
Performance Assessment System

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

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

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

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

Performance Assessment System

General Director's KPIs (target values) set by the Board of Directors	
KPIs of senior managers (target values) set by the Board of Directors and the General Director	
<p>Annual KPIs</p> <ul style="list-style-type: none"> ▪ Bonus prerequisites ▪ Determining a bonus amount ▪ Long-term ▪ Indicative 	<p>Quarterly KPIs</p> <ul style="list-style-type: none"> ▪ Bonus prerequisites ▪ Determining a bonus amount
<ul style="list-style-type: none"> ▪ Net profit; ▪ Reduction of expenses for purchase of goods (works, services) per product unit by at least 10% per year during three years in real terms in the 2010 prices; ▪ Operations reliability: Average duration of interruption in power supply; ▪ turnover of receivables for electricity transmission services; ▪ EBITDA; ▪ growth rate of manageable operating costs in the period compared to the actual value of the preceding period; ▪ Level of losses of electricity to be supplied to the grid; ▪ Investment effectiveness: <ul style="list-style-type: none"> ▪ Compliance with the schedule of capacity commissioning and implementation of the financial and capital investment plan covered by work acceptance certificates (for the year) ▪ Utilization of newly commissioned capacity ▪ Quality of services rendered: <ul style="list-style-type: none"> ▪ Quality of grid connection services ▪ Quality of electricity supply ▪ Quality of service ▪ Efficiency of innovations; ▪ Operations reliability: SAIFI, SAIDI, change in technical conditions (Δcondition index/Δcost); ▪ Information flow quality; ▪ Share of the electricity market in the regions of operation; ▪ Total shareholder return (TSR) ▪ Increase/saving of controllable costs over the approved OPEX in RAB regulation system. 	<ul style="list-style-type: none"> ▪ Zero workplace fatalities or group accidents with severely injured employees due to non-fulfillment (poor performance) of duties by Company employees; ▪ Obtaining (availability) of a readiness certificate in due time; ▪ Operations reliability: Prevention of breakdowns above the set limit; ▪ Investment efficiency: Compliance with the quarterly financing and capital investment schedules covered by work acceptance certificates and the investment program year to date (for the quarter); ▪ Control over operating cash flow; ▪ Coefficient of completed repairs of core equipment; ▪ No violations of current legislation of the Russian Federation, Articles of Association, and Company in-house regulations during corporate events.

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

Description		Target	Actual
Net profit, RUB thous.		> 0	–620,027 ¹
Reduction of expenses for purchase of goods (works, services) per product unit by at least 10% per year during three years in real terms in the 2010 prices;		≥ 100	115
Operations reliability:			
Average duration of interruption in electricity supply, %		1	1
EBITDA, RUB million		≥ 6,468,965	4,583,774 ²
Growth rate of manageable operating costs in the period versus las year's actual, units		≤ 0.97	0.97
Level of losses of electricity to be supplied to the grids, %		≤ 6.42	6.41
Investment efficiency:	Compliance with the schedule of capacity commissioning and financial and capital investment plan covered by work acceptance certificates (for the year), %	≥ 95	100
	Utilization of newly commissioned capacities, units	≥ 0.25	0.27
Quality of services rendered	Quality of grid connection, units	1	1
	Quality of electricity supply, units	1	1
	Services quality, unit	1	1
Obtaining (availability) of a readiness certificate in due time (Q1, Q4) ³	Q1	RC availability	RC availability
	Q4	RC availability	RC availability
Zero workplace fatalities or group accidents with severely injured employees due to non-fulfillment (poor performance) of duties by Company employees ⁴	Q1	0	1
	Q2	0	0
	Q3	0	1
	Q4	0	0

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

1: –620,027 - Cause for non-compliance — formation of a provision for investment impairment in JSC Bank Tavrichesky of RUB 1,665,078 thousand.

2: 4,583,774 - Cause for non-compliance — formation of a provision for investment impairment in JSC Bank Tavrichesky of RUB 1,665,078 thousand.

3: Obtaining (availability) of a readiness certificate in due time (Q1, Q4) - Quarterly indicator.

4: Zero workplace fatalities or group accidents with severely injured employees due to non-fulfillment (poor performance) of duties by Company employees - Quarterly indicator. Actions taken by the Company to mitigate the risk of injury and measures implemented to prevent fatalities and injuries involving third parties and employees are described in section Occupational Health and Safety.