, PJSC Order No. 374 dd. August 14, 2015 sets out the IMS goals for 2015, including in the environmental aspect.

Lenenergo, PJSC Order No. 639 dd. December 31, 2015 approves the register of significant environmental aspects (i.e., aspects to be managed).

The existing Environmental Policy, environmental goals and objectives are applicable and up-to-date.

Below are the Environment Protection Expenses by Areas for 2013-2015 in RUB mn:



Environment Protection Measures in 2015

Measures	Expenses, RUB mn	Environmental Impact, RUB mn
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Environment protection documents drafting	0.8	Mitigating the risk of fines and 5-fold penalties for adverse environmental impact
Maximum allowable discharge, noise level and water quality control and measurement	1.3	Compliance with the environment protection laws
Waste disposal and landfilling at licensed landfills	9.0	Compliance with the waste management requirements (mitigation of the risk of fines and penalties)

6.6 Responsible Business in Procurements

The main priorities of procurement activity of the Company are the policy of transparent and open procurement process, improvement of the procurement efficiency in competitive environment, reaching the maximum possible economic effect of the procurement measures.

The key targets with respect to the improvement of procurement efficiency are as follows:

- provision of high-quality equipment, machines, materials, and services under optimum prices
- competitive procurement
- high level of organization in procurement procedures
- high level of objectivity in procurement procedures
- achieving economic efficiency in procurements.

Procurements in 2015 were regulated by the following documents:

- Federal Law No. 223-FZ dd. July 18, 2011 *On Procurement of Goods, Works, Services by Certain Types of Entities*
 - Federal Law No. 135-FZ dd. July 26, 2006 *On Competition Protection*
 - Government Decree No. 616 dd. June 21, 2012 *On Approving the List of Goods, Works, and Services, Procurement of Which is Done in Electronic Form*
 - Government Decree No. 908 dd. September 10, 2012 *On Approving the Rules for Disclosing the Procurement Information on the Website*
 - Government Decree No. 932 dd. September 17, 2012 *On Approving the Rules for Planning the Procurement of Goods (Works, Services) and the Requirements to the Format of Such a Plan*
 - Government Decree No. 591 dd. June 14, 2012 *On Approving the Rules of Preparation and Adoption of Instruments of the Government of the Russian Federation on Specific Procurements, Lists, and/or Groups of Goods, Works, Services, the Information on Which Is Not State Secret, However Is Not to be Disclosed on the Official Website*
 - Government Decree No. 1211 dd. November 22, 2012 *On Introduction of the Register of Bad Suppliers Under the Federal Law On Procurement of Goods, Works, Services by Certain Types of Entities*
 - Government Decree No. 1352 dd. December 11, 2014 *On Specifics of SME Participation in Procurement of Goods, Works, Services by Certain Types of Entities* (rev. dd. October 29, 2015)
 - Government Decree No. 1169 dd. October 29, 2015 *On the Procedure of Monitoring of the Compliance of Goods, Works, Services Procurement Plans, Innovative Products, High-Technology Products and Pharmaceuticals Procurement Plans, Amendments to Such Plans; Compliance Assessment of the Drafts of Such Plans, and Drafts of Amendments to Such Plans to the Requirements of the Russian Laws That Provide for the SME Participation in the Procurement Process, And On the Procedure and Terms of Suspension of Implementation of Such Plans Based on the Results of Such Monitoring and Assessment*
- Regulations for Procurement of Goods, Works, Services for Lenenergo, OJSC approved by the Board of Directors on June 19, 2013 (Minutes No. 36 dd. June 20, 2013), hereafter - the Regulations
- Regulations for the Central Procurement Body of Lenenergo, OJSC approved by the Board Directors on May 29, 2012 (Minutes No. 29 dd. June 1, 2012).

Various procedures and methods are applied to procurement of products (goods, works, services) in all areas subject to the Regulations:

- tender
- auction
- request for proposals
- request for quotation
- competitive negotiations
- procurement from a sole supplier (contractor)

Open competitive procedures are applied for the selection of contractors and inventory suppliers in procurements (public tenders, public request for proposals, etc.).

Procurement from a sole supplier (contractor) is used in the following cases:

- when contractors are selected to eliminate the emergencies, if the procurement scope does not exceed the amount strictly sufficient for the elimination of the emergency or its aftereffects
- when additional procurements are required exceeding the ones specified in the contract, if the change of the supplier may result in substantial technical difficulties in operation and maintenance procedures, or if additional services (works) are integral to the main contract
- when the goods, services or works are procured from the market monopolists.

Performance Under the Procurement Program in 2015

In 2015, in fact, 609 procurements were conducted with tender winner selection, for the aggregate amount of RUB 7,367,268 mn, net of VAT.

Broken Down by Procurement Program Segments:

Annual Comprehensive Procurement Program segments	Procurements under the Procurement Program			
	Number of procurement transactions		Cost, RUB mn, net of VAT	
	Planned*	Actual*	Planned*	Actual*
New construction and expansion of grid facilities	40	30	2,743	1,109
Reconstruction and retrofitting of grid facilities	454	305	4,950	2,637
Power repair (repair) production, maintenance	166	145	1,424	1,158
IT procurements	47	42	483	420
RD&T	-	-	-	-
Consulting	8	7	76	60
Appraisers' services	-	-	-	-
Other procurements	90	80	4,599	1,983
TOTAL	805 **	609	14,275 **	7,367

* planned - the number of procurements declared, actual - the number of procurements conducted with selection of the winner

** as of the end of 2015, 175 tenders for the aggregate planned value of RUB 5,175 mn, net of VAT, were held without selecting a winner (154 tenders were declared void, 17 tenders were excluded agreed by the initiator, and 4 tenders with a sole supplier resulted in the contract not being made); 21 tenders for the aggregate planned value of RUB 954 mn, net of VAT, were still in progress or being concluded.

Broken Down by Procurement Methods:

Annual Comprehensive Procurement Program segments	Procurements under the Procurement Program			
	Number of procurement transactions		Cost, RUB mn, net of VAT	
	Planned*	Actual*	Planned*	Actual*

Public tender	96	63	5,675	3,032
Public request for proposals	186	134	746	525
Public request for quotation	25	2	2,819	262
Public competitive negotiations	7	3	104	-
Public auction	6	-	898	-
Sole supplier (contractor)	57	53	302	276
Sole supplier as a result of the void public competitive procedures (including public auctions, public requests for proposals, public requests for quotation, public competitive	-	41	-	1,461
Request for quotations/proposals for framework agreements resulting from the open competitive procedures	428	313	3,731	1,811
TOTAL	805	609	14,275	7,367

There were 551 procurements carried out using the e-commerce tools for the amount of RUB 6,949 mn (net of VAT) in 2015 (99% of the overall number of procurements, 99% of the overall procurements by value, excluding the procurements from a sole supplier).

The economic effect of the public competitive procurements in 2015 was RUB 778 mn (net of VAT), or 10% of the planned declared value of procurements.

Use of the cutting-edge online technology provides for the openness, publicity, and transparency of the procurements, and for a safe remote access in order to control the following main stages of the procurement procedures: timely declaration of the regulated procurements, publication of full (sufficient) information on the procurements (including notices, procurement documents, minutes, etc.), the timelines for the results summing up, selection of the winners.

Lenenergo, PJSC, being the rightful user of the information and analytic system of Products, Services, and Technology Market for Power Sector (virtual online trading platform at www.b2b-mrsk.ru), conducted 99% of its procurements in 2015 electronically, namely using the functions of the virtual online trading platforms in the Internet at: www.b2b-mrsk.ru, www.etp.rosseti.ru, www.etp.roseltorg.ru.

The efficiency of the competitive procurements conducted in electronic form is confirmed by the existence of sufficient number of market proposals from a large number of active users of competitive procurement procedures conducted by Lenenergo, PJSC.

The official website intended for publication of procurement information by certain types of entities at <http://zakupki.gov.ru> (the address is set by the applicable Russian laws) is used as a main information resource. Publication of information on the planned and conducted regulated procurements and on the procedure thereof is mandatory on this website, which allows to intensify the competition between the regulated procurements participants and, therefore, to purchase products of a higher quality under better conditions.

Structure of Procurements from SME

In order to provide the SME with a better access to the procurements of Lenenergo, PJSC, a Partnership Program was designed for the Company and the SME sector.

It specifies the set of measures aimed at creating and supporting the community of reliable, qualified, and responsible suppliers (contractors) from the SME sector.

The Program aims at ensuring the fulfillment of the state SME development policy through the Company's procurements, including the following:

- increasing the share of procurements from the SME sector in the overall annual procurement structure
- increasing the share of direct procurements from the SME sector in the overall annual procurement structure
- increasing the share of innovative and/or high-tech products, R&D, design and experimental, and technology services procurement from the SME sector in the overall annual procurement structure
- creating a system of transfer of new technological and technical solutions from the SME entities, including the solutions aimed at innovative development of the Company and integrated in the business strategy of the Company.

For more details on the Program go to Tenders at: www.lenenergo.ru.

As a result of tenders won by the SME in H2 2015, 299 contracts were made for the overall amount of RUB 2,493 mn, net of VAT, including 11 contracts for the overall amount of RUB 152 mn, net of VAT, under the procedures specifically designed for the SME, which is 6.1% of the value of contracts made since July 1, 2015 and complies with the requirements of Government Decree No. 1352 dd. December 11, 2014 *On Specifics of SME Participation in Tenders for Goods, Works, and Services Conducted by Certain Types of Entities* (rev. dd. October 29, 2015).

Overall in 2015, 434 procurement procedures were conducted, in which the SME were winners of the tenders, for the aggregate amount of RUB 4,610.769 mn (net of VAT), which is 68% of the amount of the procurements made.

6.7 External Communications

The Public and Government Relations Department of Lenenergo, PJSC implements the provisions of the Uniform Information Policy of Rosseti, PJSC, and acts in the following areas: public relations, mass media interaction, congress and exhibit activities, and international relations. The following are the main objectives of the Department: forming and maintaining the positive image and business reputation of the Company in the public eye and the mass media, reputational risks management, information support for the Company's operations.

The Public and Government Relations Department answers directly to the CEO of Lenenergo, PJSC, has a clear vertical integrated structure, and applied uniform standards for working with information.

Lenenergo, PJSC is a socially responsible and client focused company. The Company's policy in this area is based on the principles of information openness, accessibility, promptness, and accuracy. The Department operates in close cooperation with other core blocks, thus ensuring the horizontal relations development as well.

In order to improve its investment attractiveness of Lenenergo, PJSC by mitigating the reputational risks and ensuring a flexible and up-to-date positioning in the business, professional, expert, and stakeholder environment, the Public and Government Relations Department carried out seven communication programs in 2015 with respect to the core operating areas of the Company:

- Reliability Management - Stable Power System designated communication program
- Grid Connection: Reload designated communication program
- Construction in Power Sector - New Energy for Regions designated communication program
- Transparent Company - Investments in the Future designated communication program
- Smart Technology - Efficient Business Processes designated communication program
- Lenenergo - Leadership Traditions designated communication program
- Social Responsibility - Modern Business Rules designated communication program.

The Department's main objectives with respect to the programs are: to create the image of Lenenergo, PJSC as a responsible and reliable entity providing high-quality power supply to two Russian constituent entities, effectively carrying out its operating and financial activities, and to position Lenenergo, PJSC as a most client-focused company successfully modernizing its business processes in grid connection.

In order to form the positive reputation and image of the Company as maintaining the transparency of information, and to increase the informational impact, Lenenergo, PJSC arranged for the interaction with the leading central, industry, and regional mass media. Accessibility and openness are the main principles of Lenenergo, PJSC relations with the media.

In 2015, 7192 information materials were published and places in the mass media, of those 3668 (51%) were of positive nature, and 3524 (49%) neutral. The active illustration of the production and social activities of the Company maintains the positive informational background. In 2015, 342 event and specific issue related press releases were prepared. The following current issues were included: implementation of the programs for energy

preservation and energy efficiency improvement, optimization of process management of the grids, improvement of power supply reliability, re-engineering of business processes of the grid connection system; work with the key client groups (including SME); implementation of the equipment repair and retrofitting programs; cooperation with the Russian research institutes, entities, and public organizations; material issues and corporate actions.

The aggregate coverage of the informational actions and positioning activities of the Company in 2015 was approximately 6.8 mn people.

Strong business contacts are made and maintained with the press centers of the government agencies of Saint Petersburg and the Leningrad Region. The Company ensures the informational support of the work meetings of the management with the heads of the constituent entities within the Company's area of responsibility.

As to the international relations, congress and exhibit activities, internal communications, and charity, the Company aimed its operations both at the external target audience, and the internal target groups.

In 2015, Lenenergo, PJSC participated in the important strategic industry and image exhibits and forums, such as the St. Petersburg International Economic Forum, the Russian International Energy Forum, the Russian National Grid Connection Forum, and the RuGrids Electro International Power Industry Forum.

In 2015, Lenenergo, PJSC implemented the PR program to prevent third parties from sustaining injuries at the facilities of Lenenergo, PJSC. The Company conducted 410 lessons in schools and summer camps in Saint Petersburg and the Leningrad Region. Overall, 6120 students attended these talks. Thirty-two trips to substations and the Training Center of Lenenergo, PJSC were arranged for high school students. The Safe Electricity internet portal at www.portal-lenenergo.ru continues functioning. Its sections are dedicated to the safety regulations with respect to electricity, energy saving rules, reference materials, scenarios, and video and photo materials.

Printed materials, animated films, and audio recordings were created and distributed in the educational institutions of Saint Petersburg and the Leningrad Region in order to improve the electrical safety understanding. The Company sent out 7750 posters and distributed 3490 coloring brochures, 2980 reflectors, and 3410 magnets in schools, summer camps, and areas of mass gathering of children. As part of the interaction with the municipal institutions of Saint Petersburg and the Leningrad Region, 1850 posters dedicated to preventing the injuries from electricity were distributed.

Social policy (including care of the employees, their family members, and retirees) is one of the key areas of internal communications. In order to form and maintain the positive corporate image in 2015, Lenenergo, PJSC held such events as the children drawing contest (*Rosseti: Children Draw!*) on the regional level, open school days, trips to the facilities of Lenenergo, PJSC, mass volunteer clean-up days.

Lenenergo, PJSC annually invites the WWII veterans and home front workers who were employed by the Company to events commemorating the Lifting of the Leningrad Siege, the Breach of the Leningrad Energy Siege, and celebrating Victory Day. In order to maintain the historical values, all branches of the Company and its executive bodies distribute congratulatory posters.

On January 27, 2015, Lenenergo, PJSC held a memorial event dedicated to the 71st anniversary of the Lifting of the Leningrad Siege. Veterans of the Power Sector and employees of the Company placed wreaths and flowers at the Piskaryovskoye Memorial Cemetery. The group was led by Vasily Nikonov, the Acting CEO of Lenenergo, OJSC. A dinner and musical show were arranged for the veterans, and gifts were given.

Placing of wreaths and flowers at the Mother Homeland Memorial in Saint Petersburg and the plate commemorating the power sector workers at the Piskaryovskoye Memorial Cemetery were part of the city-wide memorial event dedicated to the Victory Day on May 9, 2015. A dinner and show were held. On the Day of the Breach of the Leningrad Energy Siege, September 23, the retired veterans and employees of the Company placed flowers at the Broken Circle Memorial and in the waters of the Lake Ladoga to commemorate laying of the cable that saved the city 73 years ago.

Aleksandr Kurilkin, the Lenenergo veteran, made a traditional artillery cannon shot at the Peter and Paul Fortress on December 18, 2015. The shot marked the beginning of celebrations of the Power Engineers' Day attended by the experts and veterans of the power industry and all resource providers of Saint Petersburg. On December 25 2015, Oleg Budargin, the CEO of Rosseti, PJSC, and Roman Berdnikov, the Acting CEO of Lenenergo, PJSC, met with the industry veterans of Saint Petersburg and the students of the Peter the Great St. Petersburg Polytechnic University. The meeting was attended by former heads of Lenenergo branches and divisions, WWII veterans, and residents of the Lenenergo under the siege. The event was dedicated to the Power Engineers' Day.

In 2015, in order to form the image of Lenenergo, PJSC as a socially responsible entity, the Company held several sports events. On August 8, Lenenergo, PJSC held football and volleyball tournaments for the partner grid companies. About 50 athletes from Lenenergo, St. Petersburg Power Grid, North-West MES, and the Leningrad Facility of North-West MES took part in the tournaments. On October 25 and November 29, a football and a volleyball tournaments were held for the Saint Petersburg grid and shipbuilding companies at the sports base of the Saint Petersburg State Agricultural University. Apart from the grid companies' teams (L, St. Petersburg Power Grid, North-West MES, and the Leningrad Facility of North-West MES), teams from the largest Saint Petersburg factories and plants took part in the competitions: Admiralty Shipyards, Baltiysky Plant, and Northern Shipyards.

On December 13, Lenenergo, PJSC held a table tennis tournament for the city grid companies in Baltiysky Bereg club.

The Public and Government Relations Department publishes a corporate journal of Petersburg Power Engineer (16 columns) and a regional insert for Russian Grids newspaper (8 columns) monthly. It is an important communication tool creating the single information space both within the Company that has a diverse branch system, and the outside media space. The methods for selection and presentation of the information in the corporate papers are based on the principles of accuracy, timeliness, and accessibility. The papers distribution system covers all branches and divisions of the Company, including the most remote ones.

6.8 Anti-Corruption Policy

The Board of Directors approved the Anti-Corruption Policy of Rosseti, OJSC and its SDCs on December 30, 2014 (Minutes No. 18 dd. January 12, 2015) that sets out a uniform approach to the fulfillment of the requirements of Art. 13.3 of Federal Law No. 273-FZ dd. December 25, 2008 *On Combatting Corruption in the Rosseti Group*.

On June 1, 2015, Lenenergo, PJSC joined the Anti-Corruption Charter of Russian Business (Certificate No. 2023 dd. June 1, 2015).

In order to provide for the implementation of tasks with respect to the prevention of corruption offences and the requirements of the Anti-Corruption Policy, the Company took actions in the following areas:

- review and handling of reports on possible corruption offences and other abuse
- prevention of corruption when interacting with the partners and contractors
- identification and resolution of the conflicts of interest
- design and introduction of standards and procedures to ensure good faith
- control of the insider information.

Review and handling of reports on possible corruption offences and other abuse:

In order to improve the procedure for receipt, review and handling of reports on possible corruption, to ensure confidentiality, and the availability of such procedures, Order No. 381 dd. August 25, 2015 amended the Guidelines for Reception, Review, and Handling of Reports (from Employees, Contractors of Lenenergo, PJSC, and other individuals and entities) on Possible Cases of Corruption approved by Order No. 159 dd. April 14, 2015.

Subject to Order No. 381 dd. August 25, 2015, an Anti-Corruption Policy Section was created on the corporate website, containing, for example, the details and feedback forms to be used to report on possible abuse by Lenenergo and its SDCs' employees to the anti-corruption compliance sector of Lenenergo, PJSC (ACCS). Similar sections were also created on websites of the Company's SDC.

In 2015, the ACCS received 31 report, 29 of which were forwarded to the relevant divisions, and 2 were reviewed by the ACCS itself.

Prevention of corruption when interacting with the partners and contractors:

In order to improve the anti-corruption operations, Lenenergo, PJSC approved the anti-corruption clause to be included in the contracts made by the Company under Order No. 415 dd. September 16, 2015. At the same time, the ACCS employees are included in the expert council for procurements as permanent expert to verify the procedures with respect to availability and assessment of information contained in the Ownership Chain Certificates of the tender participants (including beneficiaries and end beneficiaries), the Data Processing Consent, the Conflict of Interest Declaration, and the declaration of affiliation with the members or employees of the Client/Procurement Initiator, Lenenergo, PJSC and/or Lenenergo, PJSC SDCs.

The Board of Directors approved the Uniform Procurement Standard of Rosseti, PJSC (Procurement Regulations) (Minutes No. 30 dd. December 31, 2015), subject to which the procurement documents sent to Lenenergo, PJSC should include the anti-corruption covenants of the tender participants, and an ACCS employee is to be included in the tender committee.

The ACCS continued its operations from 2013 in line with Instruction No. VP-P13-9308 dd. December 28, 2011 of V. Putin, the Chairman of the Government of the Russian Federation, as to the disclosure of information on the ownership chains (up to the end beneficiaries). In 2015, the ACCS verified information on 1115 contractors, with whom the Company made 2652 contracts.

Identification and resolution of the conflicts of interest:

Subject to the Regulations for the Corporate Ethics and Conflict of Interest Committee of Lenenergo, OJSC approved by Order No. 209 dd. May 19, 2015, and in order to identify the conflict of interest, Order No. 350 dd. August 13, 2015 provides for making the employees aware of the Conflict of Interest Regulations of the Company and for the procedures for declaration of the conflict of interest of the administrative staff and management of the Company and its SDCs in 2014.

Order No. 393 dd. September 3, 2015 appointed new members of the Corporate Ethics and Conflict of Interest Committee of Lenenergo, PJSC that reviews the cases of possible conflicts of interest discovered during verification of information, and determines the methods for the handling of those.

In 2015, six of the discovered cases of the conflict of interest were resolved prior to the involvement of the Committee, and one was resolved by the Committee.

Design and introduction of standards and procedures to ensure good faith:

In order to set out the procedure for the employees' reporting gifts during the social functions, business trips, and other official events, for submitting and assessment of gifts, for disposal (sale) and crediting of funds from such sale, Order No. 377 dd. August 24, 2015 approved the Regulations for Reporting Gifts Obtained with respect to the Position in the Company or Fulfillment of Official Duties, Submitting and Assessment of Gifts, Disposal (Sale) of Gifts and Crediting of Funds from Such Sale. Similar regulations were introduced in the Company's SDCs.

Subject to Art. 3 of Federal Law No. 224-FZ dd. July 27, 2010 *On Combatting the Illegal Use of Insider Information and Market Manipulation, and On Amending Certain Russian Laws* (Law No. 224-FZ), the Board of Directors approved the Insider Information Regulations, hereafter the Regulations, on June 19, 2013 (Minutes No. 36). The Regulations are published on the official website of Lenenergo, PJSC, available for the insiders to read.

Subject to Art. 11 Par. 2 of Law No. 224-FZ, and Par. 4.3-4.5 of the Regulations, the anti-corruption compliance sector of Lenenergo, PJSC carries out the function of control of the Company's compliance with the laws and acts with respect to the insider information distribution.

Since Bank of Russia's Instruction No. 3379-U dd. September 11, 2014 *On the List of Insider Information of the Persons Specified in Par. 1-4, 11, and 12 of Art. 4 of Federal Law On Combatting the Illegal Use of Insider Information and Market Manipulation, and On Amending Certain Russian Laws* (containing the exhaustive list of information of the Issuers, whose securities are admitted for trade in Russia, or who applied for trading admittance for on-exchange trading, Chapter 2 Par. 2.1) came into force on November 3, 2014, and the organizational structure and the form of ownership of the Company changed, the Board of Directors of Lenenergo, PJSC approved the revised Regulations for Insider Information (Minutes No. 34 dd. December 4, 2015).

The ACCS took actions were taken with respect to the following areas in order to comply with the requirements of the laws governing the insider information:

- keeping (updating) the insider lists
- sending the insider list to the trade organizer upon written requests
- notifying the insiders on their inclusion in/exclusion from the insider lists; registering the insider notifications
- controlling the transactions with the Company's shares by the insiders
- controlling the insider information protection.

On November 2-6, 2015, the 6th UNCAC conference was held in Saint Petersburg and set out the strategic areas in the anti-corruption international cooperation for the following years. It was attended by the employees of the corporate and anti-corruption compliance departments of Rosseti, PJSC and its SDCs responsible for the implementation of the anti-corruption measures. Information on the event is published in the regional insert of Lenenergo, PJSC for Russian Grids corporate newspaper.

The Company's objectives for 2016 and the medium-term objectives with respect to the Anti-Corruption Policy:

In view of the purchase of shares in St. Petersburg Power Grid, JSC and Petrodvorets Power Grid, OJSC, the Anti-Corruption Policy of Rosseti, PJSC and its SDCs is to be introduced in these entities, and the actions specified in the Policy are to be applied.

In view of the Board of Directors' approval of the revised Insider Information Regulations of Lenenergo, PJSC, and the organizational changes in the Company, the ACCS plans to revise the Guidelines for Lenenergo Divisions Interaction with respect to the Insider Information Regulations and Federal Law No. 224-FZ dd. July 27, 2010 in H1 2016.

SECTION 7. ANNEXES

The Annexes are provided in a separate file of 223 pages, including the Accounting Report subject to the RAS on 100 pages.

GLOSSARY

The Glossary must contain all abbreviations, units of measurements, terms (financial and industry specific), or acronyms used by Rosseti, PJSC and Lenenergo, PJSC. The terms' synonyms may be provided as well as their descriptions or definitions.

All professional abbreviations must also be explained in the text.

DIA	State Corporation Deposit Insurance Agency
TSA	Trading System Administrator of the Wholesale Power Market
Gross Regional Product (GRP)	The base indicator of the social and economic development of the Russian constituent entities that illustrated the result of production of goods and services for a period. GRP is the amount of the gross value added (GVA) produced by all residents of the regional economy, plus the amount of the net taxes for the products
Foreign Trade Turnover	The sum of exports and imports
HEI	higher educational institution
ACPP	the annual comprehensive procurement program
SDC	Subsidiaries and dependent companies
Financial income	Salary of payroll employees, incomes of persons engaged in entrepreneurial activities, pensions, benefits, scholarships, and other social transfers, incomes from property in the form of interest on deposits, securities, dividend, etc.
Financial income actual	Nominal financial income adjusted by the consumer price index
Financial income per capita	A result of dividing the overall financial income amount by the permanent residents' number
CC	a dispatch control center
CFM	cash flow movement
EU	the European Union
UES	the Unified Energy System
Imports	Importation of goods to a country without obligations to export them back. Imports are made of goods brought to a country intended for internal consumption, goods brought to a country under the reexports system, and the goods bought abroad by the domestic entities for internal consumption
INN	Taxpayer Identification Number
Consumer Price and Goods and Services Price Index (CPI)	A parameter that represents the change of the overall prices and tariffs for the goods and services purchased by the general public for non-production consumption. It measures the ratio between the price of a fixed set of goods and services in the current period and its price in the previous period
Industrial Production Index	A relative indicator that characterizes the changes of the production scopes over the compared periods. Industrial production indices can be individual and aggregate. The individual index reflects the change of the specific goods production scope. It is the ratio of the production scope in kind over the compared periods. The aggregate industrial production index reflects the aggregate changes of the production (of all goods). It characterizes the change of cost created during the process of production as a result of change of the actual scope of the goods produced. In order to calculate the aggregate industrial production index, the individual indices for specific types of goods are aggregated step-by-step into the economic activity indices and the overall industrial production indices

Industrial Producer Price Indices	These are based on the registered prices to the goods representing the base (principal) enterprises. The actual enterprises' prices (net of indirect commodity taxes: VAT, excise duty, etc.) for the products intended for sale domestically in the report period are taken into account
Foreign investments in the	Contributions from foreign investors and foreign branches of Russian entities to the
Inflation	A process described by the overall price level increase in the economic environment, or, if equivalent, by the decrease of the purchasing capacity of money
CL	A cable line
CSB	A cubicle switchboard
CSBGI	A gas-insulated small-size cubicle switchboard
PPTS	A package pole-mounted transformer substation
St. Petersburg MPMC	The Saint Petersburg Municipal Property Management Committee
Asset Liquidity	The ability of an asset to be transformed into funds through an established production process. The liquidity rate is determined by the time such transformation requires to be completed
Facility's Liquidity	The facility's ability to convert its assets (property) into cash quickly and with minimum financial losses
Facility's Accounting Liquidity	The degree of coverage of the facility's obligations by its assets, the liquidity rate of which corresponds to the obligations maturity term
LenRTC	The Leningrad Region Tariff and Pricing Policy Committee
PL	A power line
IMF	The International Monetary Fund
IIFTS	The Inter-district Inspectorate of the Federal Tax Service
IFRS	The International Financial Reporting Standards
Ministry of Finance	The Ministry of Finance of the Russian Federation
RD&T	Research, development, and testing
R&D	Research and development
VAT	Value added tax
TC of Russia	The Tax Code of the Russian Federation
ITA	Intangible assets
SEB	The science and engineering board
FAC	The fixed assets construction office or department
FA	Fixed assets
FB	Federal bonds
Company	Lenenergo, Open Joint Stock Company of the Power Industry and Electrification
RDMS	The response data management system
PO	Pilot operation
Population estimate	Estimation of the number of residents in a region or part thereof without a specific census survey
AR	Accounting Regulations
LCS	A load-center substation
Petrostat	The territorial body of the Federal State Statistics Service for Saint Petersburg and the Leningrad Region
Facility's paying capacity	The facility's ability to fulfill its financial obligations arising out of commercial, loan, or other transactions of a credit nature
SS	A substation
CCP	A cost control program
DP	A distribution point
RAS	The Russian Accounting Standards
DGC	A distribution grid company
DTS	A distribution transformer substation
SB	A switchboard

Balanced financial result (profit minus loss)	The end financial result calculated based on the accounting of all business operations of the entity. It is a sum of profit (loss) from sale of the products (works, services), fixed assets, other property, and income from non-sale operations, minus the expenses for such operations. The balanced financial result information is provided for the large and medium entities, in actually applicable prices, structure and methods of the respective period, according to the accounting report
NWFD	The North-Western Federal District
SO UES	The system operator of the unified energy system
CDCS	The control DC system
BAMS	The business assets management system
Inventory	Goods and materials
TGE (in power sector)	Territorial grid entity (according to Federal Law No. 35-FZ dd. March 26, 2003 On Electric Power Industry)
GC	Grid connection
PSP ST	A signal transmitter of the power system protection
Service	Useful effect of operations that meets specific needs but does not have a tangible (financial) form. The main types of international services are: transportation, accommodation and catering, post service and communication, machinery repair, equipment assembly, and other services
FAS	The Federal Antimonopoly Service of Russia
FZ	The Federal Law
FGC	FGC UES, PJSC
FTS	The Federal Tariff Service of Russia
Financial analysis	A set of analytical procedures at the facility level that are based, in general, on the publicly available financial information and are intended to assess the economic potential of the facility and its development prospects
FCSM	The Federal Commission on Securities Market
Central Bank	The Central Bank of the Russian Federation
FRC	The Financial Responsibility Center
e/p	Electric power
Exports	Exportation of goods outside of the customs territory of a state without obligations to export them back. Exports include domestically produced goods, as well as reexportation of goods. The domestically produced goods also include foreign goods brought to the country and significantly changed with respect to their principal quality or technical properties. The reexported goods include the goods brought to the country and then exported back without being processed
EBITDA	Short for Earnings before Interest, Taxes, Depreciation and Amortization — an analytical parameter that equals the profit before the expenses for interest, taxes, depreciation and amortization are excluded.
ROE	Short for return on equity. The ratio of the net profit to the net equity after taxes. Also referred to as cost-effectiveness of equity.
PITS	A package integrated transformer substation
OL	An overhead line
HEI	A higher educational institution
UES	A unified energy system
CL	A cable line
CSBO	An outdoor small-size cubicle switchboard
CSBGI	A gas-insulated small-size cubicle switchboard
PL	A power line
RD&T	Research, development, and testing
R&D	Research and development
LV	Low voltage
SEB	The science and engineering board
D&T	Development and testing

PO	Pilot operation
SW	Software
SS	A substation
SHW	A software and hardware package
PSP	Power system protection
SB	A switchboard
OL IMS	The overhead lines insulation pollution monitoring system
MV	Medium voltage
SO UES	The system operator of the unified energy system
DCTS	The data collection and transmission system
PDCTS	The process data collection and transmission system
SVC	A static VAR compensator
TS	A transformer substation
SC	A controlled series compensation
PSP ST	A signal transmitter of the power system protection
CSR	A controlled shunt reactor
PSU	A phase shifting unit.