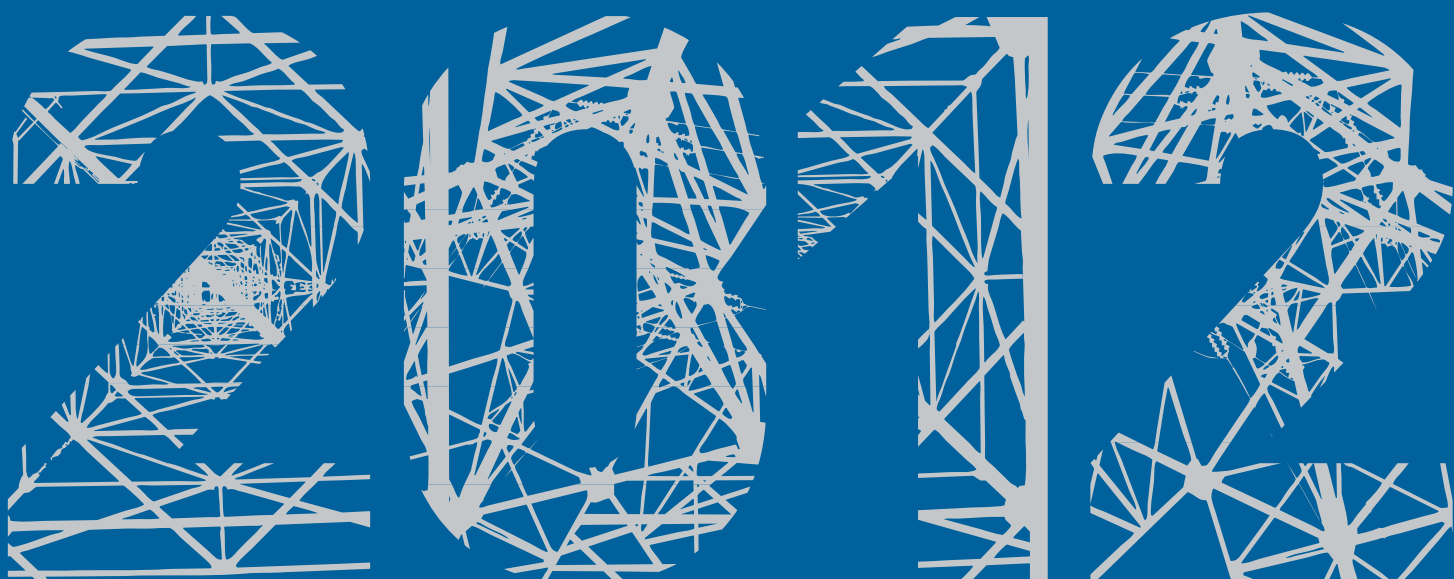




ANNUAL REPORT



**RUSSIAN NETWORKS
IN THE SOUTH**



2012

ANNUAL REPORT



Interregional Distribution Grid Company of the South
Open Joint-Stock Company

DISCLAIMER

The present Annual Report of IDGC of the South, JSC (hereinafter the "Annual Report") was prepared on the basis of the information available to the Open Joint-Stock Company Interregional Distribution Grid Company (hereinafter IDGC of the South, JSC, or the Company) and its dependent and subsidiary companies at the moment the report was drawn up.

The present Annual Report contains "statements which make forecasts concerning future events" which are susceptible to the influence of various risks. These risks include the possibility of a change in the financial and economic conditions in which the Company operates and in its growth prospects; the possibility of changes in the political and economic situation in Russia; a change in the existing or future regulation of the Russian energy sector; the possibility of a change in Russian legislation; as well as the influence of other factors.

The majority of these factors are outside the Company's control, or outside the Company's ability to make forecasts.

Forecast statements, due to their specificity, are connected to integral risks and uncertainty, both of general and special character, and there's a danger that the estimates, forecasts, projections and other forecast statements won't come true.

Considering the above-mentioned, the Company warns readers that factual results can differ significantly from the figures expressed either directly or indirectly in the given forecast statements and real statements only at the time when the Annual Report was compiled.

The company doesn't hold any responsibility for losses which individual persons or legal entities might incur when acting based on forecast statements. In each specific case these forecast statements represent only one of many ways in which events may develop, and should not be seen as being the most likely.

TABLE OF CONTENTS

Address to shareholders of the Chairman of the Board of Directors of IDGC of the South, JSC and the General Director — Chairman of the Management Board of IDGC of the South, JSC	4
Main operating results	8
1. ABOUT THE COMPANY	12
Geographical location	14
Brief history of company development	14
Corporate structure	15
Key milestones and events	18
Position of IDGC of the South, JSC in the industry	24
Priority business areas and development prospects	27
2. RESULTS OF THE ACTIVITY	40
Production	40
Activities on electric power transmission	40
Energy saving and increase of energy efficiency	45
Technological connection to the electric grids of the Company	46
Improvement of operational reliability and electric power system efficiency	53
Information technologies development	55
Development of automation technologic control systems	57
Procurement activity	58
Investment activity	63
Innovation-driven growth	68
Finances	72
Basic provisions of the Company's Accounting policy	72
Analysis of the Company financial status and activity results	75
3. CORPORATE REPORT	90
Corporate governance	90
Auditing Committee	118
Auditor	123
The internal control and risk management system	125
Legal support of the Company business	131
Property management	132
4. SHARE CAPITAL AND SECURITIES MARKET	140
Share capital	140
Circulation of shares at the stock market	143
5. SUSTAINABLE DEVELOPMENT REPORT	148
Personnel policy of the Company	149
Ecological policy	159
Customer-oriented policy	162
Preventing emergency situations	164
Public relations, relations with public authorities, international cooperation, congress and exhibition activities	165
Glossary	170
APPENDICES:	173
1. Information on electricity transmission services by IDGC of the South, JSC	174
2. Information on tariffs and volumes of demand for technological connection	178
3. Reporting financial information by Russian standards	182
4. Auditee reporting financial information by International standards	192
5. Auditor's report on the Reporting financial information by Russian standards	236
6. Auditing Committee opinion	238
7. Report on compliance of IDGC of the South, JSC with the Corporate Governance Code	241
8. Information about the participation of IDGC of the South, JSC in non-core business areas	251
9. Information on interested-party transactions conducted by IDGC of the South, JSC	253
Contact information	273

ADDRESS TO SHAREHOLDERS OF THE CHAIRMAN OF THE BOARD OF DIRECTORS OF IDGC OF THE SOUTH, JSC AND THE GENERAL DIRECTOR — CHAIRMAN OF THE MANAGEMENT BOARD OF IDGC OF THE SOUTH, JSC

Dear Shareholders!

IDGC of the South, JSC holds a dominant position in the market of electric power transmission services in the Southern Federal District. The Company is part of the IDGC Holding, JSC group of companies, one of the largest infrastructure companies in Russia, which controls about 80% of the nation's distribution grid complex. The development of IDGC of the South, JSC, as well as other interregional distribution grid companies in the IDGC Holding, is to a large extent determined by the policies pursued by IDGC Holding, JSC through its representatives on the boards of directors of its subsidiary companies.

The Company's main business activity is transportation of electricity through networks of 110 kV and below in four regions: the Rostov, Astrakhan and Volgograd Regions, and the Republic of Kalmykia.

IDGC of the South, JSC conducted its business activity in 2012 in accordance with the laws of the Russian Federation, the Company Charter and internal documents regulating the activities of management and control of the Company, the Corporate Governance Code, the Information Policy of IDGC of the South, JSC, as well as other internal documents. Corporate governance is based on respect for the rights and legitimate interests of the Company's shareholders, investors, managers, and other stakeholders.

An integral part of the overall management system of IDGC of the South, JSC is the system of internal control and risk management. This system ensures that the Company management bodies take the most efficient and economically sound solutions, improving transparency and governance.

The Company Board of Directors held more than 20 meetings in 2012, which reviewed more than 300 questions.

The main directions of business activity of IDGC of the South, JSC on which the efforts of the management and workforce were made in 2012 were identified by the Board of Directors as the following:

- ensuring reliable and safe operation of the electric grid complex;
- modernization, renovation and new construction of power facilities;
- increasing the investment attractiveness and value of the Company;
- providing energy-efficient and innovative development of the Company;
- implementing a customer-oriented approach in the business activities of IDGC of the South, JSC;
- increasing information transparency;
- reducing accounts receivable within the framework of the action plan for financial recovery of IDGC of the South, JSC;
- preventing injury to third persons on power facilities of IDGC of the South, JSC (for 2013–2014).

The Board of Directors adopted the following important decisions, among others:

- the participation of IDGC of the South, JSC in the Non-Profit Partnership "The National Committee SIREN Electrical Distribution Networks" was approved, as well as the Company's participation in the Non-Profit Partnership "Market Council to

*Vladimir Frantishkovich
Vashkevich*

*General Director — Chairman
of the Management Board
of IDGC of the South, JSC*



Organize an Effective system of Wholesale and Retail Electric Power and Capacity”;

- the Company's strategy in the field of information technology, automation and telecommunications for the period up to 2016 was approved;
- a program of energy conservation and energy efficiency of IDGC of the South, JSC for 2013 and the forecast to 2018 was approved;
- the plan for the Company's long-term development for 2012–2018 was approved.

Board of Directors meetings regularly reviewed reports from the General Director on the various activities of the Company and on the implementation of previous decisions.

IDGC of the South, JSC conducted its business in difficult financial circumstances in 2012 that have arisen due to chronic non-payment on the part of large industrial enterprises, and power sales and related power supply companies for power transmission services. The total accounts receivable of IDGC of the South, JSC before the end of 2012 were 8,262.8 million rubles. Under these conditions, the main problem that must be solved by the Company is maximum mobilization of internal resources to ensure the quality and reliability of power supplies.

The volume of services provided for the transfer of power in the reporting of 2012 amounted to 27 billion, 029.7 million kWh. The electricity supply from the network in 2012 relative to 2011 increased by 90 million kWh. Thanks to this, the total amount of revenue of IDGC of the South, JSC was 23,464 million rubles in 2012.

Address to shareholders

Revenue from electricity transmission services equaled 21,362 million rubles, and revenue from technological connection to the electric grid of the Company equaled 1,954 million rubles.

In accordance with the production program of IDGC of the South, JSC for 2013, electricity supplies to the network of IDGC of the South, JSC are planned to amount to 30,513 million kWh, which is 1.1 % more than output to the network in 2012. The reason for the planned increase is the natural growth of electricity consumption. The planned revenue from the sale of services for electric power transmission to networks of IDGC of the South, JSC for 2013 is 25,807.9 million rubles.

Successfully completing the key tasks of production activities during the reporting period, the Company management paid close attention to optimizing expenses during the reporting period, which addressed all cost items of the Company. Nevertheless, the company's business activities for the year were unprofitable. The value of the net loss amounted to 3,302.9 million rubles. Among the negative factors that influenced the financial results were the reversal of revenue in the Rostovenergo branch by a volume of 1,717 million rubles, and allowances made for doubtful loans due to the presence of the recommendations of the internal and external auditors of the Company in an amount of 1,615 million rubles. These activities have been carefully thought out by the company management and are required for the authenticity of accounting.

Despite the fact that the Company had a negative financial result for the year, a number of measures were taken to reduce costs in terms of production costs, administrative expenses, and interest expenses as a result of activities for optimizing costs by 707 million rubles in regard to the plan. The Company also made revenue of 101 million rubles in excess of the plan from technological connection to the grid.

In accordance with the main activities identified for 2012 by the Board of Directors, in spite of the difficult financial situation, the efforts of the Company's executive bodies during the year were aimed at ensuring the effective operation of transmission facilities, the implementation of tasks to maintain the system's reliability and safety, and maintenance and implementation of the investment program.

In 2012, pursuant to the Company's investment program, capital investments in the amount of 5,094.7 million rubles were made, or 103.5% of the approved plan. Introduction of fixed assets amounted to 3,439.2 million rubles. More than 1.3 thousand km of transmission lines (122 % of the plan) were installed, 202.7 MVA (106.4 % of the plan). The actual volume of capital investments grew by 24 % in 2012 compared to 2011, and by 182 % compared to 2010.

The most significant event for the year was the completion of construction of the NPS-3 substation with capacity of 80 MVA in the Republic of Kalmykia. Furthermore, adjacent overhead power lines and substations were introduced and reconstructed for a total cost of 733.2 million rubles. More than 85 km of electric lines were reconstructed. The new substation is one of the key objects in the large-scale investment project of IDGC of the South, JSC for technological connection of pump stations (NPS-2 and NPS-3) of the Caspian Pipeline Consortium "CPC-R". In the framework of implementation of the automatic system for commercial accounting of power consumption was reconstructed networks in the Volodarsky District of the Astrakhan Region, and in the Neklinovsky Tatsinsky Districts of the Rostov Region.

The long-term investment program of IDGC of the South, JSC for 2013–2017 calls for making capital investments of 28,814 million rubles (excluding VAT), financing of 33,454 million rubles (including VAT), and introduction of fixed assets of 31,353 million rubles.

During this period it is planned to re-build and reconstruct 3,325 km of overhead lines and produce transformer capacity of 1,773 MVA.

IDGC of the South, JSC plans to return to break-even at the end of 2013, which undoubtedly will result in improved financial results, liquidity and financial stability. Much attention will be paid in 2013 to improving operational efficiency, and the Company will focus on the task of reducing its operating and financial expenses. It is also planned to optimize measures of investment activities.

The Company directed 670.3 million rubles towards repair of transmission facilities in 2012. Repair of electrical equipment amounted to 104 % of the planned cost. Overhaul of substations, high-voltage lines and cables, maintenance, diagnostics and testing equipment was made to the extent required. Thanks to this, as well as the high level of professionalism and coherence of the staff of IDGC of the South, JSC, the Company timely and accurately completed all preparations for the autumn-winter period. The Company received a Certificate of readiness for the autumn-winter period 2012–2013 on November 9, 2012. There were no major accidents in equipment of the grid complex IDGC of the South, JSC.

The most important direction of development of the Company in 2012 was the preservation of RAB-regulation for the branches of Astrakhanenergo, Rostovenergo, and Kalmenergo, which provides long-term optimization of the parameters without changing the size of the invested capital and securing executive bodies for the long term. Implementation of the adopted long-term parameters is aimed at the development and reliability of the power grid facilities in the regions, reducing depreciation, increasing energy safety in the regions, and their attractiveness.

As part of the framework of the Program of innovative development of IDGC of the South, JSC for 2011–2016, the main activities in 2012 were aimed at creating a system of innovation develop-

ment in the Company, including the construction of communication platforms, involving the basic industry of higher education. The program provides for the development in 2012 of 134.55 million rubles, the implementation of research and development work.

At the end of 2012 the Company successfully passed certification of the integrated management system based on three international standards: ISO 9000 series in the field of quality, ISO 14000 in the environmental field, and OHSAS 18000 in the field of health protection. The second issue of certificates is valid until the end of 2015, subject to successful completion of oversight audits.

IDGC of the South, JSC is a socially responsible company, and has a system of corporate social responsibility (SA 8000:2001) in order to improve working conditions and living standards of workers and protect certain categories of stakeholders in the company. The Company carried out training and public disclosure of consistent regular social statements for 2011 in accordance with international standards in 2012.

The Company intends to continue in 2013 to work on the development of the distribution grid complex in the area of responsibility of the Company under the leadership of Russian Networks, JSC, created by decision of the President of Russia, Vladimir Putin, together with authorities at all levels. Despite the objective difficulties which were reflected in the results of the financial and economic activity, it was possible to create conditions for implementation of a financial recovery plan, and improve efficiency in key parameters activities.

We hope that the results achieved, the objectives set, and the strategic goals of IDGC of the South, JSC can allow us to count on the confidence of our shareholders, the public authorities and foreign investors, including when attracting large-scale investments to the power sector of the Southern Federal District.

Respectfully yours,

**Chairman of the Board of Directors
of IDGC of the South, JSC**

**General Director
of IDGC of the South, JSC**

**Valery Anatolyevich
Goncharov**

**Vladimir Frantishkovich
Vashkevich**

MAIN OPERATING RESULTS OF IDGC OF THE SOUTH, JSC FOR 2012

Amount of electric power delivered
to consumers —

27,029.7 mln kW•h

*Anticipation for 2013 —
27,364.7 mln kW•h*

Territory of the presence region —
334 ths km²

Population —
about **8.1 mln people**

Electric power loss —

9.66 %

*Anticipation for 2013 —
9.43 %*

15,929 engineering connections
with the total capacity of
401,553 kW added

*Anticipation for 2013 —
8,335 engineering connections with the
total capacity of 323,049 kW*

Income from services of
power delivery —

21,363 mln RUB

*Anticipation for 2013 —
25,807 mln RUB*

Average staff list size —

14,035 people

**Income from engineering
connection services —
1,954 mln RUB**

*Anticipated revenue for 2013 in accordance
with the agreed BP for 2013 —
1,153 mln RUB*

**Investment outlay —
5,095 mln RUB**

*Anticipation for 2013 —
5,254 mln RUB*

**EBITDA
561 mln RUB**

*Anticipation for 2013 —
4.4 bln RUB*

**Commissioning 1,316 km
of power networks and 203 MV • A
of transformer capacity**

*Anticipation for 2013 — 645 km
of power networks and 459 MV • A
of transformer capacity*

**Sales margin —
6.53%**

**Company capitalization —
2,591.17 mln RUB**





ABOUT THE COMPANY

More than **1.3** thousand km
of transmission lines were installed in 2012

1

ABOUT THE COMPANY



Astrakhan



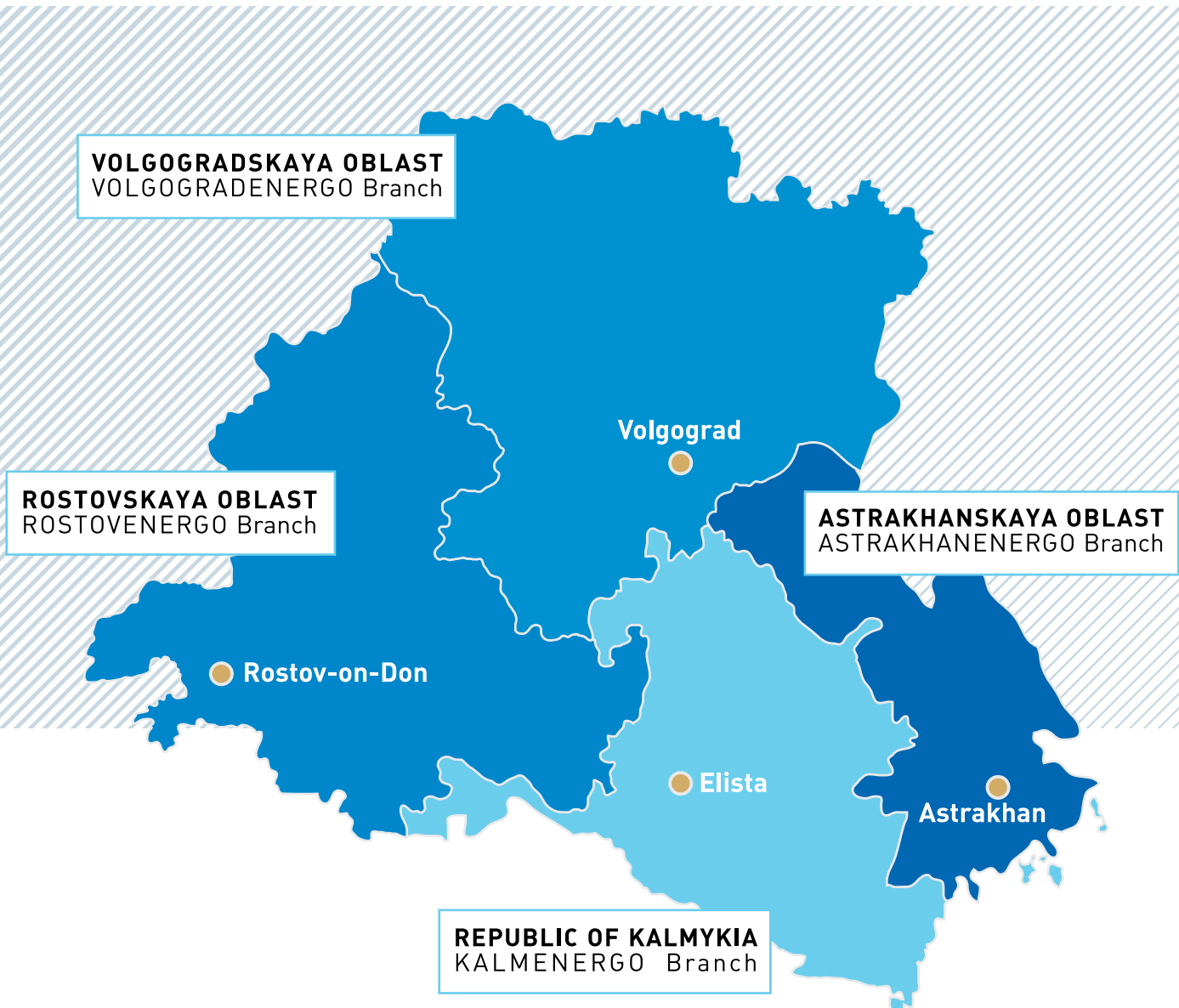
Volgograd



Rostov-on-Don



Elista



1. About the company

GEOGRAPHICAL LOCATION

IDGC of the South, JSC operated in four regions of the Southern Federal District of Russia during the reporting period, including the Astrakhan, Volgograd and Rostov Regions, and the Republic of Kalmykia.

In terms of territorial responsibility, the operations of IDGC of the South, JSC were confined to the areas stretching to the administrative boundaries with Krasnodar and Stavropol Territories in the south, to the Sea of Azov and the national boundary adjoining Ukraine in the west, to the administrative boundaries with the Voronezh and Saratov Regions in the north, and to the national boundary with Kazakhstan, the Caspian Sea and administrative boundaries with the Republic of Dagestan and the Karachay-Cherkess Republic in the east.

The total area of presence of IDGC of the South, JSC is about 334,000 square kilometers, with a population of 8.1 million people and an average population density of 24 people per square kilometer.

BRIEF HISTORY OF COMPANY DEVELOPMENT

The establishment of IDGC of the South, JSC is an integral part of the approved Russian power industry reform plan, which presupposes interregional integration of newly established companies after splitting the power companies based on their business profiles.

The key milestones and dates of electric power industry reform are described on the "Reform" page of the Company's web-site.

IDGC of the South, JSC was registered on 28 June 2007 following the resolution of its sole founder — RAO UES of Russia, JSC (Order of RAO UES of Russia, JSC dated 22.06.2007 No. 192p).

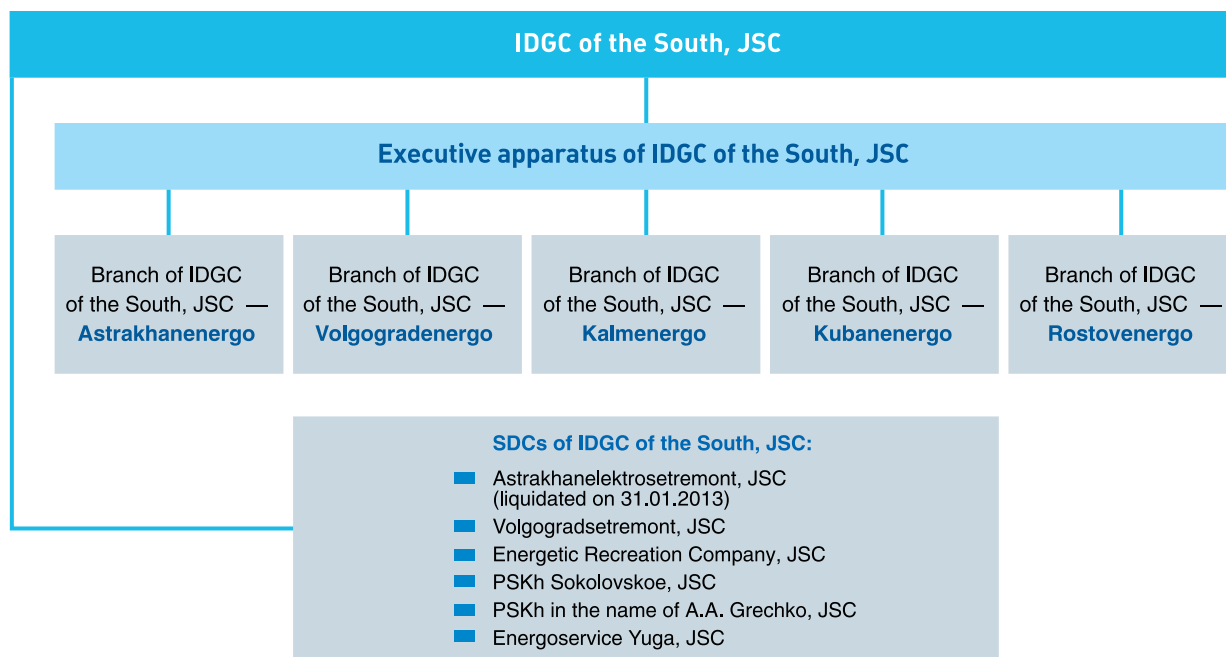
Later on the Management Board of RAO UES of Russia, fulfilling the functions of the extraordinary general meeting of IDGC of the South, JSC shareholders (minutes dated 25.12.2007 No. 1795np/6), as well as the general meetings of shareholders of five distribution grid companies (DGS) — Astrakhanenergo, JSC; Volgogradenergo, JSC; Kubanenergo, JSC; Rostovenergo, JSC; Kalmenergo, JSC; adopted decisions on reorganization of the companies by joining them to IDGC of the South, JSC.

Notes on termination of the activities of companies affiliated to IDGC of the South, JSC (Astrakhanenergo, JSC; Volgogradenergo, JSC; Rostovenergo, JSC; Kalmenergo, JSC) were introduced to the Unified State Register of Legal Entities on 31 March, 2008.

From that moment on IDGC of the South, JSC has been carrying out its business as a single operation company.

IDGC of the South, JSC was performing functions of the sole executive body of Kubanenergo, JSC until 1 December 2010.

Occupying the leading position on the electric power distribution market, IDGC of the South, JSC is now a part of IDGC Holding, JSC group, one of the largest infrastructure companies in Russia that controls about 80% of the country's distribution grid complex.

CORPORATE STRUCTURE

The corporate structure of IDGC of the South, JSC has been developed in accordance with the joint Order of RAO UES of Russia, JSC and FGC UES, JSC “On Improvement of the Corporate Structure of the Operating IDGC” dated 24 December 2007 No. 356p/459p, approved at the meeting of the Company Board of Directors (minutes dated 28 January 2008 No. 7/2008) and enacted on 1 April 2008 (Order of IDGC of the South dated 28 January 2008 No. 11).

The main business activities of IDGC of the South, JSC are distributed among functional units managed by deputies of the General Director of IDGC of the South, JSC:

- economics and finance;
- development and sales of services;
- capital construction and investments;
- technical issues;
- corporate management, property management, consolidation of grid assets and legal support;
- HR management, corporate development, and labor remuneration, administration and supply, business administration;
- security, protection of state secrets;
- energy conservation and enhancement of energy efficiency.

The corporate structure of IDGC of the South, JSC was amended as follows by the resolution of the Board of Directors:

- minutes dated 25.07.2008 No. 16/2008;
- minutes dated 23.12.2008 No. 21/2008;
- minutes dated 03.06.2009 No. 28/2009;
- minutes dated 07.08.2009 No. 31/2009;
- minutes dated 06.08.2010 No. 52/2010;
- minutes dated 11.02.2011 No. 59/2011;
- minutes dated 01.06.2011 No. 65/2011;
- minutes dated 19.03.2012 No. 84/2012.

Some activities are carried out through independent structural subdivisions directly subordinated to the General Director of IDGC of the South, JSC:

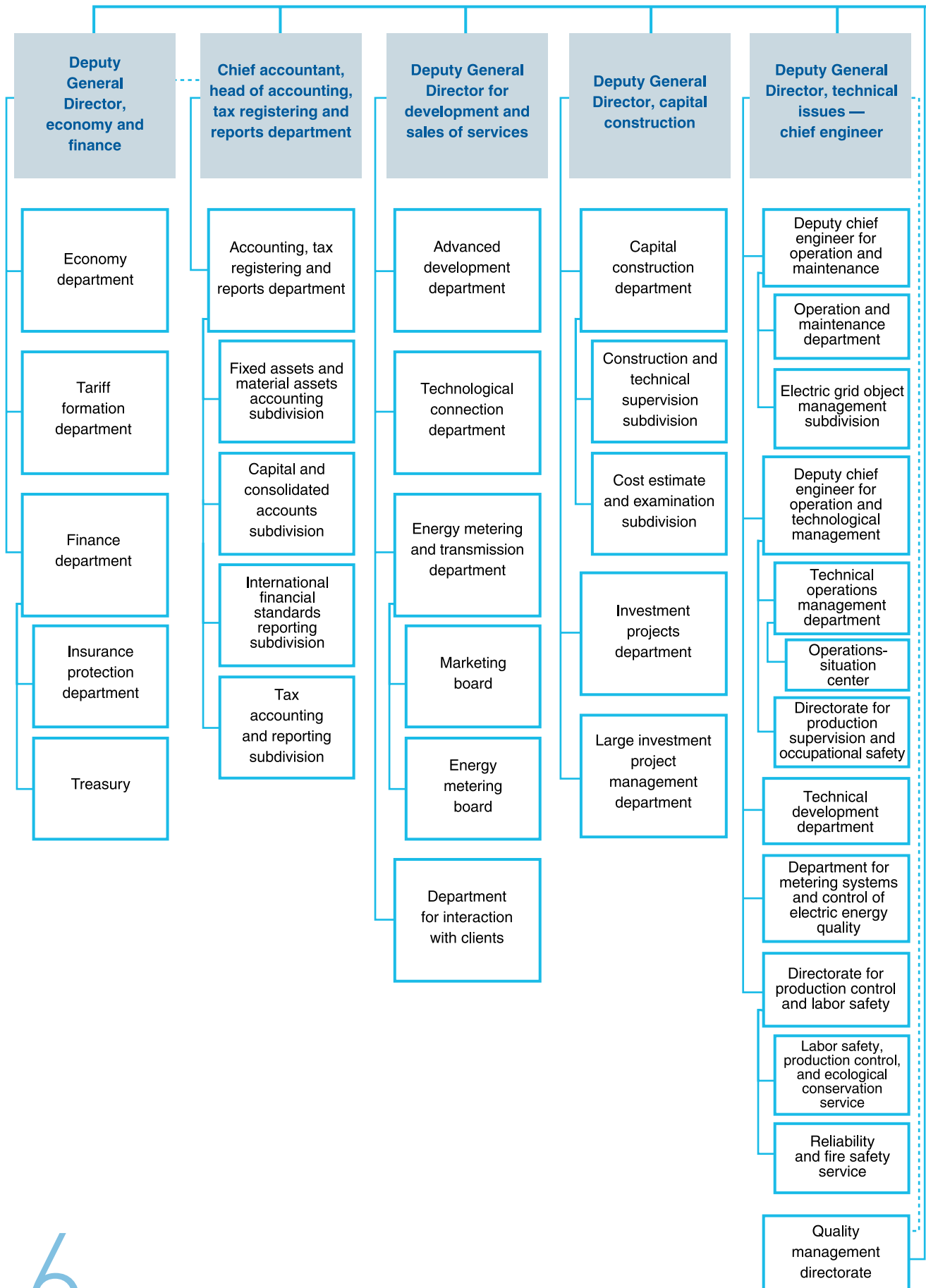
- Department of accounting and tax accounting and reports;
- Department of internal audit and risk management;
- Department of logistics and inventory;
- IT department;
- Technical inspection department;
- Public relations department;
- Quality management directorate;
- Department for mobilization preparation and civil defense.

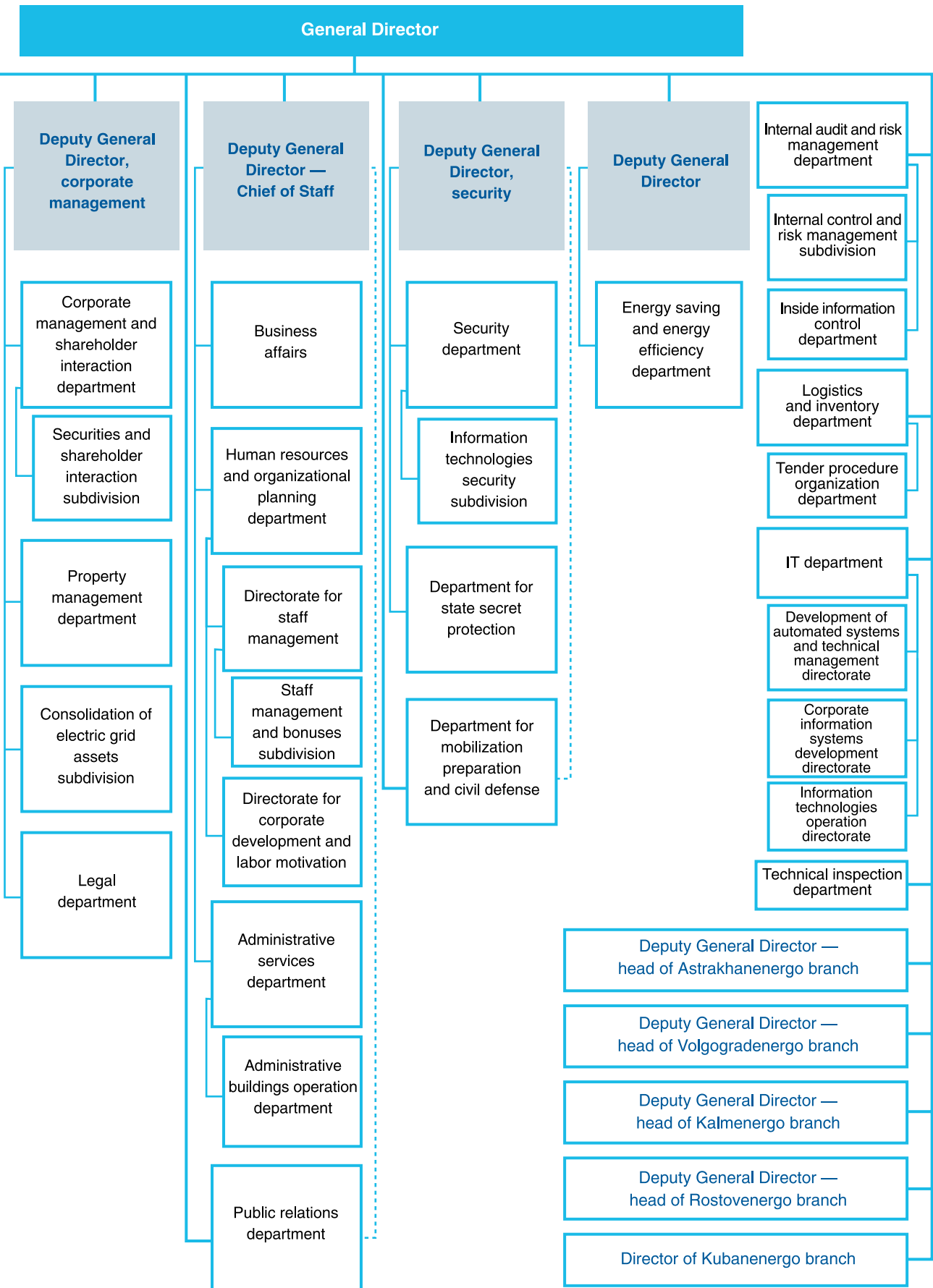
The corporate structure includes Deputy General Directors — directors of subsidiaries who manage current activities of the established Company subsidiaries on the basis of the powers of attorney issued by the General Director of IDGC of the South, JSC.

1. About the company

Corporate structure of IDGC of the South, JSC executive office

(approved by the decision of the IDGC of the South, JSC Board of Directors, minutes date 01.06.2011 No. 65/2001)





1. About the company

Company subsidiaries

According to the resolution of IDGC of the South, JSC Board of Directors (minutes dated 11 January 2008 No. 6/2008) five subsidiaries of IDGC of the South, JSC were established:

1. **IDGC of the South, JSC subsidiary — Astrakhanenergo** registered at: 32, Krasnaya Naberezhnaya Street, Astrakhan, 414000;

2. **IDGC of the South, JSC subsidiary — Volgogradenergo** registered at: 15, Lenina Avenue, Volgograd, 400066;

3. **IDGC of the South, JSC subsidiary — Kalmenergo** registered at: Severnaya Industrial Zone, Elista, Republic of Kalmykia, 358007;

4. **IDGC of the South, JSC subsidiary — Kubanenergo** registered at: 2, Stavropolskaya Street, Krasnodar, 350033;

5. **IDGC of the South, JSC subsidiary — Rostovenergo** registered at: 49, Bolshaya Sadovaya Street, Rostov-on-Don, 344002.

All the subsidiaries of IDGC of the South, JSC, except for Kubanenergo, have been operating since 31 March 2008.

IDGC of the South, JSC subsidiary — Kubanenergo does not carry out any operational activities.

IDGC of the South, JSC owned 100% of voting shares in the following companies as of 31.12.2012 (more complete information is given in p. 3.6. and appendix 8 of this Annual Report):

1. Astrakhanelektrosetremont, JSC»;
2. Volgogradsetremont, JSC;
3. Grechko A. A. Enterprise of Agriculture, JSC;
4. Sokolovskoe Enterprise of Agriculture, JSC;
5. Energetik Recreation Centre, JSC;
6. Energoservis Yuga, JSC.

KEY MILESTONES AND EVENTS

January

- IDGC of the South, JSC implemented industrial operation of the IS-U model of the SAP system.
- A press tour was conducted to grid connection facilities of the Caspian Pipeline Consortium (Kalmykia).
- IDGC of the South, JSC assisted Kubanenergo, JSC in restoring power in the south-west energy region of Kuban.



February

February

- An IDGC of the South, JSC employee won the first National Youth Competition of Scientific Innovative ideas and Projects "Energy of the Future", organized by Holding IDGC, JSC.
- S. Bozhenov, Head of the Administration of the Volgograd Region, and S. A. Arkhipov, General Director of IDGC of the South, JSC held a scheduled meeting in Volgograd to discuss the development of the power industry in the Region.
- Sergey Shmatko, Minister of Energy of the Russian Federation, visited the Grids Management Centre of IDGC of the South, JSC subsidiary — Astrakhanenergo and held meeting with its management as part of his visit to Astrakhan on liquidation of damages caused by the explosion in a house in Nikolay Ostrovsky Street.

March

- The Interfax-South news agency held a press conference of S. A. Arkhipov, General Director of IDGC of the South, JSC on March 11, which was attended by representatives of the leading media of the Southern Federal District and the Rostov Region.

April

- The Council meeting of young professionals of IDGC of the South, JSC was held in Rostov-on-Don on April 2.
- S. A. Arkhipov, General Director of IDGC of the South, JSC took part in the production meeting of Holding IDGC, JSC to tally the results of passage of the autumn and winter period of 2010–11.
- Timur Alaev, director of the Kalmenergo branch of IDGC of the South, JSC and Vladimir Miroshnichenko, Minister of Natural Resources and Environmental Protection of the Republic of Kalmykia, signed an agreement on cooperation at a work meeting on 17 April.
- The Social Report of Interregional Distribution Grid Company of the South for 2010 was entered in the National Register of corporate non-financial reports.
- Vitaly Ivanov, the Deputy Director General — Chief Engineer of IDGC of the South, JSC, was awarded a letter of gratitude from during the All-Russian Production Meeting with the leaders of IDCs/DGCs, held on April 24 at Holding IDGC, JSC in connection with tallying the results of passage of the autumn and winter period.
- The Senior managers of IDGC of the South, JSC took part in the All-Russian Conference "On the results of passage of the 2011–2012 heating season and tasks for preparing for the 2012–2013 winter season", which was held at the Ministry of Energy of the Russian Federation on April 25.



April

1. About the company

May

- IDGC of the South, JSC and the Government of the Astrakhan Region developed the program for the development of power in the Astrakhan Region in the years 2013–2017.
- The Volgogradenergo branch of IDGC of the South, JSC was ranked among the top companies in the region according to the rating of industrial companies and organizations for the 1st quarter 2012 made by the Government of the Volgograd Region.

June

- A festive event for children of employees of IDGC of the South, JSC was organized by the company on Children's Day. The event was also attended by children from children's homes, boarding schools, and orphanages of the Astrakhan, Volgograd and Rostov Regions and the Republic of Kalmykia.
- The General Meeting of Shareholders of IDGC of the South, JSC was held on June 18, which tallied the Company's business results for 2011.
- On June 22, the Grief and Memory Day, the regions of operation of IDGC of the South, JSC hosted closing events in the All-Russian historical and memorial campaign "Victory Banner Relay Race" organized by IDGC Holding, JSC. Copies of the legendary combat banners of the 150th Infantry Division Idritsa, were carried with honor by the energy workers to all memorable places of southern Russia, and were given to be stored in the areas of the electrical networks.

July

- The regional stage of the All-Russian competition of professional skill "Best in Profession" in the nomination "The Best Electrician" was finished in Astrakhan. Furthermore, the inter-regional competition of professional skill of experts in insulation and surge protection of power branches of IDGC of the South, JSC was finished.
- IDGC of the South, JSC took part in the National Forum of participants of the market of energy auditing and energy services.
- By order of Sergei Arkhipov, General Director of IDGC of the South, JSC, 59 employees of the Company executive office and branches were thanked for their great personal contribution to the electric grid and in connection with the fifth anniversary of the Company's establishment.
- The authorities of the Volgograd region noted clear coordination of the actions of the energy workers of IDGC of the South, JSC in the organization of work to restore electricity supplies to consumers after these supplies were partially violated in the Volgograd Region as a result of a hurricane on the night of July 17 to 18, 2012.
- A working meeting between Sergei Arkhipov, General Director of IDGC of the South, JSC, and Alexander Zhilkin, Governor of the Astrakhan Region, was held in Astrakhan.



June



July

August

- A methodological workshop on innovative developments entitled “Maintenance of the electric distribution complex equipment under operating voltage” was held in Kamyshin Institute of Technology (Kamyshin, Volgograd Region) with representatives of Holding IDGC, JSC, IDGC of the South, IDGC of the Center, IDGC of the North Caucasus, electric distribution companies of Armenia and Tatarstan, as well as the faculty of the Volgograd State Technical University, the South-Russian State Technical University and the Research Department “Issues of Security of the Fuel and Energy Complex” of the Russian Academy of Military Sciences.
- The city of Azov, Rostov Region, hosted the 5th annual Spartakiad sports event among power engineers of IDGC of the South, JSC.
- An Extraordinary General Shareholders' Meeting of IDGC of the South, JSC was held on August 24, in which the decisions were taken to terminate the powers of the Board of Directors and to elect a new Board of Directors.

September

- Energy workers of IDGC of the South, JSC won second place at the All-Russian competitions for operative maintenance personnel of the distribution grid complex of Holding IDGC, JSC in Vologda.
- The All-Russian competition of professional skill teams at insulation and protection against electrical surges in the electrical network complex of Holding IDGC, JSC (federal stage of the All-Russian competition of professional skill “Best in Profession” in the nomination “The Best electrician”) was held from 10 to 15 September 2012, on the base of the 110/10–10 kV substation “Jubilee” in Astrakhan, part of the Astrakhanenergo branch of IDGC of the South, JSC.
- Young specialists of IDGC of the South, JSC took part in the IV Festival of young workers held by Tyumenenergo, JSC (Tyumen, 22–23 September 2012) as part of an exchange experience.
- Valery A. Goncharov (Deputy Chairman of UES FGC, JSC, Deputy Executive Director of the investment activity of Holding IDGC, JSC) was elected Chairman of the Board of Directors of the Company.
- The annual report of IDGC of the South, JSC for 2011 took first place in the nomination “Level of information disclosure” and “Industry report “Infrastructure”” at the IX annual Open competition of annual reports of joint stock companies, organized by the administration of the Krasnodar Region, with the participation of the Russian Institute of Directors and the journal Harvard Business Review-Russia, and held at the XI International Investment Forum “Sochi-2012”.



August



September

1. About the company

October

- The Board of Directors of IDGC of the South, JSC appointed Vladimir Frantishkovich Vashkevich as acting General Director on October 8, 2012.
- A working meeting was held between Vladimir Vashkevich, the acting General Director of IDGC of the South, JSC, and Alexei Orlov, Head of the Republic of Kalmykia, in Elista, the capital of the Republic of Kalmykia.
- Vladimir Vashkevich, the acting General Director of IDGC of the South, JSC, discussed the development prospects of the regional grid complex with Yuri Makhoshvili, Deputy Prime Minister and Minister of Industry, Transport and Natural Resources of the Astrakhan Region.
- Vladimir Vashkevich, the acting General Director of IDGC of the South, JSC, discussed the development prospects of the regional grid complex with Alexander Zhilkin, Governor of the Astrakhan Region, on October 19, 2012.
- IDGC of the South, JSC introduced a new Code of Corporate Ethics, which defines the basic corporate values, ethical principles, norms and rules of conduct for all employees of the Company.
- Vladimir Vashkevich, the acting General Director of IDGC of the South, JSC, took part in the All-Russian Conference "On the preparation of electric power for the autumn and winter of 2012–2013 and the development of the electric power and capacity market", which was held in Moscow.

November

- IDGC of the South, JSC received its passport of preparedness for operation in the autumn-winter period of 2012–2013 on November 9.
- The Annual Report of IDGC of the South, JSC for 2011 became the winner in the nomination "Best report of an issuer of the Southern Federal District" at the XV federal contest of annual reports and websites, organized by "Securities Market" magazine and the INVESTOR.RU social network in partnership with the Federal Service for Financial Markets and held as part of the ninth Federal Investment Forum.
- The Astrakhanenergo branch of IDGC of the South, JSC was chosen as one of the pilot sites for implementing the target communications program of Holding IDGC, JSC "Energy — a profession of the future".
- Vladimir Vashkevich, the acting General Director of IDGC of the South, JSC, held an onsite meeting at the construction site of 110/10 kV SS "NPS-3" to discuss the implementation of a major investment project for technological connection of all the objects of the Caspian Pipeline Consortium "CPC-R".

December

- Vladimir Vashkevich, the acting General Director of IDGC of the South, JSC, met with Sergey Bozhenov, Governor of the Volgograd Region, as part of a working trip to Volgograd to discuss important issues of grid complex development in the Volgograd region.
- A new electric substation "NPS-3" was launched in the Republic of Kalmykia, which is one of the key sites in the large-scale investment project of IDGC of the South, JSC for technological connection of oil pumping stations (NPS-2 and NPS-3) of the Caspian Pipeline Consortium "CPC-R".



October



November



December

- Vladimir Vashkevich, the acting General Director of IDGC of the South, JSC, held a press conference in the Interfax-South information agency for the leading media of the Southern Federal District and the Rostov Region, at which he tallied the results of 2012.

Events after the reporting date

January

- Energy workers of IDGC of the South, JSC took second place at the All-Russia competition of professional skill repair crews of FGC UES and Holding IDGC, which took place in Sochi — the capital of the 2014 Winter Olympic Games.
- 250 energy workers from IDGC of the South, JSC consisting of 68 teams were involved in liquidating the consequences of natural disasters on the power grid of the Rostov Region.

February

- A production meeting was held in Rostov-on-Don by the Department of Public Relations of IDGC of the South, JSC and the leaders of the PR subdivisions of the branch offices of the Company at formulating strategies for implementing the Company information policy.
- The Board of Directors of Open Joint-Stock Company Interregional Distribution Grid Company of the South" chose Vladimir Vashkevich on February 14, 2013, to be General Director of the Company until 2016.
- IDGC of the South, JSC completed a certification audit. The SAS accreditation body (Switzerland) reviewed and approved the audit results and decided to approve and issue the corresponding certificates.
- Vladimir Vashkevich, General Director of IDGC of the South, JSC made a working visit to Volgograd, where he discussed the key areas of implementing the Company's production and social policy with the heads of the branches of the Company operating in the Volgograd, Astrakhan and Rostov Regions and the Republic of Kalmykia.

March

- A meeting in presentia was held on March 1 of the Management Board of IDGC of the South, JSC, led by the Chairman of the Board — Company General Director V. F. Vashkevich.
- A press conference dedicated to the election of the Company General Director and the development perspectives of IDGC of the South, JSC was held on March 6, 2013 in Rostov-on-Don.



January 2012



February 2012

1. About the company

POSITION OF IDGC OF THE SOUTH, JSC IN THE INDUSTRY

IDGC of the South, JSC incorporates distribution grid complexes of the constituent entities within the Southern Federal District of the Russian Federation: the Republic of Kalmykia, Astrakhan, Volgograd and Rostov Regions and carries out the following activities:

- Compensated power transmission services ensured by a number of organizationally and technologically interconnected processes including those of operation and technology management;
- Technological connection of energy receiving equipment (power plants) of individuals and legal entities to the Company electric grids;
- Operations and repair.

By the Decree No. 208-э of the Federal Tariff Service dated 16 June 2008, IDGC of the South, JSC is included into the registry of natural monopolies in the fuel and power industry subject to state regulation and control through tariffs setting for electric power transmission and technological connection of consumers to electric grids of IDGC of the South, JSC.

Today in the Russian power industry there are three levels of grid companies defined on the basis of their location and technologies used:

Level 1. The Federal Grid Company (FGC UES, JSC) is an organization that monitors the Unified National (Russia-wide) Power Grid (UNPG), owning grids of 220 kV and higher and carrying out its business in the territory of the Russian Federation.

Level 2. Interregional distribution grid companies (IDGC) established as a result of AO Energo reorganization by activity type and further incorporation of distribution grid companies.

IDGC own grids of 110–0.4 kV and provide power transmission and distribution services in the territory of the Russian Federation constituent entities, the DGCs of which have been incorporated.

Level 3. Local grid companies established as municipal enterprises (providing services to consumers within one municipal entity) and generally owning grids of 10–0.4 kV.

During reorganization some of these enterprises were merged: local grid companies provide services to consumers in several municipal entities and some to those located in the territory of the whole Russian Federation constituent entity.

Currently, IDGC of the South, JSC is a Level 2 interregional distribution grid company connected to the UNPG and holding the leading position on the power transmission services market of the Southern Federal District of the Russian Federation.

That said, any other grid company located in the territory of IDGC of the South, JSC operation, is a subordinate and had to enter into a service agreement on power transmission with IDGC of the South, JSC to carry out its business in 2012 (this refers to Level 3 companies connected to IDGC of the South, JSC grids).

Customers of the company largely include energy sales companies, energy wholesale and retail markets participants, as well as local grid companies.

A significant part of the power supplied to consumers located in the territory of IDGC of the South, JSC operation transmitted via the Company's grids.

For consumers directly connected to the UNPG, IDGC of the South, JSC has signed power grid property lease agreements ("last mile") with the UNPG owner (FGC UES, JSC), thus obtaining the right to provide power transmission services to such consumers.

The Company carries out its core business as a natural monopoly regulated by the state in terms of setting tariffs for power transmission and technological connection as well non-discriminatory consumer access to power grids.

IDGC of the South, JSC is the largest unit of the power industry providing power transmission services to consumers located in the territory of the Southern Federal District of the Russian Federation.

The strategy of IDGC of the South, JSC consists of further integration of the grid complex through acquisition of related grid companies prioritized by stability of their payments for power transmission services, reduction of excessive losses, enhancement of reliability of power transmission to the end user.

The following measures are being taken by the Company to maintain this positive tendency:

- Continuous monitoring of regional energy markets consisting in forecasting and analyzing factors influencing the Company

business, as well as working out ways to reduce their negative impact on the Company performance;

- Interaction with the Russian Federal Tariff Service, Ministry of Energy, administrations of Russian Federation constituent entities, distribution grid companies, FGC, IDGC Holding, JSC, local grid companies, energy sales and supply companies in terms of tariffs and balance regulation and regional energy markets operation.

In order to minimize financial and other losses IDGC of the South, JSC timely detects and prevent possible risks of energy sales companies' insolvency related to payments for provided power transmission services. The following measures are taken by the Company to normalize settlements with sales companies: entering into direct service agreements with consumers on power transmission, settling disputes in the course of agreements and negotiations, cooperating with administrative and regulatory bodies.

PERFORMANCE OF THE MAIN IDGC OF THE SOUTH, JSC PRODUCTION FACILITIES (as of 31.12.2012)

Index	Unit of measurement	Total	IDGC of the South, JSC subsidiary — Astrakhanenergo	IDGC of the South, JSC subsidiary — Volgogradenergo	IDGC of the South, JSC subsidiary — Kalmenergo	IDGC of the South, JSC subsidiary — Rostovenergo
Number and capacity of 35–220 kV substations, total	pcs	1,218	136	396	117	569
	MVA	18,484	2,140	6,557	1,112	8,675
Incl. 220 kV substations	pcs	4	0	2	2	0
	MVA	516	0	126	390	0
110 kV substations	pcs	638	90	260	46	242
	MVA	14,707	1,777	5,636	512	6,782
35 kV substations	pcs	576	46	134	69	327
	MVA	3,262	364	795	210	1,893
Total length of overhead lines	km	156,193	19,069	44,937	19,319	72,868
Length of 35–220 kV overhead lines	km	27,729	3,023	8,896	4,156	11,654
Incl. 220 kV overhead lines	km	386	0	141	245	0
110 kV overhead lines	km	15,710	2,354	5,933	1,958	5,465
35 kV overhead lines	km	11,634	669	2,822	1,954	6,189
Length of 0.38–10 kV overhead lines	km	128,464	16,046	36,042	15,162	61,214
Incl. 10 kV overhead lines	km	72,496	9,266	21,174	12,002	30,054
6 kV overhead lines	km	3,845	1,103	900	24	1,818
0.38 kV overhead lines	km	52,125	5,678	13,968	3,137	29,342
Total length of cable lines	km	2,094	1,136	428	1	529
Incl. 110–35 kV cable lines	km	87	2		0	85
10–0.38 kV cable lines	km	2,007	1,134	428	1	444
Number and capacity of 6.10–0.38 kV transformer and distribution substations	pcs	30,446	3,452	9,973	3,206	13,815
	MVA	5,041	879	1,842	317	2,003

1. About the company

PHYSICAL WEAR OF IDGC OF THE SOUTH, JSC POWER GRIDS (as of 31.12.2012)

Power grid facilities	Wear, %
General wear of substation equipment, including:	85.64
Power transformers	76.56
Commutation devices (switches)	51.35
35–220 kV overhead lines	61.33
0.38–10 kV overhead lines	78.62
35–110 kV cable lines	30
0.38–10 kV cable lines	67.71
Total for electrical lines:	70.96

ENERGY CONSUMPTION FOR INDUSTRIAL AND ECONOMIC NEEDS (including delivery points of tenants)

Name	Unit of measurement	2012	
		Estimated	Actual
Energy resources provided under supply/purchase agreements, total	thou RUB	269,819.48	239,028.82
Electric power	thou RUB	229,243.13	208,065.25
	thou kWh	66,450.01	60,081.98
Heat	thou RUB	20,525.59	13,871.81
	Gcal	22,249.69	13,346.16
Cold water supply	thou RUB	7,203.65	5,620.00
	thou m ³	204.61	178.48
Hot water supply	thou RUB	295.00	1,286.20
	thou m ³	3.90	12.64
Natural gas	thou RUB	12,552.12	10,185.56
	thou m ³	2,324.65	2,152.33

* Amount shown includes VAT.

Information about the Implementation of the Invested Capital Return Method (RAB Regulation) in the Company Branches

In pursuance of the resolution of the Government of the Russian Federation dated 29.12.2011 No. 1178, a revision of tariffs for electricity transmission was conducted in the second half of 2012 for the Astrakhanenergo, Kalmenergo, and Rostovenergo branches of IDGC of the South, JSC, and the approval of long-term RAB parameters until 01.07.2017, agreed in advance with the FTS of Russia, was achieved.

The main results of the revision of RAB parameters are:

- the amount of invested capital, adopted during the transition to RAB, was kept for all branches;
- a sufficient level of profitability for "old" capital of 6% to 11% was figured in;
- the long-term investment programs for electricity transmission for 2012–2017 were approved in amounts sufficient for

development and ensuring the continued and reliable supply of electricity to customers in the regions.

We believe that implementation of the adopted long-term parameters aimed at development and reliability of the power grid facilities in the regions will reduce the wear on fixed assets, increase energy security of the regions and their attractiveness to investors, and at the same time ensure the profitability of the company as a whole.

The local tariff service of the Volgograd Region decided to implement regulation for 2011–2013 using long-term indexation for the Volgogradenergo branch of IDGC of the South, JSC.

The transition of the Volgogradenergo branch of IDGC of the South, JSC to the method of RAB tariff regulation will continue during 2013.

PRIORITY BUSINESS AREAS AND DEVELOPMENT PROSPECTS

The mission of IDGC of the South, JSC

- We are a team of like-thinkers and professionals. We create a base for stable economic development of the regions of Southern Russia through consolidation of energy assets and increasing the efficiency of electricity supplies, as well as through the successful experience of each individual employee of the Company and our partners.
- We constantly work for development of electric grids and providing consumers with accessibility and the ability to use electric power where necessary, when necessary, and in the volume necessary.
- We strive to create favorable conditions for the work of each employee, providing for each employee to reach their potential and remain healthy.

The values of IDGC of the South, JSC

The values of IDGC of the South, JSC are a set of principles which all employees understand, share, and correspond to.

- Reliability (minimizing the time of interruptions in power supplies to consumers).
- Responsibility (the subjective attitude of the Company's employees towards their work in which they understand the importance of their work and carry responsibility to answer for the results of their work).
- Customer-oriented approach (reflects the position of the client in the Company's priorities through the commitment made by the Company's management to meet customers' needs).
- Leadership (a personality trait which allows senior and middle managers of the Company to build a strong team and take initiative).
- Professionalism (the ability to achieve the best possible results in professional activities for the Company's benefit with minimal resource use).
- Social responsibility (responsibility of senior management to the public, customers, employees, shareholders and future generations, recognition of their influence, and the desire to minimize negative impact on the given parties).
- Stability (the Company's ability to operate for long periods without sudden adverse changes in the internal environment while also featuring parallel development and implementation of advanced technologies).

1. About the company

DEVELOPMENT PROSPECTS IN THE COMPANY'S GEOGRAPHICAL AREAS OF SERVICE

Currently IDGC of the South, JSC is one of the largest and most quickly-developing energy companies of the Southern Federal Region of Russia, while at the same time being the "youngest". It will be important for the future growth that the Company choose the right goals and state the right development directions, as well as choose the right paths and methods for achieving these goals.

The most important development directions of IDGC of the South, JSC are:

- Customer-oriented policy and increased accessibility of electrical grid infrastructure;
- Effective planning of development of electric grids taking into account the change in direction of movements in the social and economic sphere and territorial planning of the regions;
- Conducting modernization and technical re-equipment of electric grid infrastructure objects;
- Building electric grid objects;
- Energy effectiveness and energy saving.

IDGC of the South, JSC developed an interaction map of capacity of 35–110 kV substations in 2012 (from hereinafter — the Interactive Map) with the aim of forming a unified approach to solving questions of future development, territorial planning, and investment projects of small and medium business.

The Interactive Map is a geographical map with information shown on it about the existing energy supply centers with indication of the zone of operation of generation, the level of use of electric grid equipment, and the planned stages of reconstruction and new construction.

The Interactive Map is available on the official website of IDGC of the South, JSC in the sub-section "Energy Supply Centers" of the section "Service Territory" in the "For Clients" bookmark of the site. The main page of the website also has the banner "Capacity Use of Substations" for direct access to the map by consumers (clients).

Visualization of information about the current capacity use of supply centers in the form of Interactive Maps is aimed at achieving the task of IDGC of the South, JSC (order of IDGC of the South, JSC dated 23.03.2011 No. 148) at fulfilling the Company's initiative of gaining the leading position among distribution grid companies of Eastern Europe, and is an advanced/innovational way of publishing information which has not been implemented for now by neighboring power grid companies (development and implementation of advanced technologies).

Implementation of visualization of the capacity use of power supply centers is an element of the form of required disclosure of information in accordance with the Standards for information disclosure of subjects of the wholesale and retail electric power markets, approved by Resolution of the Government of the Russian Federation dated January 21, 2004 No. 24 (in its current edition).

The use of the Interactive Map makes it possible to interact with the Administrations of the subjects of the Russian Federation online, and with potential investors for coordinating the development of the electric grid complex depending on the needs for electric capacity.

Furthermore, projects are being implemented on the territory of the regions which are part of the operating zone of IDGC of the South, JSC which are of significant interest to the leaders of the country of Russia as a whole, and of its regions, for developing large business and, as a result, for social-economic development of the regions as a whole, which in turn is key when developing and designing plans and programs for future development of the electric power sphere.

Interaction with executive power bodies at developing and designing plans and programs for future development is done through the mechanism of working meetings of coordination bodies which examine proposals for developing the electric power grid of the region.

In order to fulfill the plans and programs for future development of electric power distribution in subjects of the Russian Federation, as well as increase the accessibility of electric power grid infrastructure, many measures are called for which are aimed both at increasing the reliability of the already existing electric power grid, and at ensuring the possibilities of technological connection of new customers. These measures include reconstructing substations, increasing the cross-section of electric power lines, new construction of power supply centers, and installing overhead and cable power lines.

One must also pay special attention to the implementation in the zone of responsibility of IDGC of the South, JSC of large, socially-significant measures as part of which investment projects will be fulfilled which are directed at increasing the accessibility of electric power grid infrastructure.

One such project is organization of external power supplies to stadiums of the 2018 World Cup.

Under the resolution taken by members of the Fédération Internationale de Football Association (FIFA) in September, 2012 in the city of Zurich on hosting the 2018 World Cup in Russia, eleven cities of the Russian Federation were announced as hosts of football matches and mass-cultural events as part of the tournament.

Of these eleven cities, 2 are part of the operating zone of servicing by IDGC of the South, JSC: the city of Volgograd, and the capital of the Southern Federal District — Rostov-on-Don. In order to ensure timely fulfillment of measures aimed at providing electric power supplies to the 2018 World Cup infrastructure, IDGC of the South, JSC has organized active interaction with executive power bodies.

Reconstruction of a series of 110 kV power supply centers is planned in order to provide electric power with an increase in these stations' transformer capacity, as well as distribution grids of 6–10 kV, and also existing 110 kV overhead lines which go through the city of Volgograd, with the aim of increasing the transmission capacity of the lines. In terms of new construction, the Company plans to build the Gvardeiskaya Substation 110 kV and the Kubanskaya Substation 110 kV. According to preliminary information from the Government of the Volgograd Region, a total

of 60 MW of electric power capacity will be needed to supply 2018 World Cup infrastructure objects.

Construction of the Sportivanaya Substation 110 kV with overhead cable lines of 110 kV voltage is planned in the city of Rostov-on-Don in order to ensure electric power supplies to sports and infrastructure objects as part of the preparation in the city for hosting the World Cup. These measures are planned to be fulfilled in 2015–2016.

Furthermore, it's also noteworthy that the plans for outer electric power supplies to World Cup 2018 infrastructure objects is planned to be done using modern equipment and technologies by building electric grid objects within the city limits using "Smart Grid" elements.

Currently, measures called for by the Company investment program are being fulfilled with the aim of implementing the Company's development directions in terms of modernization and technical re-equipment of electric power objects, construction of electric grid objects, as well as complying to the requirements for energy efficiency and energy conservation in all branches of IDGC of the South, JSC.

Astrakhan Region

Reconstruction of the Funtovo Substation 110 kV was conducted in 2012 in order to fulfill measures for technological connection by replacing existing transformers 2×10 MVA with 2×16 MVA transformers, thereby ensuring the connection of the "Children's Health Center in the name of A. S. Pushkin" with announced capacity of 2,124.5 kW and other objects on the territory of the Privolzhsky District of the Astrakhan Region.

As part of fulfillment of liabilities under contracts for conducting technological connection to the electric grids of the Astrakhanenergo Branch of IDGC of the South, JSC, a total of 5,047 consumers were connected in 2012 for total capacity of about 100 MW.

In order to eliminate the deficit in electric power capacity at "closed" power supply centers, reconstruction of the Volodarovka Substation 110 kV was conducted in 2012 with replacement of the existing transformer of 6.3 MVA with a transformer of 16 MVA to ensure the reliability of electric power supplies to objects of the Volodarsky District of the Astrakhan Region.

In the future, the Company plans to implement measures for developing its distribution grid.

The long-term investment program of the Astrakhanenergo Branch of IDGC of the South, JSC for the period 2013–2018 calls for implementing the following measures:

- Reconstruction of the Vostochnaya Substation 110 kV with replacement of power transformers 2×25 MVA for the connection of social and private consumers of the Sovietsky District of the city of Astrakhan;
- Reconstruction of the Nachalovo Substation 35 kV with replacement of power transformers 2×10 MVA to connect the neighborhoods of low-rise buildings and the fast-developing building of individual homes in the town of Nachalovo in the Astrakhan Region;
- Reconstruction of the Oktyabrskaya Substation 35 kV with replacement of power transformers 2×10 MVA to connect buildings under construction of the Trusovskiy District of Astrakhan

1. About the company

and individual buildings in the Nariman District of the Astrakhan Region;

- Reconstruction of the Kiri-Kili Substation 110 kV with replacement of power transformers 2×40 MVA to connect buildings of the Leninsky Region of the city of Astrakhan;
- Reconstruction of the Lesnaya-Novaya Substation 110 kV with installation of a second 40 MVA transformer to ensure the reliability of the Severnaya CHPP and the connection of new consumers;
- Reconstruction of the Solodniki Substation 110 kV with replacement of the installed transformer for 10 MVA to increase the reliability of existing consumers;
- Expansion of the Tsarevskaya Substation 110 kV by implementing a third power transformer with a capacity of 40 MVA to connect the growing loads of new consumers in the Sovietsky District of the city of Astrakhan;
- Reconstruction of the Kamyzyak Substation 110 kV with installation of a second transformer with capacity of 10 MVA to ensure the reliability to existing and new customers of the district center of the Kamyzyak District of the Astrakhan region — city of Kamyzyak;
- Construction of the new Aeroportovskaya Substation 110 kV with overhead lines — 110 kV with two transformers with installed capacity of 2×40 MVA needed for meeting the growing demand from the existing objects of the Zatsarevsky District of the city of Astrakhan, as well as the newly connected consumers at Aeroportovskoe Sh. with a required capacity of 13 MW;
- Construction of the new Shipovskaya Substation 110 kV (with subsequent transfer of part of the load to 10 kV from the existing Trusovskaya Substation 35 kV) with 110 kV overhead lines with two transformers with a capacity of 2×40 MVA to connect buildings being built in the Trusovsky Region of the city of Astrakhan;

The Company is also providing for the continuation of reconstruction of the existing system-initiated 110 kV overhead lines on wooden poles with replacement by concrete and metal poles:

- Kapustin Yar — Pologoye Zaymishche (No. 701) — approximate length 26.6 km;
- Pologoye Zaymishche — Pokrovka (No. 702) — 18.87 km;
- Vladimirovka — Pokrovka (No. 703) — 12.2 km.

Under the Long-Term Power Development Program in the re-

gion in 2012, the following construction was started and is planned to be finished in 2013:

- Combined cycle gas turbine-235 on the territory of the Tsentralnaya Boiler Station in the city of Astrakhan with a capacity of 235 MW (tenderer LUKOIL-Astrakhanenergo Ltd.);
- Combined cycle gas turbine power plant in MO ZATO Znamensk with capacity of 44 MW (tenderer GK-4, JSC);
- Sites of NPS-5A (tenderer Caspian Pipeline Consortium — R, JSC). Work at technological connection to electric networks continues for the Astrakhanenergo Branch of IDGC of the South, JSC through the following measures:
 - construction of a double circuit 110 kV transmission line CCGT-235-Kiri Kili and loop approach from the 110 kV CRP-Buzanskaya (No. 170) (2013);
 - construction of the Kapustin Yar 110 kV SS — 110 kV gas turbine CCGT CHP and loop approach of Kapustin Yar 110 kV — Sovetskaya (No. 742) to 110 kV gas turbine CHP with the reconstruction of 110 kV Kapustin Yar and Sovetskaya (2013);
 - reconstruction of Zenzeli SS 110/35/10 kV (2013).

Furthermore, the Astrakhanenergo Branch of IDGC of the South, JSC conducts a significant amount of work at implementing measures for new construction and reconstruction of distribution grids 6–10 kV for the regional center — the city of Astrakhan.

Construction and installation works were started in 2012 on the first stage of the transfer of loads from 6 kV to 10 kV, from the Severnaya Substation 110 kV to the newly constructed Yubileinaya Substation 110 kV, and will continue in the coming years.

Cooperation with FGC UES, JSC was continued in 2012 to develop the electricity grid of the Astrakhanenergo Branch of IDGC of the South, JSC in dealing with issues of “closed” power supply centers requiring reconstruction of old equipment and an increase in transformer capacity.

For example, under the investment program of FGC UES, JSC for 2013, the completion of works is planned for replacing the existing transformers with voltage of 110/10 kV and capacity of 2×6.3 MVA to transformers 2×16 MVA and Harabali Substation 220 kV, as well as a comprehensive upgrade the Vladimirovka Substation 220 kV with replacement of transformers.

Implementation of the above measures will ensure the reliability of power supplies to existing customers, and the ability to provide smooth technological connections of new customers.

Volgograd Region

The industrial sector of the Volgograd Region, including enterprises for processing oil and gas, chemical, metallurgical and machine-building plants, uses the services of the Volgograd power industry. A significant part of electric power consumption comes from the general population and agriculture.

The annual implementation of measures under the investment program for the development of the Volgogradenergo Branch of IDGC of the South, JSC, ensures reliable power supplies in the region.

For example, the transformer T-2 with a capacity of 16 MVA was replaced with one of 40 MVA in 2012 at the Razvilka-2 Substation 110 kV, from which electricity is supplied to the inhabitants of the Kirov and Sovetsky districts of Volgograd, as well as to industrial enterprises, medical institutions, kindergartens, schools, and urban metrotram and water utilities. The Volgogradenergo Branch of IDGC of the South, JSC is planning in 2013 to complete the reconstruction of the substation by replacing the transformer T-1 with installed capacity of 16 MVA with a 40 MVA transformer in order to improve the reliability of power supplies to social objects of the Volgograd region (the Volgograd Perinatal Center, the Volgograd Cardiology Center, and the Volgograd Sanatorium).

In addition, reconstruction of the Razvilka-2 Substation 110 kV will meet the need for ever-increasing demand for power transformer capacity in the residential district on Zebina St. in the Sovetsky District of Volgograd, as well as a swimming pool in the Kirov District, and the Gera Shopping Mall.

Altogether in 2012, arrangements were made for the reconstruction of substations, and increasing the cross-section of power lines, which has improved the reliability of electricity supplies and the possibility of technological connection of new customers:

- reconstruction of substations with the replacement of 6–10 kV oil circuit breakers with vacuum ones;
- replacement of overhead ground-wire cable on 110 kV overhead lines — a total of 6.65 km;
- replacement of wires on 110 kV overhead lines — a total of 11.21 km;
- replacement of supports on 110 kV overhead lines — a total of 18 units, and at 35 kV overhead lines — a total of 10 units;
- replacement of porcelain insulators with glass ones at 110 kV overhead lines — a total of 1,703 units.

In order to ensure prompt technological information transfer

to dispatch centers, and to ensure the smooth supply of power supplies to communications equipment and remote control in dispatch centers and industrial zones of the branch offices, works were fulfilled for modernization of the communication systems and remote control systems and for installation systems of uninterrupted power supplies of the supervisory control system at 14 substations of 110 kV.

In accordance with the Regulation on Technical Policy of IDGC of the South, JSC, approved by order dated 30.08.2011 No. 523, the company is working to replace obsolete (dilapidated) electricity meters that do not meet current regulatory and technical standards.

Construction and assembly work was completed in 2012 at developing an automated electricity metering system for the largest energy losses (H. Plotnikov-2, at Solnechny and Tsentralny-2). Measurements were made on 35 bushings in apartment houses in Volgograd.

The Company is also planning further development in the Volgogradenergo Branch of IDGC of the South, JSC of automated electricity metering systems (AEAS). AEAS will significantly reduce commercial electricity losses, as well as quickly eliminate new sources of electricity losses.

It's noteworthy that 3407 new consumers were connected to the electrical grids of IDGC of the South, JSC, in 2012, with declared capacity of about 68 MW.

The Volgogradenergo Branch of IDGC of the South, JSC won't stop development, and is currently planning measures for the development of the electric power industry in the large urban centers of the cities of Volgograd and Volzhskiy.

Under the investment program of the Volgogradenergo Branch of IDGC of the South, JSC for the period 2013–2018, works will be performed at the following major projects:

Volgograd

- reconstruction of the 110 kV Eishanskaya substation with replacement of the 28 and 30 MVA power transformers by 2×40 MVA ones, which is aimed at improving the reliability of power supply to the current consumers and at connection of new consumers of the Sovetsky District of Volgograd;
- reconstruction of the 110 kV Festivalnaya substation with replacement of the existing power transformers 16 MVA with 40 MVA ones in order to improve the reliability of power supply to the Samarskaya pumping station and for connection

1. About the company

of new consumers of the residential complex currently under construction at Sheksninskaya Street;

- reconstruction of the 110 kV Yablochnaya substation with installation of a second power transformer with the capacity of 10 MVA in order to connect social and domestic consumers currently under construction in the Sovietsky District of Volgograd;
- reconstruction of the 110 TDN substation with replacement of the two existing power transformers 20 MVA with 2×25 MVA each and installation of an additional power transformer with a capacity of 25 MVA to connect new customers in Volgograd;
- reconstruction of the 110 kV Kurgannaya substation with replacement of the two existing power transformers 15 MVA with 40 MVA to increase the reliability of supplies to customers in the Krasnooktyabrsky District of Volgograd and connection of new customers.

Volzhskiy

- reconstruction of the 110 kV Gorodskaya-2 substation with installation of an additional power transformer with capacity of 40 MVA to improve the power supply reliability of the existing and newly connected facilities in Volzhskiy;
- reconstruction of the 110 kV Gorodskaya-3 substation with replacement of the two existing power transformers 16 MVA with 2×40 MVA to increase the reliability of supplies to customers and connection of new customers in Volzhskiy;
- reconstruction of the 110 kV Krasnaya Sloboda substation with replacement of existing power transformers 16 MVA with 2×25 MVA to increase the reliability of electricity supplies and ensure connection of new customers in Volzhskiy;
- reconstruction of the 35 kV Chaika substation with transfer to 110 kV and replacement of the existing transformers to 2×16 MVA.

Republic of Kalmykia

The climactic conditions in the Republic of Kalmykia are favorable for construction of generating facilities using renewable energy sources. The Republic of Kalmykia has technical wind energy potential estimated to be 170 MW and an annual output of 590 billion kWh.

The republic is one of the most favorable regions of the Russian Federation for the construction of solar power plants and the widespread use of solar collectors for heating. Based on the technical characteristics of proven and operated manufacturing equipment, the specific annual production of electric energy following their implementation can range from 145–200 kWh/m², with specific annual heat production of 800–900 kWh/m².

The republic also has resources of oil, raw materials for the production of building materials, as well as deposits of lake-salt, gas, and coal.

The large investor KTK-R, JSC is building 2 stations NPS-2 and NPS-3, which will provide hundreds of millions of rubles of investments in the economy of the republic and contributes to the implementation of joint projects in the industrial and social spheres.

IDGC of the South, JSC — Kalmenergo is engaged at organizing external power supplies under the signed contracts for technological connection with KTK-R, JSC for a total connected capacity 55.5 MW. The project involves the construction of substations of 110/10 kV, and overhead transmission lines of 110 kV in the Chernozemelsky, Iki-Burulsky and Yashkulsky areas, which will

increase the amount of useful output by 350 million kWh (estimated period — 2013–2014).

During the implementation of the major investment project of IDGC of the South, JSC — "Construction of 110 kV NPS-3 and 110 kV NPS-2 with power lines of 110 kV and reconstruction of adjacent 110 kV grid", works were carried out on the construction of 110 kV NPS-3, 110 kV NPS-3 — Iki Burul (40 km), overhead lines — 110 kV Partizanskaya – Iki Burul (56 km), overhead lines — 110 kV substation Elista-West-Iki-Burul: (79 km), overhead lines — 110 kV NPS-3 — Raguli (15 km), overhead lines — 110 kV substation Cholun-Hamura — substation Chernozemelskiy, 110 kV substation Elista West, 110 kV substation Iki-Burul, 110 kV substation Cholun-Hamura, 110 kV substation Adyk, and 110 kV substation Chernozemelskiy.

Housing is planned to be built during the period from 2014–2018 in the western region of the city of Elista. These will be low-rise buildings in separate areas in the north-west and east areas — building high-rise apartment buildings. The total electrical load of the power receivers of the applicants is estimated at 7.8 MW.

In addition, the Kalmenergo Branch of IDGC of the South, JSC carried out activities under the investment program for reconstruction and new construction of overhead transmission lines and substations of 35 kV and above in 2012.

The current problem of “closed” power centers that require refurbishment of old equipment and increased transformer capacity at the 110 kV Elista-West substation will be resolved in 2016 through reconstruction and replacement of existing transformers with installed capacity of 2×10 MVA with 2×25 MVA transformers, in accordance with the approved Company investment program.

Rostov Region

The city of Rostov-on-Don is both the administrative center of the Rostov Region, and the center of the Southern Federal District of the Russian Federation. The largest cities in the region are Taganrog, Shakhty, Novocherkassk and Volgodonsk.

The Rostov power system provides centralized power supply to consumers in the Rostov region, and is part of IES of the South. The load on transformers of supply centers in the above cities, as well as the surrounding areas, is close to the nominal value. The most difficult situation is in the city of Rostov-on-Don.

In connection with the implementation of a number of major investment projects in the Rostov Region, the Rostovenergo Branch of IDGC of the South, JSC plans implementation of measures for the development of the electric network and improving the availability of power structure for the period from 2013–2018.

Power supplies to the stage II residential complex in the Leventsovsky District, located in the western part of the city of Rostov-on-Don, bordered by Pr. Stachki, Malinowskogo St. and Dovatora St., with an area of 231 hectares, are planned to be provided by connecting new power supplies from the 110 kV R-35 substation, the R-19 substation. In the future, under increasing demand, it's planned to build the 110 kV Leventsovsky substation with 2×40 MVA power transformers.

Power supplies to the multi-apartment residential building on Sholokhov Avenue in Rostov-on-Don from the applicant Rostov Camping Ltd. are planned to be provided through the connection of 110 kV AS-15 substation.

Power supplies to the residential built-up areas on the federal land plots in the Aksay District (Rassvet, Zolotoy Kolos, Krasniy Kolos villages) are planned to be done from the new power supply center 110 kV AS-16 substation with 2×25 MVA transformers according to the investment program of the Company for 2014–2015.

Power supplies to the Yuzhniy airport complex (the construction of which is, in accordance with the Decree of the Government of the Russian Federation dated on 20.05.2008 No. 377, expected

Reconstruction measures, provided for in the investment program of Kalmenergo Branch of IDGC of the South, JSC, will ensure reliable and uninterrupted power supply to the existing customers (i.e. eliminate the risk of accidents on the network facilities), as well as the connection of new consumers in Elista.

to take place in 2013–2015) in the area of the Grushevka village were envisioned by the Rostovenergo Branch of IDGC of the South, JSC from the 110 kV AS-10 substation. The Company's investment program calls for modernization of 110 kV AS-10 with replacement of transformers with 2×16 MVA, with start of construction in 2016 and ending in 2017. The amount of funding will be about 94 million rubles, without construction of power lines.

Power supplies to the developed areas in the vicinity of the intersection of the Lenina and Nagibina Streets are planned to be made from the new supply center R-34 (R-11A). Construction of the 110 kV R-34 (R-11A) substation is with transformer voltage of 110/10/6 kV and installed capacity of 2×40 MVA is planned to be done, according to the investment program, in 2017–2018.

In order to supply the industrial zone of the Levoberezhnaya District of the city of Rostov-on-Don, the investment program provides for the construction of 110 kV Levoberezhnaya substation with construction tentatively starting in 2017, and being commissioned tentatively in 2018.

As part of the liabilities of Rostovenergo Branch of IDGC of the South, JSC under the contracts for technological connection to electric networks, the branch connected 7,170 customers for a total capacity of 209 MW in 2012.

In the long term, development of the electrical network of Rostovenergo Branch of IDGC of the South, JSC is planned in connection with the construction of a number of large enterprises in the Rostov region.

The second stage of the turkey breeding complex in the Oktyabrskiy District (the applicant is Eurodon, LLC) with an increase in production capacity of the complex to 210,000 tons of Turkey meat with an announced capacity of about 4 MW. Furthermore, Eurodon-Yug plans to build a meat processing plant with a maximum capacity of power receivers of 7.5 MW, and a duck breeding complex in the Millerovskiy District (the applicant is Donstar, LLC) with maximum capacity of 8 MW.

1. About the company

Armidade, LLC plans to build a production site of a second category Egg factory with the capacity of 75 million hatching eggs per year (1.782 MW) on the lands of the Volchenskiy rural village of the Kamenskiy District.

MK — Telets, LLC plans to build a meat-packing plant in the Remontnenskiy District of the Rostov Region, with a maximum declared capacity of 1 MW.

The North-Caucasian Nonferrous Metals Base Grif plans to build a steel complex with electric capacity of 2 MW. The company is currently considering options for construction in Zvereva, Novocherkassk, as well as in Sholokhovskiy and the Ust-Donetsk District.

Construction of the 110 kV Shlyuzovaya substation with 110 kV overhead line entries and two transformers with installed capacity of 25 MVA continues in Volgograd according to the integrated reconstruction program for transferring consumers' power supply from the 35 kV Shlyuzovaya substation and 110 kV Tsentralnaya substation to the new 110 kV Shlyuzovaya substation. The above operations are necessary for improving the reliability of power supply to the existing consumers and for provision of power supplies for increased electrical loads.

There are plans to increase the production of a number of the following industrial companies in the industrial zone of the Azovskiy District:

- Donelektrostal, CJSC plans to build a steel plant with a declared capacity of 35 MW;
- Azov Sea Terminal, LLC is planning construction of a transport and logistics terminal with a declared capacity of 2 MW;
- MTE DPM, LLC factory plans to expand forging production, increasing capacity by 16 MW.

In the Aksayskiy District an integrated cottage residential area is planned in the Rossiyskiy village (8.45 MW), in Shepkin (2.2 MW), in Ostrovskogo (0.810 MW), in Temernitskiy (0.63 MW), and housing is planned to be built in Rassvet (8.450 MW) and Zolotoy Kolos (2.2 MW).

Housing construction in GFK Vostochniy in the city of Novocherkassk is planned in the period from 2013 to 2017 with electricity demand of 2.530 MW, as well as building the Sarmat neighborhood with electricity demand of 7.5 MW.

Comprehensive development of micro-districts I and II is planned in Taganrog, in the northern residential community with an estimated electricity demand of 30 MW.

Investment projects are planned to be implemented in the Krasnosulinskaya Industrial Park by the following potential residents:

- Imeris Vostok, LLC plans to build a plant for the production of expanded perlite, with a declared capacity 0.7 MW;
- Praksea Rus, LLC plans to build a plant of industrial gases, with a declared capacity of 0.5 MW;

- Air Products Gas plans to build a plant of industrial gases with a declared capacity of 8 MW;
- TECHNO Plant, LLC plans to build a plant for the production of mineral fiber insulation made of basalt, with a declared capacity of 5.850 MW.

There are plans to build the Stantsiya Agro-Industrial Complex in the Chertkovskiy District of the Rostov Region with a declared capacity 12.071 MW. The investment program calls for construction of a new supply center with power transformers 2×16 MVA in order to supply Stantsiya Agro-Industrial Complex. The new capacity is planned to be implemented in 2019–2020.

Intensive development of the 110 kV network leads to the necessity of building both new 500–220 kV power grid facilities, and renovating existing 220 kV supply centers. Furthermore, the pace of construction of 220 kV power grid facilities should be conducted faster than the construction of the 110 kV power grid.

The long-term investment program for development of the Rostovenergo Branch of IDGC of the South, JSC for the period 2013–2018 provides for implementing the following measures:

- construction of 110 kV substation R-42 (Severnaya) to connect growing demand from new customers in the northern part of the city of Rostov-on-Don;
- reconstruction of the 110 kV substation 110 kV Sh-14; 110 kV substation Sh-47 kV for power supplies to the rolling mill complex of EVRAZ Yuzhny Stan;
- reconstruction of 110 kV substation Martynovskaya;
- reconstruction of 110 kV substation Tihovskaya;
- reconstruction of 110 kV substation AC-1 with replacement of transformers with 2×16 MVA for power supplies to Olginskaya;
- reconstruction of 110 kV substation Chaltyr with replacement of transformers with 2×25 MVA;
- reconstruction of 110 kV substation R-33 with replacement of transformers 2×25 MVA with 2×40 MVA transformers;
- reconstruction of the 110 kV outdoor switchgear at 110 kV substation N-16;
- reconstruction of the 110 kV outdoor switchgear at 110 kV substation Komarovskaya;
- reconstruction of 110 kV substation AC-12 with replacement of transformers with 2×16 MVA transformers for the power supply of the Oktyabrskiy Aksayskiy District to improve the reliability of power supply to existing customers and new customers.

Due to the insufficient development of 220 kV power grids in the northern and north-eastern district of the Rostov power system, there is a problem of keeping voltage at the level of maximum permissible values. The solution for a reliable energy supply to the northern and north-eastern district of the Rostov power system is construction of 220 kV overhead lines G-20 — Donetsk (approximate length 40 km), Donetsk Industrial Zone, which

greatly increase the reliability of 220 kV dead-end Donetskaya, Pogorelovo, as well as construction of overhead lines — 220 kV Shakhta — Donetskaya.

Implementing measures will make it possible to connect new customers to 110–35 kV substations of the northern and north-eastern districts of the Rostov region. Otherwise, in repair and emergency operations, the network voltage drops below 110 kV (with a nominal of 110 kV).

The main goal of this work is to develop a knowledge base for performing local work on the prospective development of electric power in the Rostov region (providing new and expanding power plants, connecting large electricity consumers to the grid), as well as the formation of investment programs and plans for capital construction of power facilities and their design.

IMPROVING THE RELIABILITY AND QUALITY OF SERVICES PROVIDED BY THE COMPANY

IDGC of the South, JSC successfully passed certification of its integrated management system based the three international standards in November and December, 2012: ISO 9000 in the field of quality, ISO 14000 in the field of ecology, and OHSAS 18000 in the field of health.

The integrated management system has been functioning effectively in the Company since 2009, as confirmed by the certification body. Evidence of this success comes from the absence of critical inconsistencies during the IMS certification.

The second issue of certificates is valid from December 29, 2015 subject to successful completion of oversight audits.

As before, the certification body was the company SGS Vostok Limited, CJSC, which belongs to SGS SA, which is a world leader in inspection, verification, testing and certification services.

The auditors of SGS Vostok Limited, CJSC noted that IDGC of the South, JSC has established and maintains a system of governance in accordance with the requirements of international standards and has demonstrated the ability of the system to systematically achieve agreed service requirements for energy transportation and grid connection within the scope of the system.

IMPROVING THE RELIABILITY AND QUALITY OF SERVICES PROVIDED FOR FINAL CONSUMERS

One of the main objectives of improving the reliability of the electricity supply to end-users is the gradual transition (in a five-year term) to calculation using SAIDI and SAIFI international reliability indicators in power supply, with periodic assessment of their values and dynamics to correct production problems.

Tasks were successfully completed in 2012 in terms of improving the reliability of power supply and a gradual transition to the use of international indicators, the main ones of which are:

- Automation of the process for accounting for all equipment outages through the introduction of the Modus modern technological complex;
- Attainment by all Company branches of planned values of reliability indicators set by the regional tariffs services.

1. About the company

IMPROVING INVESTMENT ATTRACTIVENESS AND OPERATING EFFICIENCY

IDGC of the South, JSC has the following most important development directions:

- continuing to use RAB regulation for the Astrakhanenergo, Rostovenergo, and Kalmenergo branches, taking into account the optimization of parameters and their setting by executive power organs for the long-term;
- transferring the Volgogradenergo branch to RAB regulation starting from 2013;
- modernization and technical re-equipping of power facilities;
- implementation of a risk management system to control the risks arising during the principal activity;
- optimization of network topology;
- implementation of a production assets management program;
- optimization of a business planning system;
- introduction of innovative technologies;
- full implementation of the investment programs approved by the constituent entities of the Russian Federation aimed at ensuring of the planned level of tariffs, lack of penalties, the necessary reproduction of capital assets and introduction of

new capacities, which provide the growth of volume of rendered services;

- minimizing expenses in order to improve operating efficiency in 2013 and receive a stable income in the future;
- minimizing excessive power losses;
- reforming of the Company's organizational structure in order to centralize Company management functions, reduce expenses and improve performance efficiency;
- energy efficiency and conservation.

Strategic objectives and activity key priorities for the next 5 years:

- reducing network wear to the level of developed countries;
- bringing operational efficiency indicators to the level of developed countries' network companies;
- achieving stable profitability on the level of companies of the Russian Federation with comparable market risks;
- growth in the Company's market share on the power supply market in operating territories.

INCREASING ENERGY EFFICIENCY AND PROVIDING INNOVATION DEVELOPMENT

The Board of Directors of IDGC of the South, JSC (minutes dated 02.10.2012 No. 95/2012) approved a program for energy saving and energy efficiency which will solve a number of issues:

- reducing the specific consumption of energy resources for the Company's own needs;
- reducing losses when fulfilling the technological process of electricity transmission;
- creating an effective power conservation management system.

In order to improve the energy efficiency of the facilities IDGC of the South, JSC and the execution of the federal law dated 23.11.2009 No. 261 "On energy saving and energy efficiency, and on Amendments to Certain Legislative Acts of the Russian Federation", energy audits were completed in 2012, in accordance with the contract signed by the Company and the subsidiary company of IDGC of the South, JSC — Energoservis Yuga (protocol dated 19.10.2011 No. 74/2011).

As part of this contract, works on the final phase were completed in 2012. A survey of the entire electric grid complex was conducted, a report was written, measures were developed for

inclusion in the program of energy conservation and energy efficiency, and an energy performance certificate was made.

More detailed information on energy efficiency is disclosed in section 2.1.2 of this annual report.

The Board of Directors of IDGC of the South, JSC approved the "Program of innovative development of IDGC of the South, JSC for 2011–2016" on 29.07.2011 (Hereinafter — R&D) (minutes of the Board of Directors of the Company dated 01.08.2011 No. 69/2011).

The main R & D activities in 2012 were aimed at creating a system of innovation development at IDGC of the South, JSC, including the construction of communication platforms involving higher education institutions.

Currently the Company is carrying out the formation of the system of management of innovation and technology development, and is improving the mechanism for the implementation of pilot projects for the introduction of innovative technologies and the transition of IDGC of the South, JSC to a new grid complex management structure.

More detailed information about innovative development disclosed in paragraph 2.1.9 of this annual report.

IMPROVING POWER GRID INFRASTRUCTURE AVAILABILITY

The development strategy of the Company in the part of increasing the availability of power grid infrastructure is defined by the standard of the organization “Centralized Customer Services System in IDGC of the South, JSC — 80380011-IA-ISM 028-2011” (approved by the Resolution of the Board of Directors of IDGC of the South, JSC, minutes dated 21.10.2011 No. 74/2011). The standard “Centralized Customer Services System in IDGC of the South, JSC” (hereafter “the Standard”) sets out the requirements concerning all matters related to the Company’s interaction with consumers (clients).

On the base of the Standard, the “Plan of measures to carry out the consumer services system in accordance with the requirements of the Standard “Centralized Customer Services System in IDGC of the South, JSC”, that determines the development strategy of the consumer services system in 2012–2014 has been developed.

For more information on the activities undertaken by the Company in 2012 as part of the above plan, please see section 5.3 “Client-Oriented Policy”.

DEVELOPMENT OF HUMAN CAPITAL

IDGC of the South, JSC is focused on the introduction and dissemination of innovative and progressive work methods in its production activity.

Taking into account the impossibility of production development without the development of people ensuring it, the Company strives to stay ahead and anticipate the necessity of skilled personnel. In many ways, the solution of this problem in 2012 was achieved through proper organization of personnel training

and the development system, and also through the implementation of specialized personnel professional retraining programs.

Special attention will be paid in 2013 to training of the Company’s management and youth personnel reserve for the purpose of human resource development.

For more information, please see section 5.1. of this Annual Report.







RESULTS OF THE ACTIVITY

The Company had revenue
from technological connections
of about **2** billion rubles in 2012

2

RESULTS

OF THE ACTIVITY

PRODUCTION

Activities on Electric Power Transmission

According to the results of reporting year 2012, electric power supply to the grids of IDGC of the South, JSC amounted to 30 bln. 177 mln. kWh, productive supply — 27 bln. 262 mln. kWh, at the same time actual losses due to transport of the same amounted to 2 bln. 842 mln. kWh or 9.66% from the grid supply, including the following in the branches:

Branch and IDGC of the South, JSC	Supply to grid, mln. kWh	Productive supply from the grid, mln. kWh	Actual Losses	
			Mln. kWh	%
Astrakhanenergo	3,941.2	3,209.9	731.4	18.56
Volgogradenergo	11,721.2	10,871.4	849.7	7.25
Rostovenergo	14,041.8	12,803.1	1,238.7	8.82
Kalmenergo	472.4	378.0	94.4	19.98
TOTAL for IDGC of the South, JSC	30,176.6	27,262.4	2,914.2	9.66

Volume of the supplied electric power amounted, within the DGC boundaries, to 27 262,4 mln. kWh, the index has increased by 90.0 mln. kWh in comparison with 2011 or by 0.3% including the following branches:

Branch and IDGC of the South, JSC	The Volume of Electric Power Transmitted over the Mains of IDGC of the South, JSC Branches (supply from the grid)			
	2011	2012	Dynamics 2012/2011	
			Mln. kWh	%
Astrakhanenergo	3,208.8	3,209.9	1.1	0.03
Volgogradenergo	11,043.5	10,871.4	-172.1	-1.6
Rostovenergo	12,544.0	12,803.1	259.1	2.1
Kalmenergo	376.0	378.0	2.0	0.5
TOTAL for IDGC of the South, JSC	27,172.4	27,262.4	90.0	0.3

The highest supply growth rate by 259.1 mln kWh or 2.1% from the grid was recorded in the branch of the IDGC of the South, JSC — Rostovenergo as it has leased the power grid facilities of

the FGC UES, JSC for connection to the UNPG facilities of the Rusenergoresurs, JSC excluded in 2011:

ELECTRIC POWER ACTUAL LOSSES IN 2012

Branch and IDGC of the South, JSC	Electric Power Losses					
	Actual 2011		Actual 2012		Changes 2012/2011	
	Mln. kWh	% reporting	Mln. kWh	% reporting	Mln. kWh	%
Astrakhanenergo	666.2	17.19	731.4	18.56	65.2	1.37
Volgogradenergo	863.5	7.25	849.7	7.25	-13.8	0
Rostovenergo	1,216.3	8.84	1,238.7	8.82	22.4	-0.02
Kalmenergo	96.2	20.37	94.4	19.98	-1.8	-0.39
TOTAL for IDGC of the South, JSC	2,842.2	9.47	2,914.2	9.66	72.0	0.19

In connection with the inclusion and exclusion of electric power consumption of Volgogradenergo and Rostovenergo as the "last mile" contractors from the balance of IDGC of the South, JSC it

is necessary to compare the 2010 consumption pattern with the 2011 consumption pattern for a correct estimation of the dynamics of electric power losses level.

BUSINESS PLAN PERFORMANCE BY THE COMPANY IN THE CONNECTION WITH THE ELECTRIC POWER LOSSES LEVEL FOR ITS TRANSPORTATION

Branch and IDGC of the South, JSC	Electric Power Losses					
	Plan 2012		Actual 2012		Changes	
	Mln. kWh	%	Mln. kWh	%	Mln. kWh	%
Astrakhanenergo	656.4	16.50	731.4	18.56	74.9	2.06
Volgogradenergo	863.7	7.33	849.7	7.25	-14.0	-0.08
Rostovenergo	1,257.3	8.89	1,238.7	8.82	-18.6	-0.07
Kalmenergo	93.9	20.00	94.4	19.98	0.4	-0.02
TOTAL for IDGC of the South, JSC	2,871.4	9.46	2,914.2	9.66	42.8	0.2

2. Results of the activity

Increase of electric power actual losses within the grid of IDGC of the South, JSC — Astrakhanenergo in 2012 from the value laid down in the business plan amounts to 74.9 mln. kWh and is connected with:

- unsettled relations with the guaranteeing supplier (termination of the bases verification, non-submission of information on payments made by the citizen- consumers);
- unsatisfactory state of the electric power metering devices;
- low incomes of the population in the region which is the reason for non-payments and thefts.

To reduce the level of the electric power losses the following measures have been taken in Astrakhanenergo:

- installation of common house electric power metering devices on the inputs to the blocks of flats. Over 1,700 common house (collective) metering devices were installed in inputs to the blocks of flats in 2012;
- establishment of the automatic electric power metering system in the residential settlements with the highest losses' rate, for the purpose 7,000 metering sets were purchased and 5,600 of the metering devices were installed in 2012;
- replacement of the metering with inconsistent accuracy class. 1,300 metering devices were installed for the judicial entities and the equal-status entities and 14,700 metering devices were installed for the citizen-consumers;
- completion of the test kit check for the sets of the electric power metering devices. 18, 200 sets of metering devices were checked in 2012 at the judicial entities and the equal-status entities and 79, 600 at the citizen-consumers;
- raids to detect unrecorded electric power consumption. 956 facts of unrecorded electric power consumption were detected in 2012, including extra-contractual electric power consumption in the amount of 7.6 mln. kWh and unrecorded electric power consumption in the amount of 5.3 mln. kWh.

Besides additional measures were taken in the fourth quarter 2012 to meet the planned losses in 2012 in the branch Astrakhanenergo:

- Working Group to perfect electric power saving and electric power losses reduction was established;
- additional measures were taken to reduce electric power losses in the branch Astrakhanenergo (supervisors of the Distribution Zone to meet the planned losses level were appointed, Distribution Zone audits were arranged);
- local regulatory document on meeting of the planned losses level by branches of the IDGC of South, JSC was issued based

on the results of activities in November, December and on the whole;

- experience sharing working meeting devoted to elimination of power losses in the branch Astrakhanenergo in the period from 23.11.2012 to 21.11.2012 was held with the Deputy Director General for Development and Services Sale of the IDGC of Siberia, JSC;
- General meeting of the personnel of the branch Astrakhanenergo with attendance of the Distribution Zone management for meeting of the planned losses was held;
- raids to detect unrecorded electric power consumption in weekends and off-hours were arranged;
- arrangements have been reached with the Astrakhan Energy Company, JSC on the procedure to form the volume of the services rendered for electric power transmission in compliance with the requirements of the RF Government Decree No. 442 of 04.05.2012 and No. 354 of 06.05.2011.

In the result of the activities completed planned level of losses was met in the period from September to November 2012 in the branch Astrakhanenergo. However in December 2012 the branch Astrakhanenergo allowed for extra-plan losses in the amount of 53.5 mln. kWh and the actual level of the losses amounted to 28.39% whereas the plan was 15.25%. One of the reasons of the situation was the growth of output to the grid (+5.7% against the fact of the previous year, +3.8% against the planned amount) due to the weather conditions as the mean December temperature in the region was significantly lower of the average static temperature indices. Electric power theft by the population increased dramatically in the region during the low temperatures period, at the same time raids to detect unrecorded electric power consumption and control check of the metering devices reading is complicated significantly. Besides, due to failures in heat supply the population heated premises by electric heating devices. Volumes of the electric power consumed by the population will be fixed during formation of the productive supply in January 2013.

Extra-Contractual Electric Power Consumption

1,817 cases acts of extra-contractual electric power consumption in the amount of 30.8 mln. kWh were detected in 2012 and respective acts were executed, which permitted preventing the costs' growth for the amount of 80.3 mln. rubles VAT exempted.

Information on the measures to reduce electric power losses is outlined in Para 2.1.2. of this Annual Report.

Information about the Tariffs for Electric Power Transmission Services

(Annex 1)

In 2012 within the territory of all constituent entities of the RF, included into the IDGC of the South, JSC area of responsibility the single (“boiler”) tariff-making method for electric power transmission services was in effect. The specific feature of the method envisages a single tariff for consumers of the same voltage class during the transmission irrespective of the owner of the power networks to which they are connected.

In compliance with Para 2 of the RF Government Decree No. 1178 of December 29, 2011 “On pricing in the sphere of controlled prices (tariffs) in the electric power industry”: prices (tariffs) for electricity (electric power) supplied to customers in the retail

markets in the territories that are not united into a price band of the wholesale market, with the exception of electricity (power) supplied to the population and equal-status consumers’ categories, and single (boiler) tariff for the transmission of electricity at each voltage level set by the executive authorities of the Russian Federation in the field of state tariffs’ control for the period January 1, 2012 to June 30, 2012 at a level that does not exceed the level set for the listed prices (tariffs) for the year 2011.

Therefore, pursuant to the Decree of the Russian Federation Government of December 29, 2011 No. 1178 the single (boiler) tariffs for services on electric power transmission are set for the year 2012 as itemized in terms of the half-year periods with the validity periods:

- from January 1, 2012 to June 30, 2012;
- from July 1, 2012 to December 31, 2012.

Branch of the IDGC of the South, JSC — Astrakhanenergo

The “boiler” model in the region is “boiler from above”. The “boiler” owner is IDGC of the South, JSC branch — Astrakhanenergo. IDGC of the South, JSC branch — Astrakhanenergo gathers all required gross proceeds from the region power supply companies (PSC) under “boiler” tariffs and pays for the transit over the networks of the territory network organizations (hereinafter — the TNO) at individual tariffs. All the consumers of the electric power transmission services settle obligations with IDGC of the South, JSC branch — Astrakhanenergo at the flat-rate tariffs.

The “boiler” tariffs for the first six month 2012 were approved by the Decree of the Tariffs Committee of the Astrakhan Region No. 511 of December 16, 2011 (revised by the Decree of Tariffs Committee of the Astrakhan Region No. 1 of January 31, 2012) and the tariffs for the second six-month period were approved by the Decree of the Tariffs Committee of the Astrakhan Region No. 71 of May 30, 2012.

The required gross revenues of the IDGC of the South, JSC branch — Astrakhanenergo for the period 2012–2017 was formed by the method of return on investments (ROI).

Branch of the IDGC of the South, JSC — Volgogradenergo

In 2012 the “integrated boiler” calculation pattern was realized in the region. The “boiler” principle owner is IDGC of the South, JSC branch — Volgogradenergo. IDGC of the South, JSC branch — Volgogradenergo receives proceedings from the consumers of the electric power transmission services under boiler and individual tariffs (from Volgogradoblektro, JSC; Municipal State Production Enterprise “Volgograd Inter-District Electric Grids”; Municipal State Enterprise “Volga Inter-District Electric Grids”; Oboronenergo, JSC and the VgAZ branch of SUAL, JSC). Consumers of the electric power transmission services settle their obligations with IDGC of the South, JSC branch — Volgogradenergo both under two-rate and to flat-rate tariffs.

“Boiler” tariffs for the 1st half 2012 were approved by the Decree of the Regional Tariff Office of Volgograd Region of December 23, 2011 No. 54/1, the 2nd half of 2012 — by the Decrees of the Ministry of Fuel, Energy and Tariffs Control of the Volgograd Region of July 18, 2012 No. 3/1 and November 28, 2012 No. 27/1. Individual tariffs for the mutual settlements between

the branch of IDGC of South, JSC — Volgogradenergo and Volgogradoblektro, JSC, Municipal State Production Enterprise “Volgograd Inter-District Electric Grids”, Municipal State Enterprise “Volga Interregional Electric Grids” for the 1st half of 2012, were approved by the Decree of the Regional Tariff Office of December 23, 2011 No. 54/4

The individual tariffs for the mutual settlements between the branch IDGC of South, JSC — Volgogradenergo and Volgogradoblektro, JSC; Municipal State Production Enterprise “Volgograd Inter-District Electric Grids”; Municipal State Enterprise “Volga Inter-District Electric Grids”; Oboronenergo, JSC; VgAZ branch of SUAL, JSC were approved by the Decrees of the Regional Tariffs Office of May 31, 2012 No. 21/4 and by the Decree of the Ministry for Fuel, Energy and Tariffs Control of the Volgograd Region of November 28, 2012 No. 27/1.

The required gross revenues of the IDGC of the South, JSC branch — Volgogradenergo for the period 2012–2013 was formed by the method of long-term indexing.

2. Results of the activity

Branch of the IDGC of the South, JSC — Kalmenergo

In the region the “boiler from below” calculation pattern is realized. IDGC of the South, JSC branch — Kalmenergo forms its own proceeds under “boiler” tariffs for productive supply of Kalmenergosbyt, JSC consumers connected to the mains IDGC of the South, JSC branch — Kalmenergo, and under individual tariffs for supply from the mains of IDGC of the South, JSC branch — Kalmenergo in TNO mains. Electric power transmission consumers settle accounts with

IDGC of the South, JSC branch — Kalmenergo under flat-rate tariffs.

The “boiler” tariffs and the individual tariffs for 2012 were approved by the Order of Regional Tariff Service of the Republic of Kalmykia of May 31, 2012 No. 65-п/э.

The required gross revenues of the IDGC of the South, JSC branch — Kalmenergo for the period 2012–2017 was formed by the method of return on investments (ROI).

Branch of the IDGC of the South, JSC — Rostovenergo

In the region the “integrated boiler” calculation pattern (“two boilers”) was realized. There are two large grid companies in the region which act as “boiler” owners: IDGC of the South, JSC branch — Rostovenergo and Donenergo, JSC. IDGC of the South, JSC branch — Rostovenergo collects its part of the network “boiler” from all PSC under “boiler” tariffs and from Donenergo, JSC under individual tariffs and gives the part of the network proceeds to the subordinate TNO under individual tariffs. Donenergo, JSC gathers its part of the network “boiler” from Donenergosbyt, JSC, Energosbyt Rostovenergo, JSC under “boiler” tariffs and gives the part of the network proceeds to IDGC of the South, JSC branch — Rostovenergo and to the subordinate TNO under individual tariffs. Electric power transmission consumers settle accounts with IDGC of the South,

JSC branch — Rostovenergo both at two-rate tariffs and to flat-rate tariffs.

The “boiler” tariffs for 2012 were approved by the Regional Tariff Service of the Rostov Oblast of December 28, 2011 No. 31/1, of May 31, 2012 No. 14/8 and of October 09, 2012 No. 38/3.

Individual tariffs for settlements between the IDGC of the South, JSC branch — Rostovenergo and Donenergo for the first half of 2012 were approved by the Regional Tariff Service of the Rostov Oblast of December 28, 2011 No. 31/2, and by the Decrees of the Regional Tariff Service of the Rostov Oblast of May 31, 2012 No. 14/9 and of October 09, 2012 No. 38/4.

The required gross revenues of the IDGC of the South, JSC branch — Rostovenergo for the period 2012–2017 was formed by the method of return on investments (ROI).

Forecasting of Production Results for 2013

Electric power supply to the mains of IDGC of the South, JSC

According to Production Program of IDGC of the South, JSC for 2013 electric power supply to the grids of IDGC of the South, JSC branches is planned in the amount of 30 bln. 513 mln. kWh, which is 1.1 % or for 336 mln. kWh more than supply to the grids in 2012.

Natural growth of electric power consumption is the reason for the planned increase of supplies to the grids.

MAIN FIGURES OF IDGC OF THE SOUTH, JSC PRODUCTION PROGRAM

Index	Unit of measurement	Actual 2012	Plan 2013	Deviation of plan 2013 from fact 2012	
				Mln. kWh	%
Accepted power to the mains	Mln. kWh	30,176.6	30,512.6	336	1.1
Losses	Mln. kWh	2,914.2	2,876.4	-37.8	-1.3
	%	9.66	9.43		-0.23
Productive supply	Mln. kWh	27,262.4	27,636.2	373.8	1.4

Electric power losses level for its transportation

The value of the electric power losses for its transportation within the mains of IDGC of the South, JSC branches is planned for 2013 in the amount of **2 bln. 876 mln. kWh** or 9.43% from the electric power supply to the grids, that is lower than the level of actual losses in 2012 by 0.23% from the supply to the grids.

Proceeds

The planned proceeds gained from sales of the services on the electric power transmission in the grids were planned by the IDGC of South, JSC in 2013 in the amount of 25,807.8 mln. rubles (less the cost of the loading losses, taken into account in the wholesale market prices) with the forecasted volume of the boiler productive supply of 27,364.7 mln. kWh.

Energy Saving and Increase of Energy Efficiency**Structure of the Energy Saving Program**

The assumed target values in the sphere of the energy saving and perfection of the power efficiency in compliance with the following programs:

- electric power losses,
- resources consumption for economic needs,
- equipment with up-to-date electric power metering devices at the wholesale market.

NUMERICAL VALUES OF THE TARGET INDICES FOR 2012, DEGREE OF ACHIEVEMENT

Index description	Plan 2012	Fact 2012	Deviation	
			Abs.	%
Losses of electric power, kWh	2,871.40	2,914.20	42.80	1.5
Electric power losses, %	9.46	9.66	0.20	2.1
Resources consumption for economic needs, TFOE	30.68	24.01	-6.67	-21.7

The Energy Saving Program of the Company includes the sections of targeted programs (measures) and related divisible, in turn, on measures to reduce energy losses and measures to reduce the consumption of energy resources at the sites of industrial and household needs and are divided into organizational and technical measures.

The total effect of 22,848.25 TFOE or 157.04 mln. rubles was planned for the year 2012 and on the subprograms:

- target activities for losses reduction for 20,312.58 TFOE or 136.23 mln. rubles;
- target activities for auxiliary needs reduction for 75.34 TFOE or 0.26 mln. rubles;
- non-target activities for 2,460.33 TFOE or 20.55 mln. rubles.

The total effect of 27,628.84 TFOE or 158.94 mln. rubles was planned for the year 2012 and on the subprograms:

- target activities for losses reduction for 27,142.66 TFOE or 150.64 mln. rubles;

- target activities for auxiliary needs reduction for 74.30 TFOE or 0.25 mln. rubles;
- non-target activities for 411.87 TFOE or 8.05 mln. rubles.

Effect from the realization of the activities that "support" the existing level of losses amounted to 21.45 mln kWh for the amount of 42.35 mln. rubles.

The costs for realization of the activity amounted to 1,395.69 mln. rubles. Funding sources of the energy saving program: Investment program in the amount of 1,200.18 mln. rubles, repair program in the amount of 195.51 mln. rubles.

Measures to Decrease Electric Power Losses

In IDGC of the South, JSC within the framework of priority activity area a set of activities aimed at optimization (reduction) of the electric power losses level is being performed.

On the account of the above set of activities for losses optimization the savings amounted to 79.98 mln. kWh (158,69 mln. rubles) in 2012.

2. Results of the activity

The plan for the electric power losses reduction (in natural units) was performed at 121.0% in 2012.

Mandatory energy audits

Pursuant to the requirements of Federal Law in the area of energy saving and energy efficiency improvement IDGC of the South, JSC in the period 2011–2012 arranged the mandatory energy audits and the development of energy certificate.

General number of the audited facilities — 2,139 including the grid facilities (1,197).

The total number of the developed energy saving and improvement of the energy efficiency activities — 1,214, including 514 activities for the electric power losses reduction.

The detected potential for energy saving and the power efficiency improvement amounts to 666 mln. rubles, including reduction of the losses for 280.63 mln. kWh (634 mln. rubles).

Technological Connection to the Electric Grids of the Company

Activities' indices on technological connection to electrical grids of the Company

To solve the questions of technological connection of consumers' electric installations to the electric mains of IDGC of the South, JSC branches the department of technological connection and the department of future-oriented development are formed.

Obligations of construction and reconstruction of the electric mains, necessary for performance of the terms of technological connection contracts are fulfilled by IDGC of the South, JSC, involving subcontractors. The functions of technical supervision of electric mains construction and reconstruction by the subcon-

tractors are performed by the Department of Capital Construction of IDGC of the South, JSC. Deputy Director General in charge of development and performance of IDGC of the South, JSC services is responsible for general control of the matters concerning technological connection.

Applications for technological connection are accepted at the executive department of the Company branches and in the Service Centers of electric mains production departments of IDGC of the South, JSC branches.

Basic regulatory documents regulating the Company work connected with the technological connection of power receivers (electric power installations) of legal entities and individuals to IDGC of the South, JSC electric mains

1. The Federal Law No. 35-ФЗ of 26.03.2003 "On Electric Energy Industry" (with amendments and supplements).
2. The Decree of the Government of the Russian Federation No. 861 dated 27.12.2004 "On Approval of Regulations for Non-Discriminatory Access to Electric Power Transmission Services and Performance of These Services, Regulations for Non-Discriminatory Access to Operational Dispatch Management Service in Electric Power Energy and Performance of These Services, Regulations for Non-Discriminatory Access to the Services of Wholesale Market Trading System Administrator and Performance of These Services and Regulations for Technological Connection of Power Receivers of Electric Power Consumers, of the Plants Producing Electric Power, as well as the Electric Supply Network Stations, Belonging to the Network Organizations and Other Bodies, to the Electric Mains" (with amendments and supplements).
3. The Decree of the Government of the Russian Federation No. 530 dated 31.08.2006 "On Approval of the Regulations for Electric Power Retail Markets Functioning Within the Transition Period of Electric Energy Industry Reformation" (with amendments and supplements).
4. RF Government Decree of No. 442 04.05.2012 "On the functioning of retail electricity markets, complete and (or) partial consumption mode restriction of electrical energy" (along with "The main provisions of the functioning of retail electricity markets," "Rules of complete and (or) partial consumption mode restriction of electrical energy").
5. The Order of the Federal Tariff Service of the Russian Federation No. 365-e/5 dated 30.11.2010 "On Approval of Methodological Instructive Regulations for Determining the Amount of Charge for Technological Connection to the Electric Mains".

6. The Order of the Federal Tariff Service of the Russian Federation No. 209-e/1 dated 11.09.2012 "On Approval of Methodological Instructive Regulations for Determining the Amount of Charge for Technological Connection to the Electric Mains".
7. RF Government Decree No. 1178 of 29.12.2011 "On pricing in the area of controlled prices (rates) in the electric power industry" (together with the "Pricing basics in the area of controlled prices (rates) in the electric power industry", "State control rules (revision, application) of prices (rates) in the electric power industry").
8. The Decree of the Government of the Russian Federation No. 24 of 21.01.2004 (in the current version) "On Approval of Information Disclosure by the Parties of Electric Power Energy Wholesale and Retail Markets".
9. The Decree of the Government of the Russian Federation No. 764 of 28.09.2010 "On Approval of Regulations for Realization of Control of Performance by the Parties of the Natural Monopolies for the Standards of Information Disclosure".
10. The Decree of the Government of the Russian Federation No. 977 of 01.12.2009 "On Investing Programs of the Electric Energy Industry Parties".
11. The Decree of the Government of the Russian Federation No. 823 of 17.10.2009 "On Charts and Programs of Electric Energy Industry Future-Oriented Development".

The whole list of the regulatory documents, regulating technological connection, is in the free access at the Company website at: www.mrsk-yuga.ru.

Information about the Tariffs for Technological Connection

In accordance with the current legislation of the Russian Federation the amount of charge for technological connection is determined by the regulating authorities in each constituent entity of the Russian Federation.

As far as there is no single policy concerning the calculation and order of application of the charge rates for technological connection, as well as criteria for tariffs differentiation, different charge rates for technological connection were used in the Company branches in 2012.

In particular cases covered by the current legislation of the Russian Federation, for the applicants connected to the electric mains of the Company, executive bodies of the constituent entities of the Russian Federation in charge of the state tariff regulation define the charge for technological connection according to the individual design.

For the branch of IDGC of the South, JSC — Astrakhanenergo Decrees issued by the Regulation Tariff Service of the Astrakhan region No. 26 of 07.04.2011 (as amended on 22.06.2011 No. 72) and No. 77 of 19.06.2012 were in force in 2012. In this case, pursuant to the Decree of the Tariffs Service No. 26 of 07.04.2011 the payment rates for technological connection to the grids of Astrakhanenergo approved in 2011 and extended by the Decree of No. 26 of 07.04.2011 and No. 77 of 19.07.2012 shall be in force in 2012.

For IDGC of the South, JSC branch — Volgogradenergo charge for consumers' technological connection to the electric grids of the Company was set by the Regional Tariff Office of the Volgograd Region. The payment rates for the technological connection to the grids of the branch Volgogradenergo set by the Regional Tariffs Office of the Volgograd Region Administration No. 34/3 of 17.12. 2010 and No. 19/2 of 23.05.2012 and the Regional Tariffs Office Decree were in force in 2012.

For IDGC of the South, JSC branch — Kalmenergo payment for the technological connection was charged in compliance with the Order of the Regional Tariff Service of the Republic of Kalmykia No. 11 n/3 and the Order of Regional Tariff Service of the Republic of Kalmykia No. 112 n/3 of 19.11.2012 including the standardized payment rates were in force in 2012.

For IDGC of the South, JSC branch — Rostovenergo by the Order of the Regional Tariff Service of the Rostov Region No. 30/10 dated 27.12.2011 standardized tariff rates for charges are defined for technological connection to electrical distribution systems of IDGC of the South, JSC branch — Rostovenergo for 2012.

Information about the stated in the regulating authorities in the reporting 2012 and for 2011 volumes and tariffs for technological connection, as well as the same determined by the regulating authorities tariffs for technological connection to electric grids are provided in Appendix 2 to the annual report.

2. Results of the activity

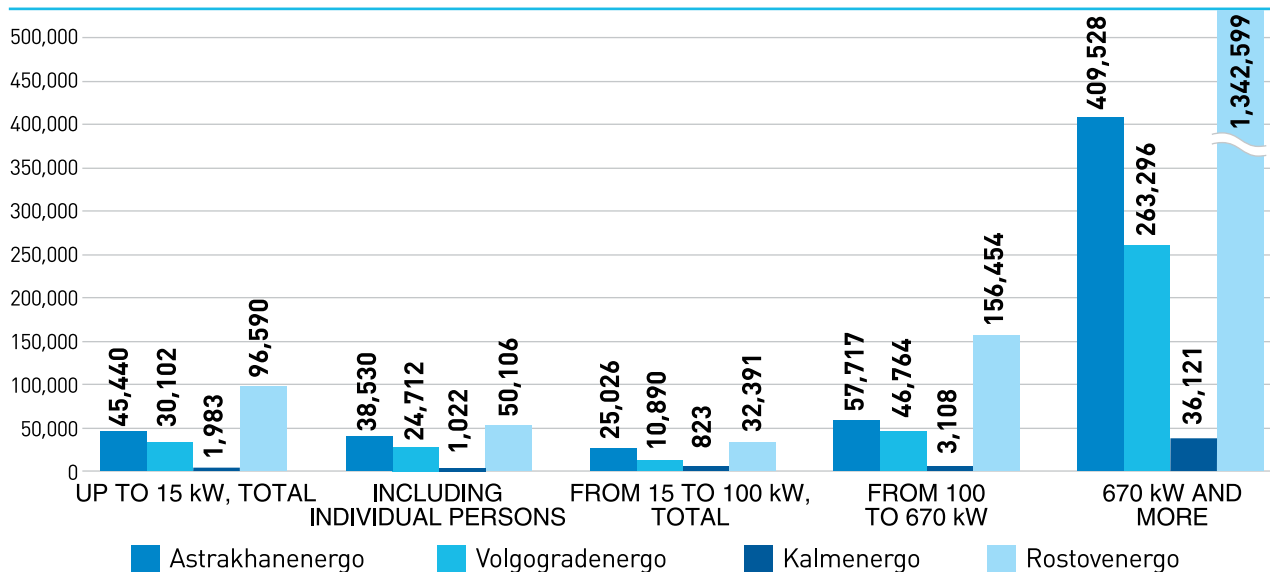
Information about the demanded quantity for technological connection and the degree of its realization (provided in Appendix 2)

Within 2012 the Company accepted 23,957 applications (excluding power generation facilities) for technological connection to the electric mains of IDGC of the South, JSC with the total capacity of 2,206,431 kW. As a result 16,435 contracts for technological connection with the total capacity of 465,802 kW are concluded. 15,926 connections with the total capacity of 379,553 kW are performed.

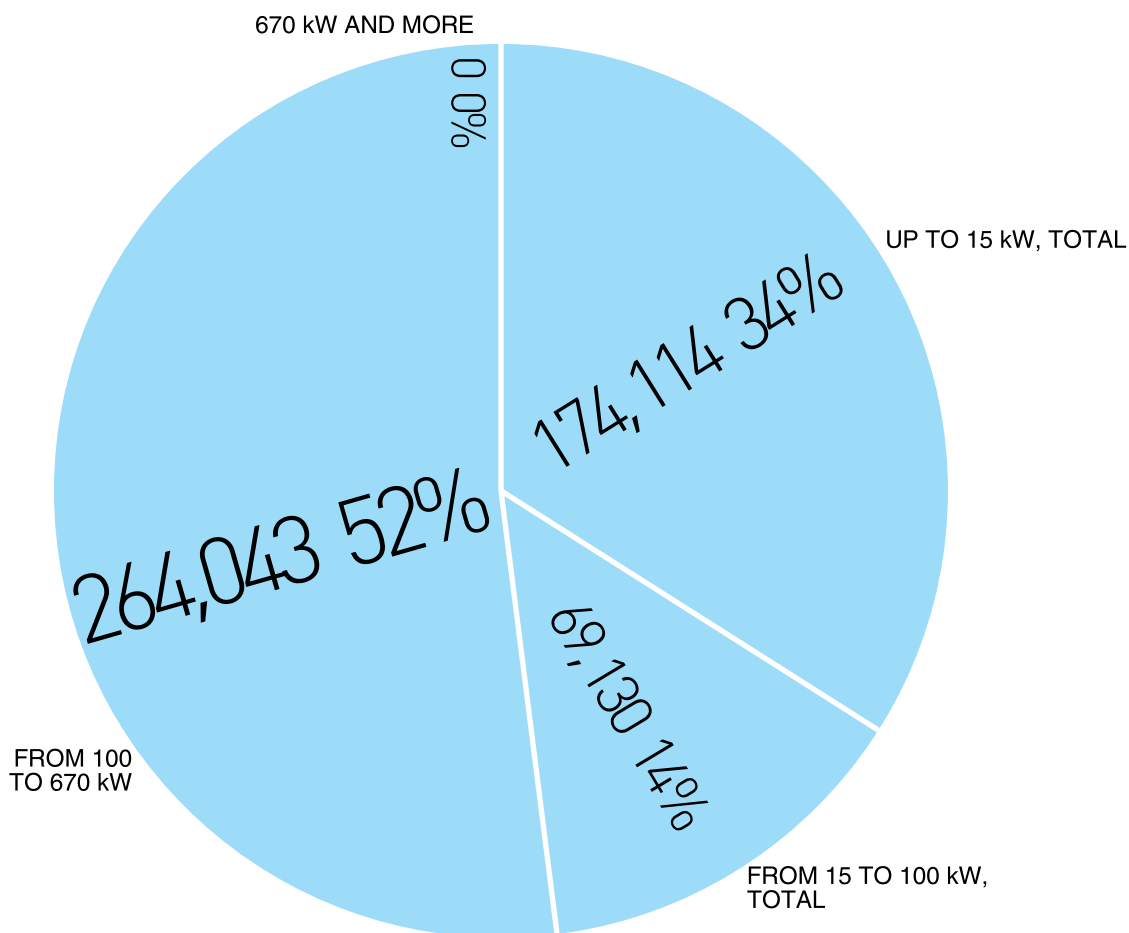
STRUCTURE OF APPLICATIONS ACCORDING TO CAPACITIES AND VOLTAGE CLASSES

Applicants categories	Amount of the applications for TC (accepted to work) including power generation facilities									
	Branch IDGC of the South, JSC — Astrakhanenergo		Branch IDGC of the South, JSC — Volgogradenergo		Branch IDGC of the South, JSC — Kalmenergo		Branch IDGC of the South, JSC — Rostovenergo		IDGC of the South, JSC	
	pcs	for the total capacity (N), kW	pcs	for the total capacity (N), kW	pcs	for the total capacity (N), kW	pcs	for the total capacity (N), kW	pcs	for the total capacity (N), kW
up to 15 kW, total	6,507	45,440	3,337	30,102	325	1,983	10,166	96,590	20,335	174,114
including individual persons	5,547	38,530	2,413	24,712	197	1,022	4,993	50,106	13,150	114,371
from 15 to 100 kW, total	525	25,026	225	10,890	23	823	683	32,391	1,456	69,130
including the Applicants who have taken advantage of installment plan	0	0	3	171	3	102	4	272	10	545
from 100 up to 670 kW	248	57,717	150	46,764	6	3,108	706	156,454	1,110	264,043
670 kW and more	60	409,528	164	263,296	2	36,121	843	1,342,599	1,069	2,051,544
TOTAL	7,340	537,711	3,876	351,052	356	42,035	12,398	1,628,033	23,970	2,558,831

DYNAMICS OF THE DECLARED CAPACITY IN TERMS OF BUSINESS TYPE FOR THE BRANCHES OF THE IDGC OF THE SOUTH, JSC IN THE REPORTING YEAR 2012 (kW) (with the view of the generation)



STRUCTURE OF THE DECLARED POWER OF THE IDGC OF THE SOUTH, JSC IN TERMS OF CAPACITY, VOLTAGE CLASSES AND RANGES OF THE CONNECTED POWER (kW and %) (with the view of the generation)

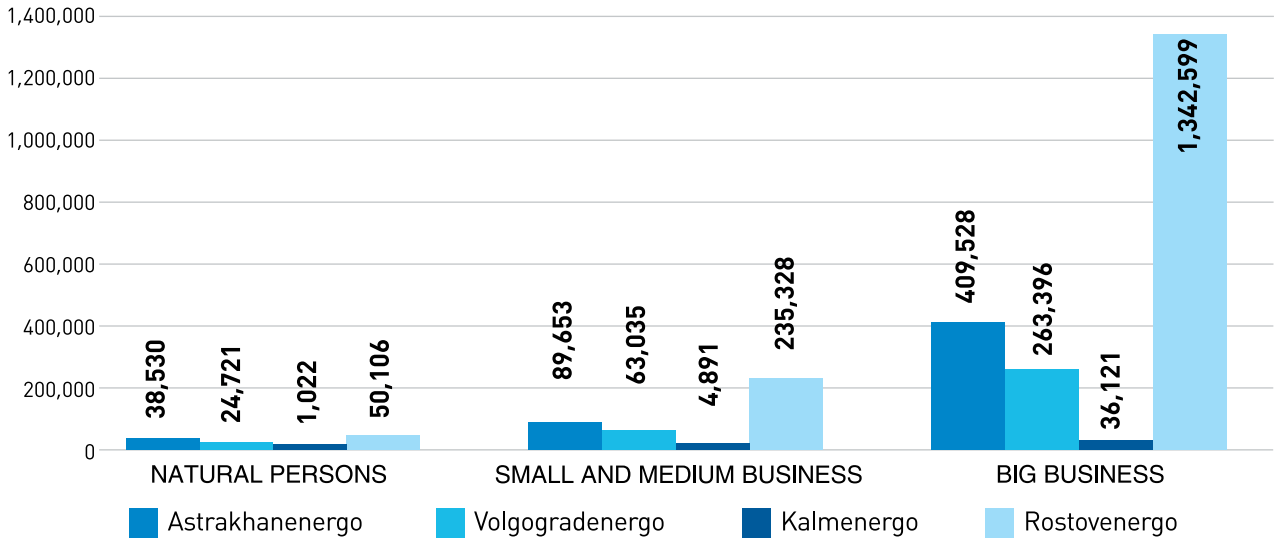


APPLICATIONS STRUCTURE IN TERMS OF BUSINESS TYPES (with the view of the generation)

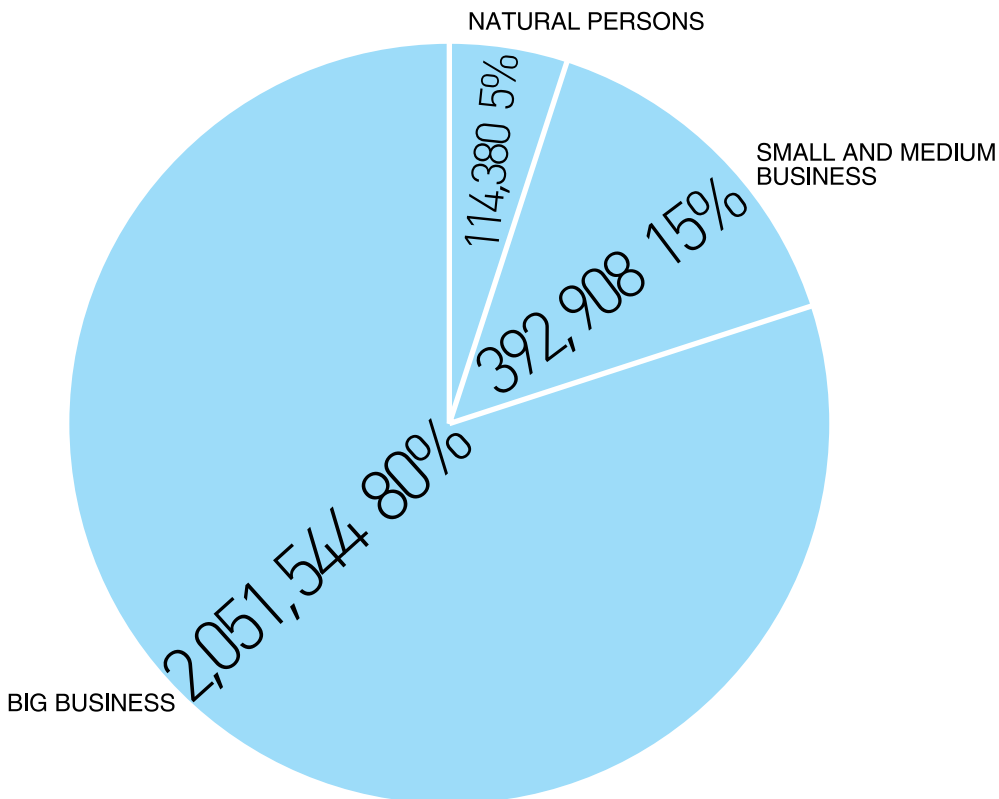
Applicants categories	Amount of the applications for TC (accepted to work) including power generation facilities									
	IDGC of the South, JSC branch — Astrakhanenergo		IDGC of the South, JSC branch — Volgogradenergo		IDGC of the South, JSC branch — Kalmenergo		IDGC of the South, JSC branch — Rostovenergo		IDGC of the South, JSC	
	pcs	for the total capacity (N), kW	pcs	for the total capacity (N), kW	pcs	for the total capacity (N), kW	pcs	for the total capacity (N), kW	pcs	for the total capacity (N), kW
Natural persons	5,547	38,530	2,413	24,721	197	1,022	4,993	50,106	13,150	114,380
Small and medium business	1,733	89,653	1,299	63,035	157	4,891	6,562	235,328	9,751	392,908
Big business	60	409,528	164	263,296	2	36,121	843	1,342,599	1,069	2,051,544
TOTAL	7,340	537,711	3,876	351,052	356	42,035	12,398	1,628,033	23,970	2,558,831

2. Results of the activity

**DYNAMICS OF THE DECLARED CAPACITY IN TERMS OF BUSINESS TYPE FOR THE BRANCHES OF THE IDGC OF THE SOUTH, JSC IN THE REPORTING YEAR 2012 (kW)
(with the view of the generation)**

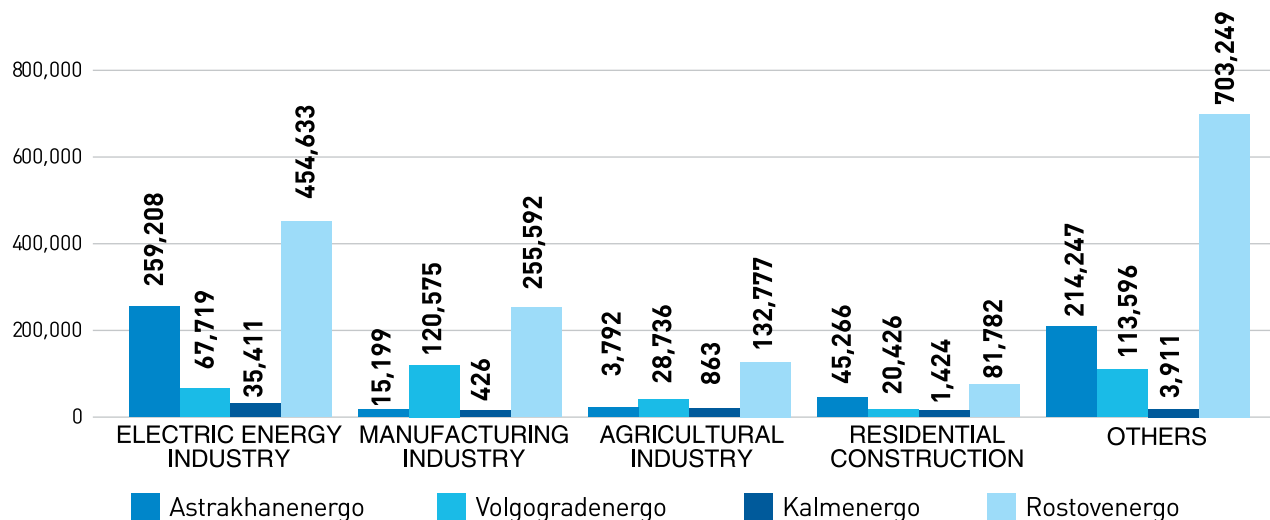


**STRUCTURE OF THE DECLARED CAPACITY OF THE IDGC OF THE SOUTH, JSC IN TERMS OF BUSINESS TYPE (kW and %)
(with the view of the generation)**



APPLICATIONS STRUCTURE IN TERMS OF INDUSTRIES (with the view of the generation)

Applicants categories	Amount of the applications for TC (accepted to work) including power generation facilities									
	IDGC of the South, JSC branch — Astrakhanenergo		IDGC of the South, JSC branch — Volgogradenergo		IDGC of the South, JSC branch — Kalmenergo		IDGC of the South, JSC branch — Rostovenergo		IDGC of the South, JSC	
	pcs	for the total capacity (N), kW	pcs	for the total capacity (N), kW	pcs	for the total capacity (N), kW	pcs	for the total capacity (N), kW	pcs	for the total capacity (N), kW
Electric energy industry	68	259,208	205	67,719	6	35,411	4,834	454,633	5,113	816,971
Manufacturing industry	33	15,199	61	120,575	7	426	130	255,592	231	391,791
Agricultural industry	45	3,792	74	28,736	49	863	158	132,777	326	166,169
Residential construction	79	45,266	302	20,426	13	1,424	166	81,782	560	148,897
Others	7,115	214,247	3,234	113,596	281	3,911	7,110	703,249	17,740	1,035,004
TOTAL	7,340	537,711	3,876	351,052	356	42,035	12,398	1,628,033	23,970	2,558,831

**CORRELATION OF THE DECLARED CAPACITY IN TERMS INDUSTRIES FOR THE BRANCHES OF THE IDGC OF THE SOUTH, JSC IN THE REPORTING YEAR 2012 (kW)
(with the view of the generation)**


2. Results of the activity

There is a tendency of an increase of applications of up to 15 kW since 2009. It is connected with the coming into force of the Decree No. 861 "On Approval of the Rules of Non-Discriminatory Access to Electric Power Transmission Services and Performance of these Services, Rules of Non-Discriminatory Access to Operational Dispatch Management Services in Electric Energy Industry and Performance of These Services, Rules of Non-Discriminatory Access to the Services of the Wholesale Market Trading System Administrator and Performance of These Services and Rules of Technological Connection of Power Receivers (Power Plants) of Individuals and Legal Entities to Power Grids" as now or hereafter in effect.

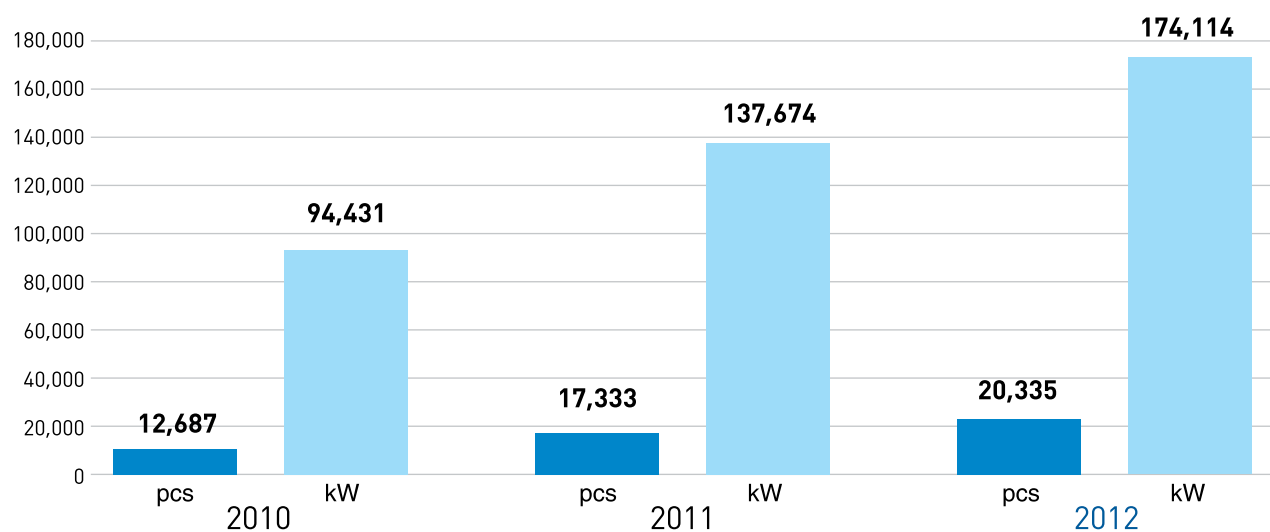
Individuals and legal entities with applications for connected capacity up to 15 kW (including the earlier connected capacity) refer to the favorable category according to Rules of technological connection to electric mains.

Payment for the technological connection for the above applicants is 550 rubles per one connection.

The diagram "Scope of the quantity and power on the applications up to 15 kW in 2010, 2011 and 2012" reflects variances of the demand for technological connection for the privileged consumers category.

SCOPE OF THE QUANTITY AND POWER ON THE APPLICATIONS UP TO 15 kW in 2010, 2011 and 2012

2010		2011		2012	
pcs	kW	pcs	kW	pcs	kW
12,687	94,431	17,333	137,674	20,335	174,114



Improvement of Operational Reliability and Electric Power System Efficiency

Activities to perfect reliability and efficiency of the power system operation

In order to ensure safe and efficient operation of the distribution grid complex in 2012, a set of activities for operational and corrective maintenance, upgrade and replacement of equipment, implementation of new techniques and technologies as part of the investment activity of the Company branches were completed.

For the purpose of gradual renovation of the main production facilities in accordance with the annual Order of IDGC of the South, JSC the principal directions of reliability improvement are determined, integrated programs for reliability and operational efficiency improvement of the distribution network system are designed. They include the following:

- replacement of power transformers 6–110 kV;
- replacement of 6–10 kV oil-poor circuit breakers to vacuum ones to 35–100 kV substations;
- replacement of oil breakers 35–110 kV for SF 6 circuit breakers,
- replacement of 35–110 kV isolators and short-circuiters to SF 6 (vacuum) circuit-breaker;
- replacement of switching tube 6–110 kV for SPD;
- replacement of inputs 35–110 kV for solid insulation inputs;
- replacement of supports 0.4–110 kV;
- implementation of self-supporting insulated conductor (SSIC),
- reconstruction of active blockings;
- forest corridor clearing for overhead lines 0.4–110 kV;
- installation of switchgear and control gear (Complete distribution device of external installation) arc barriers 6–10 kV.

The Company fulfilled a series of operations for ensuring reliable and accident-free work of its electric grids, including:

- anti-flooding operations;
- operations to prepare equipment for the lightning storm season;
- operations for the fire hazardous period;
- operations for preparing electricity grids for work in the fall-winter period;
- operations for preparing the grid for work in extreme high and low outside temperatures.

A set of measures for operational and corrective maintenance, upgrades and replacement of equipment, the high level of rescue and recovery operations, including in the liquidation of natural disasters' consequences, allowed to perform the following in 2012 in all the branches:

- system performance of a power supply failure and the average duration of interruptions of power supply included in the KPI "reliability criterion" of the Company;
- indices of reliability level, approved by the Regional Tariff Services (RAB-control).

No large-scale accidents in the operation of equipment subject to Para 4 of the "Accident Investigation Rules in the Electric Power Industry" approved by the Decree of the RF Government No. 846 of October 28, 2009 were allowed to occur.



2. Results of the activity

Repair-Operating Activities

Results of repair programs completion in branches of IDGC of South, JSC

In 2012 in IDGC of the South, JSC repair of electric grid equipment was performed in full and amounted to 104% from the cost projection.

The repair program performance according to the electric equipment groups expressed in physical terms amounted to the following:

repair of 35–220 kV overhead lines	3 952,05 km (105% of the plan);
repair of 35–220 kV substations	159 pcs (100% of the plan);
repair of 0.4–10 kV overhead lines	10 009 km (103% of the plan);
repair of 0.4–220 kV cable lines	58 km (126% of the plan).

The total expenses for the general maintenance of the electric mains for 2012 amounted to RUB 683.5 mln., including the following principle directions:

repair of 35–220 kV overhead lines	RUB 70.6 mln.;
repair of 35–220 kV substation equipment	RUB 147 mln.;
repair of 0.4–10 kV electric mains	RUB 172.1 mln.;
repair of 0.4–220 kV cable lines	RUB 30.8 mln.

Expenses for repair of electric grids by a contractor or independently amounted to RUB 670.3 mln with the planned RUB 644.8 mln., including the following:

by a contractor	RUB 127.7 mln. with the planned RUB 151.6 mln.;
independently	RUB 542.5 mln. with the planned RUB 493.2 mln.

PERFORMANCE OF ELECTRIC MAINS GENERAL MAINTENANCE PROGRAM

Equipment	Unit of measurement	2011			2012		
		Plan	Actual	Completion, %	Plan	Actual	Completion, %
Integrated repair of Substation 35–220 kV	pcs	162	162	100	159	159	100
Repair of 35–10 kV overhead lines	km	3,653	3,739	102	3,768	3,953	102
Repair of 0.38–10 kV overhead lines	km	9,501	9,866	104	9,746	10,009	103
Repair of 0.38–220 kV cable lines	km	28	35	125	46	58	126
Repair of 6-10/0.4 kV transformer substations	pcs	3,348	3,905	116	3,708	3,883	105

Information Technologies Development

Development of the Company information technologies is tightly connected to the realization of the general development strategy of IDGC of South, JSC. In 2012 the Company development strategy was developed in the sphere of information technologies and telecommunications (ITT). In the process of the strategy developing the key ITT factors were determined in achieving the imposed business goals, on which basis were goals, objectives and priorities for the ITT development were formulated and detailed up to specific initiatives and projects that have been grouped into development programs of the Company ITT development.

ITT strategy for the period till 2016 was approved on 27.07.2012 by the Board of Directors of the Company.

The strategy includes the description of the target state and transition programs on the following directions:

- implementation of the corporate information systems based on SAP;
- optimization and ITT-infrastructure development programs,
- development of information security;
- development of Automation Technological Control Systems;
- telecommunications infrastructure development;
- ITT business-processes optimization.

Key projects of IT development are performed within the frames of the said strategy.

IT infrastructure development projects

Implementation of the Service Desk System

The system Service Desk was developed and commissioned for the beta test. The system shall provide continuity and uninterrupted functioning of the business-processes within the entire Company on the account of:

- transition to the service principles of IT-services rendering based on the process-oriented management of IT-services support;
- unification and automation of the acceptance, approval and execution of the applications submitted by the users of IT-services of the Company;

- arrangement of the life-cycle management of all applications submitted by the users of IT-services of the Company;
- provide of the specified level of information-and-technology services at the lowest possible cost for the processing of applications of the Company IT services users through the formalization and automation of support processes, the use of automated knowledge base, integrated into the system circuit;
- accounting automation and information maintenance on the equipment and information resources;
- formation of the information resources catalogue;
- structure formation of the queries and list of queries Catalogue;
- provision of IT control and management processes with the required statistic information.

Single grid infrastructure, monitoring center establishment

In 2012 catalogues and mail system services of the executive administration and the Company branches were united, there the tool for the centralized Company IT-structure management was established. 20 domain controllers, 13 mail servers, 11 virtualization servers were started and 3 storage systems were upgraded.

IT-structure was audited by Microsoft and optimization activities have been implemented following recommendation of the above.

Facilities monitoring and management single center was optimized:

- equipment of the informational-communication infrastructure,
- data transmission channels,
- company applications and IT-services.

Purchasing of New Equipment

Within the framework of creation of the joint network infrastructure, as well as for realization of the future projects the works for updating of the network and head-end equipment were performed (44,840 thousand rubles). These activities allowed to increase the amount of available server and user network ports as well as to build new transmission channels.

2. Results of the activity

Development projects of the Company Information Systems

Establishment of the Company single accounting system on the basis of 1C 8.2

Development and implementation of the single accounting system of IDGC of South, JSC based on 1C is being implemented starting from September 2012. The central base with single references was deployed, necessary adjustments to the system in the 1st quarter of 2013 pilot operation were made.

Development of the EDMS of IDGC of the South, JSC

The project for upgrades of the electronic documents management system (EDMS) of IDGC of the South, JSC was realized in 2012. Changes were made in the part of the contractual activity, the use of the electronic digital signature, in terms of contracts' approval in accordance with the provisions of the contract work when negotiating contracts to EDMS of the IDGC of the South, JSC, applied administrator functions in terms of EDMS control preparation and execution of queries has been optimized. EDMS of the IDGC of the South, JSC was switched from the current EDMC Documentum 5.3SP5 to the EDMC Documentum 6.5SP3 version.

ICC Technological Connections development

In 2012, the development of the ICC "TC" of the Company was continued in accordance with the upgrade terms of reference. Also at the end 2012 works were started on the integration of the ICC "TC" with the new uniform accounting system based on 1C 8.2.

ACS PM ISFA

To reduce the terms of consolidated accounts preparation according to international standards for financial accounting, automatic control system of the principle means is implemented according to International Standards for Financial Accounting (ACS PM ISFA) together with the Russian Accounting Standards.

Company Recourses Management Informational System (CRMIS) IDGC of the South, JSC on the basis of SAP AG software

- commercial operation of the module SAP IS-U. In 2012 commercial operations of the module SAP IS-U "Electric Energy Transportation Management" CRMIS of the IDGC of the South, JSC was implemented on the basis of the software SAP AG. This module performs the functions of recording the electric power consumers, calculation of the productive electric power supply, electric power balances scheming, immediate reporting. Users support through the portal Service Desk based on the software BMC Remedy was arranged;
- module PM "Equipment Maintenance and Repair" (EMR) development. In 2012, the SAP project module Equipment Maintenance and Repair (EMR) of the centralized project

IDGC Holding for certification of the electric grid equipment, as part of the preparations for the implementation of an asset management system based on SAP was initiated and implemented;

- introduction of the single system of the normative reference information (NRI) at the level of IDGC Holding. NRI system in terms of EMR and MTO based on SAP MDM is implemented and is used in certification of the electrical grid equipment;
- implementation of the automated accounting and control of accounts receivable of the subsidiaries and affiliates of IDGC Holding, JSC. The system has been implemented;
- Implementation of the control system for the distribution resources for the emergency recovery works (CSDR ERW). The system has been implemented;

Plans for 2013

- Construction of the Data Processing Centre (DPC) of IDGC of the South, JSC.
DPC with the centralized data processing and storage system is planned for establishment at 147, 2-Krasnodraskaya, Rostov-on-Don. Design and survey works were completed in 2012. The DPC will service the key information systems of the Company as Electronic Document Management System, SAP R/3 and infrastructure services. The DPC is designed for the simultaneous work of up to 10 thousand users and will be constructed with the view of the requirement to high services accessibility.
- The Service Desk system transference into commercial operation.
- Initialization of the project for creation of the Company's information system for control over the financial and economic activity based on SAP (SAP FEA).
Integrated automation of the following business processes is planned within the framework of SAP FEA project during 2013–2016:
 - financial and economic activity;
 - production assets control;
 - investment activity control;
 - budgeting and planning;
 - human resources control and salary calculation;
 - asset complex control;
 - creation of the single NRI system and its integration with IDGC Holding NRI.
- Commissioning and development of the single accounting system based on 1C.
Project for the single accounting system of the enterprise based on 1C 8.2 will be implemented before SAP FEA creation. The system will permit standardizing the processing of accounting, management accounting and HR control within the single

configuration frameworks. At the same time, risks, financial and labor costs will be reduced during implementation of the project SAP FEA.

- Development of the module SAP “PM” Equipment Maintenance and Repair” (EMR) in relation to certification of the electrical grids facilities.

Implementation of the said project will allow:

- to create the enterprise and the electrical grids structure (grid topology);
- to maintain the full database on the facilities of electrical grids, including the information on the certificate, inspections and tests data (certification).

This will allow implementing in the future the system of production assets control:

- to maintain the equipment repair and maintenance history;
- to assess technical state both of individual equipment and of the facilities on the whole;
- to assess consequences of equipment failure;

- to determine automatically the first priority facilities for repair according to the preset algorithms;
 - to plan repair schedules, work components and respective costs with the view of the limits allocated;
 - to control actual maintenance and repair completion.
- Automation of planning, investments and capital construction control for the large investment programs.

Main target of the System implementation includes efficiency perfection and automation of the control process of the critical investment projects of the IDGC of South, JSC. The processes of construction accomplishment for the investment program facilities are subject to automation.

- Design system for high voltage lines shall be implemented; The target of the project is improvement of the design system, costs cut down, improvement of the investment efficiency and quality of the overhead transmission lines (TL) from 35 kV and higher, and implementation of the standard process solutions in establishment of facilities in the IDGC of South, JSC.

Development of Automated Technologic Control Systems (ATCS)

ATCS Key Projects of 2012

Branch of the IDGC of the South, JSC — Astrakhanenergo

Activities were implemented in 2012 within the Information Collection and Transmission Upgrade Program (ICTUP) for modernization of the remote control at three substations designed for 110 kV, with which digital information exchange channels were arranged, the facilities that were transferred to 2013.

Capital investments in the amount of 12 million rubles were spent in 2012.

It is planned to install the remote control of one substation designed for 110 kV. The capital investments plan amounts to 7 million rubles in 2013 according to the Program.

Branch of the IDGC of the South, JSC — Volgogradenergo

Activities were implemented in 2012 within the Information Collection and Transmission Upgrade Program (ICTUP) for modernization of the remote control at fourteen substations designed for 110 kV, with which digital information exchange channels were arranged.

Capital investments in the amount of 67.1 million rubles were spent in 2012.

It is planned to install the remote control of seven substations designed for 110 kV. The capital investments plan amounts to 31 million rubles in 2013 according to the Program.

Branch of the IDGC of the South, JSC — Rostovenergo

Activities were implemented in 2012 within the Information Collection and Transmission Upgrade Program (ICTUP) for modernization of the remote control at seven substations designed for 110 kV, with which digital information exchange channels were arranged. Besides, the scope of the transmitted information was expanded.

Capital investments in the amount of 95.77 million rubles were spent in 2012 for the purposes.

It is planned to install the remote control of ten substations designed for 110 kV. The capital investments plan amounts to 110 million rubles in 2013 according to the Program.

Branch of the IDGC of the South, JSC — Kalmenergo

Activities were implemented in 2012 within the Information Collection and Transmission Upgrade Program (ICTUP) for modernization of the remote control at two substations designed for 110 kV, with which digital information exchange channels were arranged and the central receiver-transmitter was upgraded.

Capital investments in the amount of 11 million rubles were spent in 2012.

It is planned to install the remote control of two substations designed for 110 kV. The capital investments plan amounts to 10 million rubles in 2013 according to the Program.

Implementation of ICTUP upgrade program in 2012

In total, within the frameworks of the Information Collection and Transmission Upgrade Program (ICTUP) remote controls of 23×110 kV substations with which digital information exchange channels were arranged in the Company in **2012**. Capital investments in the amount of **185.87 mln. rubles** were spent on the program of ICTUP modernization.

For implementation of the program of ICTUP modernization in **2013**, the Company planned investments in the amount of **158 million rubles**.

2. Results of the activity

Procurement Activity

Procurement activities of IDGC of the South, JSC (hereinafter — the “Company”) are regulated in accordance with the Regulations on procedures of regulated procurements of goods, works and services, approved by Order of the Company No.2 of 10.01.2012, (hereinafter — the “Regulations”). The Regulations establish the procedure and timing of the procurement procedures for goods (works, services) at the expense of the Company’s funds exceeding 500,000 rubles VAT included.

Regulation of procurement is applied to ensure supply of the Company’s goods, works, services, and other objects of civil rights with the required quality indices through targeted and effective use of funds, and establish economically justified costs (market prices for products).

Regulation of the procurement activity is based on the following principles:

- timely (long-term and short-term) planning of procurement, provision of possible urgent decision making on correction of purchases parameter (when necessary);
- equality, justice, non-discrimination and unjustified restrictions of competition to the purchase participants;
- targeted and cost-effective funds’ use for the purchase of goods, works and services (including where necessary the life cycle cost of purchased products) and the implementation of measures aimed at cut down costs of the Company;
- no restrictions for admission to the purchase by establishing of immeasurable requirements to the purchase participants;
- taking into account the specifics of the purchased products, markets and situations in which the purchase is performed in order to determine the parameters of the procurements;
- competition-based selection of suppliers, contractors, executors, wherever possible and expedient, and, if possible collegial decision-making in the situations where competition-based selection is not possible or expedient;
- taking into account the necessary combination of price and non-price factors determining the choice of optimal efficiency for the Company offers;
- provision of the procurement transparency;
- the application of advanced information technology, tools of electronic document management and automation of procurement activities, including functional use of electronic trading platforms;
- collegial decision making on the most critical matters of procurement arrangement on the whole and individual purchases in particular;
- professionalism and competence of the employees of the Company in the preparation and making of decisions on purchases, impeccable in terms of ethical behavior of such employees.

The Regulations provide for the following methods of procurement procedures:

- tender;
- invitation for proposals;
- auction;
- prices request;
- competition-based negotiations;
- purchase from a single source;
- purchase via participation in the procedures, arranged by the product vendors.

In the absence of grounds expressly provided in the Regulations purchase of any product shall be completed exclusively through an open one-stage bid without special procedures.

All other methods of procurement, as well as special procedures can be applied if the grounds established in the Regulations are available, in accordance with the approved Annual Integrated Purchases Program or through a permit issued by the Central Tender Committee (hereinafter — the CTC) of the Company.

Method of purchase	Grounds for procurement selection	Item of regulations
Tender	Procurement of any products	11.1.1
Invitation of proposals	<ul style="list-style-type: none"> there is no time for the tender or the same is inappropriate for some other sound reasons, but the circumstances requiring immediate purchase from a single source are not available, and the complexity of the products or its delivery conditions does not allow for the auction; when it is necessary to hold negotiations with the participants, and the use of two-stage and multiple-stage tender is not reasonable considering time consumption and other important reasons; the planned cost of purchase does not exceed: the purchase of construction materials and contract works, unique (individual equipment) — 10 million rubles (VAT included) for the purchase of other goods, works, services — 7,000,000 rubles (VAT included). 	11.4
Auction	<ul style="list-style-type: none"> purchase item is an ordinary (including standard) product; the subject of procurement is a product that is included in the list of goods (works, services), placement of delivery orders (performance, rendering), which is performed through an auction in accordance with the Laws of the Russian Federation. <p>Note: an auction is intended exclusively for the products' purchase at the E-markets.</p>	11.5
Prices request	<p>When purchasing ordinary products, with mature market, providing that the contract price does not exceed 5,000,000 rubles (VAT included).</p> <p>The prices request method is forbidden for the purchases of complex, unique (individual) equipment.</p>	11.6
Competition-based negotiations	The completion-based purchase negotiations can be held when there is a necessity to hold negotiations with the participants, but two-stage tender or invitation for proposals is not reasonable due to the time expenditures of other reasons.	11.7
Purchase from a single source	<ul style="list-style-type: none"> in extraordinary circumstances when a need appeared for a specific product or related works, in this connection, the use of other procedures is not acceptable; in the case of purchase of unique (individual) equipment, which is made by a unique technology or has unique properties, which is certified by respective documents, and only one supplier can supply such products; the provision of water, water discharge, sewage, heating, gas (except for the services of liquefied natural gas sale), public telecommunications and public postal services (except for express mail service), and the connection to the engineering support networks for the controlled prices (tariffs) in accordance with the Laws of the Russian Federation; conclusion of the contract or electrical power purchase and sale of electric energy with the guaranteeing supplier of electric power; provision of copyright control over the development of design documentation for capital construction, designer supervision of the construction, reconstruction, repair of capital construction facilities by respective designers; additional purchases are held, the need for which could not be foreseen in the process of major purchases, when, for reasons of standardization, harmonization, and for compatibility or continuity (for works, services) with previously acquired new product purchases have to be made from an entity from which the products have previously been purchased; if in the result of an open procurement procedure only one bid (offer) has been submitted, or only one bidder who has submitted an application to participate in the bid process, is recognized as the tender procedure participant (the decision to purchase from a single source can be made by the Procurement Committee of the Company only on the report (conclusion) of Internal Audit Service of the Company on the quality of procurement completed). 	11.8
Purchase via participation in the procedures, arranged by the goods' vendors	<p>The procedures and arrangement of the same are to be determined by the initiator.</p> <p>By a decision of Central Competitive Commission the purchase can be conducted via participation of the Company in auctions, tenders, or other procedures, arranged by the goods' vendors (including E-markets of the World Wide Web).</p>	9.8

2. Results of the activity

In order to ensure openness and transparency of the procurement activities of the Company not less than 95% of all regulated purchases of the Company shall be conducted on electronic trading facilities (hereinafter — ETF). In the implementation of procurement activities, the Company uses composite functions of the ETF <http://www.b2b-mrsk.ru>. Other ETF used for the procurement activities of the Company shall be determined by the CTC or other authorized person for use and shall be approved by the Board of Directors of the Company.

In some cases procurement in the form of an exchange of paper documents is possible only by the Company CTC decision. In the case of repeated non-availability of bids during the procurement at ETF, such purchase can be done on paper, with the mandatory reference to the procurement originally announced at ETF.

In accordance with the Federal Law “On procurement of goods, works and services by certain types of legal entities” No.223-ФЗ of 18.07.2011, and the Decision of the Government No.662 of June 30, 2012 “On periods of information publication by legal entities at official web-sites and telecommunications network “Internet” for procurement of goods, works” starting from October 1, 2012 the purchase information, namely the notice of procurement documentation of the purchase, the draft agreement, which is an integral part of the procurement notice and documentation of procurement changes to such notice, and such documentation, explanations of such documents, records, compiled in the course of procurement, procurement Regulations, amendments of the Regulations, procurement plan of goods, works and services shall be published at the official website of the Russian Federation www.zakupki.gov.ru.

By the decision of the Board of Directors and the Central Tender Committee of the Company made in accordance with the current legislation of the Russian Federation and the Charter a special procedure may be provided for individual purchases, which may include deviation from the Procurement Regulations. If, in accordance with Russian law a different procedure is required or other deadlines for the procurement are envisaged, the procedures are carried out in accordance with such procedures/deadlines, and the Procurement Regulations are applied to the extent not contradicting with such procedure.

Procurements of up to 500,000 rubles VAT included are subject to the Procurement Regulations for goods, works and services of IDGC of the South, JSC of the cost up to 500,000 rubles

(VAT included), are approved by the order of IDGC of the South, JSC No. 153 of 27.03.2012.

Formation procedure of the Annual Integrated Purchases Program for 2012, comparison with 2011

Procurement is performed on the basis of comprehensive annual procurement program, which is formed in accordance with the investment, maintenance and other programs, the business plan of the Company and approved by the Board of Directors. The integrated annual program for purchases is a plan of activities for conducting specified purchasing procedures that take place during that year.

In case of delays in the approval of the Annual Integrated Procurement Program, purchase, if necessary, may be made on the actual needs of the Company by the decision of CTC.

The form, manner and terms of formation of the Annual Integrated Procurement Program are defined in the Regulations. Additional requirements for the procedure, terms of formation of the Annual Integrated Procurement Program can be defined by internal documents of the Company.

The Annual Integrated Purchases Program for 2012 has been developed in accordance with the IDGC of the South, JSC decree No.3 of 23.03.2011. By the decision the Board of Directors of 14.06.2011 (minutes of the meeting No.88/2012 of 16.06.2011) the Annual Integrated Purchases Program 2012 was approved — 385 purchases had been planned, amounting to RUB 4,197,345.00 thousand (VAT excluded).

During 2012, based on decisions of the Company's CTC Annual Integrated Purchases Program was corrected several times due to the need in unplanned purchases (on the objects of investment activity surrogation, in order to fulfill the technological connection agreement, facilitate the emergency recovery, and emergency supply recovery, to meet the first priority requirements of 2013) as well as in connection with the correction of the investment, repair programs and other programs of the Company.

With the view of all corrections and by the results of 2011, the Annual Integrated Purchases Program included 897 purchases for the amount of 9,371,035.75 rubles, VAT excluded, and Annual Integrated Purchases Program of 2012 included 1,035 purchases for the amount of 11,639,164.10 rubles, VAT excluded. Compared to the year 2011 the plan for 2012 was increased by 2,268,128.35 thousand rubles VAT excluded (24.20%).

Method of purchase	New construction and the electrical grid facilities expansion		Reconstruction and re-equipment of the electrical grid facilities		Energy-repairmen (repair) production, maintenance		Appraisal services		TOTAL	
	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012
Open tenders	1,507,485.53	640,266.81	2,420,092.56	2,960,069.18	703,107.73	774,979.62	984,391.21	2,527,832.99	5,615,077.03	6,903,148.60
Open prices request	0.00	0.00	15,405.75	7,562.61	21,986.69	2,060.70	41,463.73	37,445.04	78,856.18	47,068.35
Closed prices request	0.00	0.00	303,078.50	0.00	0.00	0.00	0.00	0.00	303,078.50	0.00
Open invitations for proposals	79,509.84	726,358.90	1,013,622.65	1,440,377.98	223,501.17	285,364.24	66,967.23	155,534.96	1,383,600.89	2,607,636.08
Open competitive negotiations	0.00	131,106.01	690,126.80	816,355.86	573,975.57	164,614.79	171,566.92	7,966.10	1,435,669.29	1,120,042.76
Closed invitations for proposals	15,363.69	0.00	211,292.01	404,817.11	0.00	1,956.32	0.00	0.00	226,655.70	406,773.43
Closed competitive negotiations	0.00	0.00	0.00	0.00	0.00	0.00	0.00	60,000.00	0.00	60,000.00
Purchasing from a single source	3,571.36	0.00	34,935.39	185,687.97	76,811.07	61,076.72	210,080.35	247,730.17	325,398.17	494,494.86
Purchases "from a single source" (according to the cancelled open procedures results)	0.00	0.00	0.00	0.00	0.00	0.00	2,700.00	0.00	2,700.00	0.00
TOTAL	1,605,930.42	1,497,731.72	4,688,553.66	5,814,870.71	1,599,382.23	1,290,052.39	1,477,169.44	3,036,509.26	9,371,035.75	11,639,164.08

2. Results of the activity

Information about the execution of the IDGC of the South, JSC integrated annual purchases program for 2012

When purchasing plan was 1,035 for the total of 11,639,164.10 rubles (VAT excluded) 943 purchases totaling to 10,293,104.03 rubles, VAT excluded (including cost-effectiveness, which totaled to 1,057,339.18 rubles, VAT excluded) was completed according to the results of 12 months 2012.

ANNUAL INTEGRATED PURCHASES PROGRAM 2012 EXECUTION (according to purchase methods)

Method of purchase	Estimated cost, RUB mln., excl. VAT	Actual cost, RUB mln., excl. VAT	Execution percent
Open tenders	6,903,148.60	4,618,397.76	66.90
Closed tenders	0.00	0.00	0.00
Open prices request	47,068.35	45,068.35	95.75
Closed prices request	0.00	0.00	0.00
Open invitations for proposals	2,607,636.08	2,501,053.94	95.91
Closed invitations for proposals	406,773.43	1,053,562.99	259.00
Open completion-based negotiations	1,120,042.76	482,594.65	43.09
Closed completion-based negotiations	60,000.00	0.00	0.00
Purchases from a single source	494,494.86	472,737.54	95.60
Purchases "from a single source" (according to the cancelled open procedures results)	0.00	1,119,688.80	0.00
TOTAL	11,639,164.08	10,293,104.03	88.44

ANNUAL INTEGRATED PURCHASES PROGRAM 2012 EXECUTION (according to the type of activity)

Method of purchase	Estimated cost, RUB mln., excl. VAT	Actual cost, RUB mln., excl. VAT	Execution, %
New construction and the electrical grid facilities expansion	1,497,731.72	1,345,411.44	89.83
Reconstruction and technical re-equipment of electrical grid facilities	5,814,870.71	5,368,067.06	92.32
Energy-repairmen (repair) production, maintenance	1,290,052.39	1,113,300.27	86.30
IT Purchases	800,778.16	417,104.72	52.09
R&D	35,400.00	35,400.00	100.00
Advisory services	27,800.00	27,800.00	100.00
Consulting services	0.00	0.00	0.00
Appraisal services	2,172,531.10	1,986,020.54	91.42
TOTAL	11,639,164.08	10,293,104.03	88.44

818 purchases were completed through the open procurement processes and totaled to 8,700,677.74 rubles, VAT excluded, which amounted to 100% of the total scope of purchases made through the competition-based methods. With the use of an electronic trading facility www.b2b-mrsk.ru 774 purchases were completed totaling to 8,355,237.27 rubles, VAT excluded, which accounted for 96.02% of the total scope of purchases made through the completion-based methods.

INVESTMENT ACTIVITY

Investment Operations Scope

COST AND PHYSICAL PARAMETERS OF THE INVESTMENT ACTIVITY

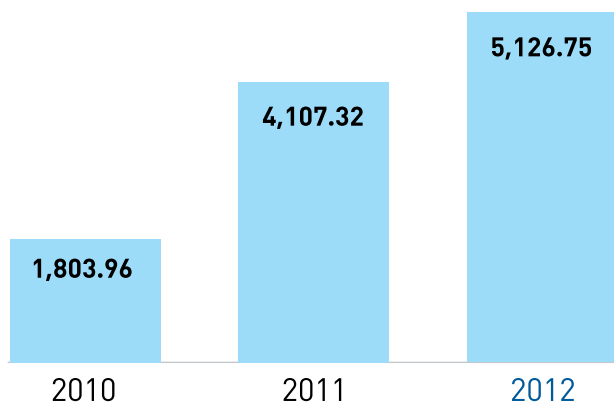
IDGC of the South, JSC branch	2012						
	Development	Working assets deployment	Funding	Deployment of power capacities		Increase of power capacities	
	RUB mln., excl. VAT	RUB mln., excl. VAT	RUB mln., incl. VAT	MVA	km	MVA	km
Astrakhanenergo	607	574	880	83	261	56	247
Volgogradenergo	677	357	470	45	42	27	16
Kalmenergo	1,342	809	1,014	21	275	21	183
Rostovenergo	2,476	1,702	2,839	55	738	—	5
Executive agency	25	13	20	0	0	0	0
TOTAL	5,127	3,455	5,223	203	1,316	104	451

The scope of the capital investments amounted to 5,127 million rubles in 2012. Basic assets amounting to 3,455 million rubles were commissioned. 1,316.2 km and 202.7 MVA was commissioned physically.

Region	Program term	Program approval date	Approval of the branch UES, JSC, RDO	Executive power agency authorized to approve IDP	Order/Instruction
Astrakhan Region	2012–2017	28.09.2012	Agreed	Ministry of Industry, Transport and natural Resources of the Astrakhan Region	By the instruction of the Ministry of Industry, Transport and natural Resources of the Astrakhan Region No. 117-P of 29.02.2012
Volgograd Region	2012–2017	15.10.2012	Agreed	Ministry of Fuel, Energy, Regional Development and Tariff Regulation of the Volgograd Region	By the Instruction No. 12/11 of 28.03.2012 of the tariff Office of the Volgograd Region
Rostov Region	2012–2017	28.09.2012	Agreed	RTO of Rostov Region	By the Instruction No. 6/3 of 15.03.2012
Republic of Kalmykia	2012–2017	16.08.2012	Agreed	Ministry of Housing and Energy of the Government of the Republic of Kalmykia	By the order No. 30-n of 01.03.2012 Ministry of Housing and Energy of the Government of the Republic of Kalmykia

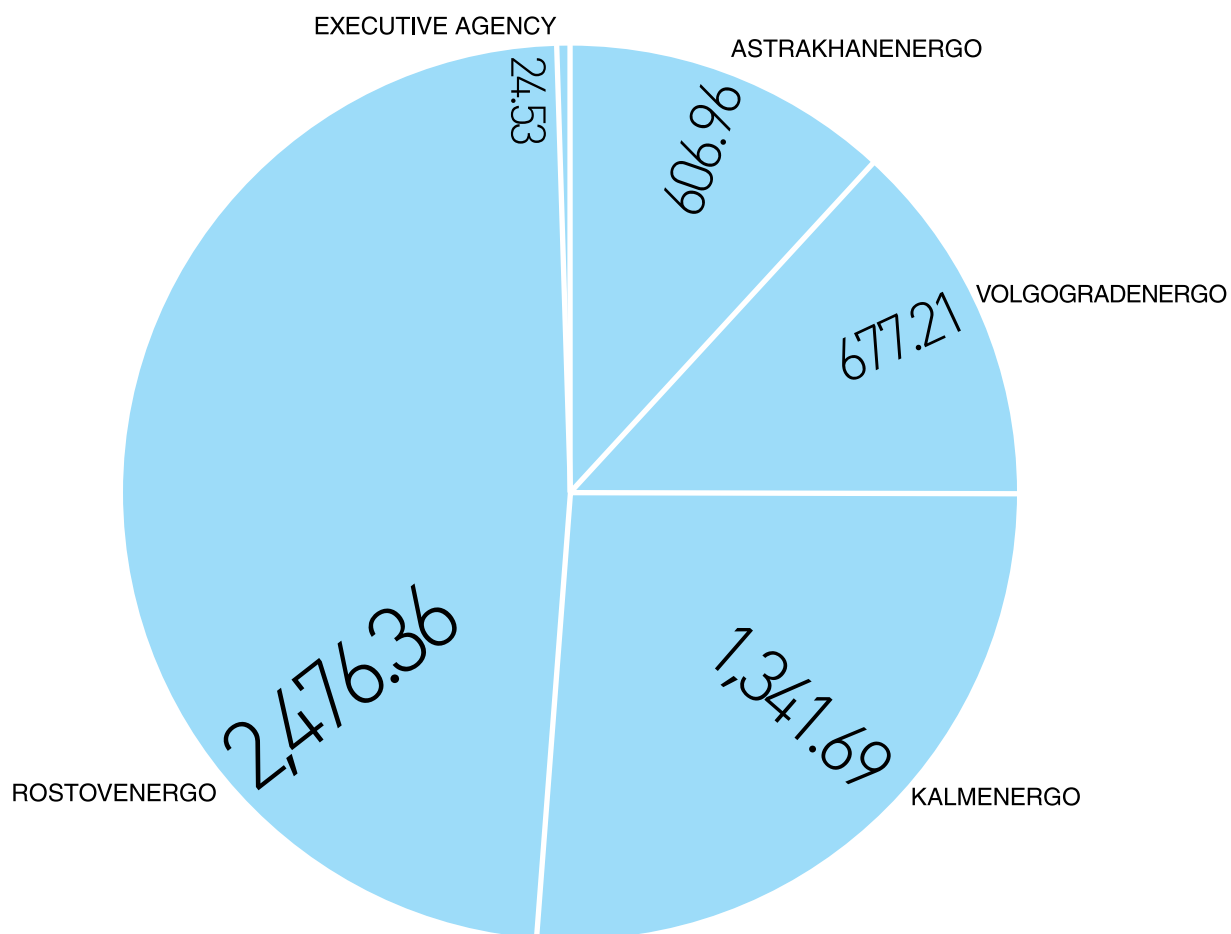
2. Results of the activity

DYNAMICS OF THE CAPITAL INVESTMENTS SCOPE OF IDGC OF SOUTH, JSC for 2010–2012



As it is clear from the graph actual scope of the capital contributions in investments grew in 2012 by 24 % against 2011 and by 182 % against 2010.

SCOPE OF CAPITAL INVESTMENTS IN TERMS OF THE BRANCHES, RUB mln.



Actual capital investments are distributed in the following proportions in terms of the branches: the branch Astrakhanenergo — 11.83% from the total scope of the capital investments, the branch Volgogradenergo — 13.21%, the branch Kalmenergo — 26.17%,

the branch Rostovenergo — 48.30% and 0.49% of the actual volume of capital investments in 2012 takes the executive agency of IDGC of the South, JSC.

Direction and structure of capital investments

According to the results of the Company operations the amount of **5,126.750 million rubles** was actually spent in 2012 from which:

- technical re-equipment and reconstruction — 3,106.414 million rubles;
- new construction — 1,993.358 million rubles;
- other purchases of fixed assets — 26.978 million rubles.

In the reporting year the main scope of the capital investments was directed for technical re-equipment and reconstruction of the electrical grid facilities which amounted to 60% of the total scope of the capital investments. The scope of investments for capital construction and other expenses amounted to 39% and 1% of the total spent scope respectively.

Transformer T2 was commissioned for the project “Reconstruction of 110/10 kV Fork-2 with the replacement of T1, T2, for 40 MVA”, which increased the capacity of 24 MVA substation. The works on the removal of 7,2 km of overhead line 110 kV “Caspian — Ulan Khol” from the flood zone. The works completed allowed ensuring reliable power supply of the consumers and socially critical facilities of the Lagan area of Kalmykia.

In December 2012 with the participation of the Head of the Republic of Kalmykia, the management of IDGC Holding, JSC IDGC of the South, JSC KTK-R was held the grand opening of the substation 110/10, NPS-3 of the capacity 80 MVA, and reconstructed overhead transmission lines and substations of total value of 733.248 million rubles adjacent to the 110/10 kV PS-3, 110/10 kV NPS-2 were commissioned and the reconstructed output capacity of 85.2 km:

- overhead line 110 kV Iki-Burul — Elista — Zapadnaya — 77.02 km;

- entries of the overheads 110 km Elista — Zapadnaya — Iki-Burul to the substation Primanycheskaya — 3.6 km;
- entries of the overheads 110 km Elista — Zapadnaya — Iki-Burul to the substation Magna — 4.4 km;
- substation 110/35/10 kV Iki-Burul;
- substation 110/35/10 kV Partizanskaya;
- substation 110/35/10 kV Elista — Zapadnaya;
- substation 110/35/10 kV Chlun-Khamur.

In 2012, the linear part of the project “Construction of two overhead lines VL110kV with taps from different circuits of the overheads 110 kV “NGRES-C2 circuits 1 and 2” to the projected SS 110/10 kV “Guardian Steklo”. Reconstruction of the substation 110/35/10 kV “Martynovskaya” is continued (power transformer T2 of the capacity 10 MVA was replaced, works are being implemented on switchgear). The reconstruction substation 110/35/10 kV “Tihovskaya” (the transformer T2 of the capacity 10 MVA was replaced, as well as MV-110 kV for SF6 equipment — 8 pcs, breakers 110 kV — 19 pcs was completed; reconstruction of switchgear-35kV was commenced).

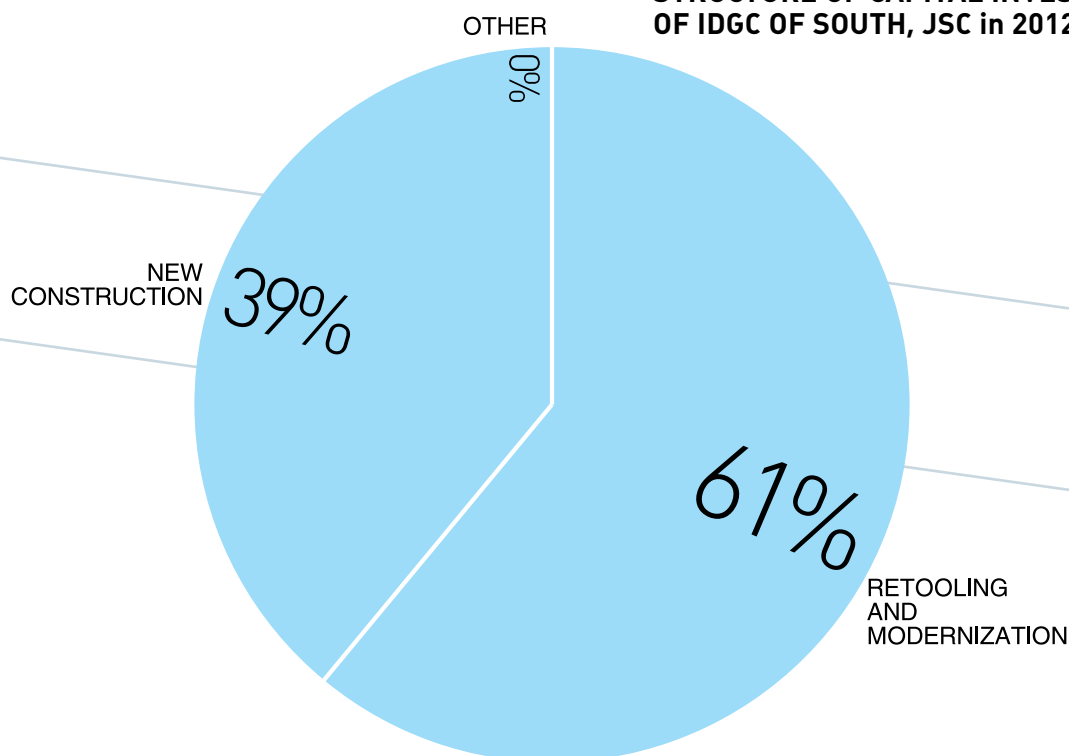
Construction of 110/35/6 kV Shluzovaya substation 110/35/6 kV with power transfer of consumers of the substation 35/6 kV Shluzovaya to the voltage 110/35/6 kV, power transfer of consumers of the substation 110/35/6 kV Tzentrlnaya to a new substation, with construction of line entries of the overheads 110 kV, 35 kV and 6 kV to a new substation — all these was commenced in 2012. Reconstruction of the overhead line 35 kV Shluzovaya — Romanovskaya (including the site preparation for construction, equipment purchase and delivery with handover of the same for installation).

2. Results of the activity

STRUCTURE OF THE CAPITAL INVESTMENTS, mln. rubles

IDGC of the South, JSC branch	2012 fact	2013	2014	2015	2016	2017
Astrakhanenergo	607	808	900	950	1,000	1,100
Retooling and modernization	387	606	644	828	701	773
New construction	214	202	256	122	299	327
Other	6	0	0	0	0	0
Volgogradenergo	677	840	653	995	1,580	2,055
Retooling and modernization	587	798	502	995	1,538	2,055
New construction	87	42	151	0	42	0
Other	4	0	0	0	0	0
Kalmenergo	1,342	586	73	153	180	190
Retooling and modernization	48	50	73	153	180	190
New construction	1,277	536				
Other	17					
Rostovenergo	2,476	3,020	3,295	3,393	3,497	3,546
Retooling and modernization	2,072	2,536	1,840	1,777	2,211	2,551
New construction	404	484	1,455	1,616	1,286	995
Other		0	0	0	0	0
Executive establishment	25	0	0	0	0	0
Retooling and modernization	13					
New construction	12					
Other						
Total for IDGC of South	5,127	5,254	4,921	5,491	6,257	6,891
Retooling and modernization	3,106	3,990	3,059	3,754	4,630	5,569
New construction	1,993	1,264	1,862	1,738	1,627	1,322
Other	27	0	0	0	0	0

STRUCTURE OF CAPITAL INVESTMENTS OF IDGC OF SOUTH, JSC in 2012



DYNAMICS OF THE FIXED ASSETS IMPLEMENTATION

IDGC of the South, JSC branch	2010					2011					2012				
	Working assets deployment, mln. rub	lead-in power		lead-in power growth		Working assets deployment, mln. rub	lead-in power		lead-in power growth		Working assets deployment, mln. rub	lead-in power		lead-in power growth	
		Km	MVA	Km	MVA		Km	MVA	Km	MVA		Km	MVA	Km	MVA
Astrakhanenergo	752	89	47	21	44	679	335	91	335	91	574	261	83	247	56
Volgogradenergo	242	99	98	14	63	224	90	59	18	25	357	42	45	16	27
Kalmenergo	81	184	16	183	16	74	75	6	59	4	809	275	21	183	21
Rostovenergo	474	96	134	16	91	1,819	684	252	85	189	1,702	738	55	5	—
Executive establishment	27	0	0	0	0	50	0	0	0	0	13	0	0	0	0
TOTAL	1,576	468	295	234	214	2,846	1,184	408	497	309	3,455	1,316	203	451	104

As it is clear from the table actual scope of the capital contributions in investments grew in 2012 by 21.4% against 2011 and by 219.2% against 2010.

Long-term investment program

The investment program of IDGC of the South, JSC for 2013–2017 including 2013 was developed in accordance with the development plans of the territories, the technical condition of electrical grids, taking into account the importance of the power supply facilities, based on forecasts of revenues from electricity transmission and earnings on contracts for technological connection, as well as in accordance with the programs, approved by the executive authority of the regions.

Solution of the following tasks is envisaged within the framework of the investment program realization:

- maintenance of availability of equipment necessary for reliable, continuous and quality power supply to consumers;
- implementation of measures to cut down production costs, including the same through improving the efficiency of the equipment, the development of accounting systems of energy consumed;
- fixed assets upgrade;
- provision of equipment and personnel safe operations;
- ensuring output capacity of electric grids for sustainable functioning of the Electric Power Industry and provide connection to customers;

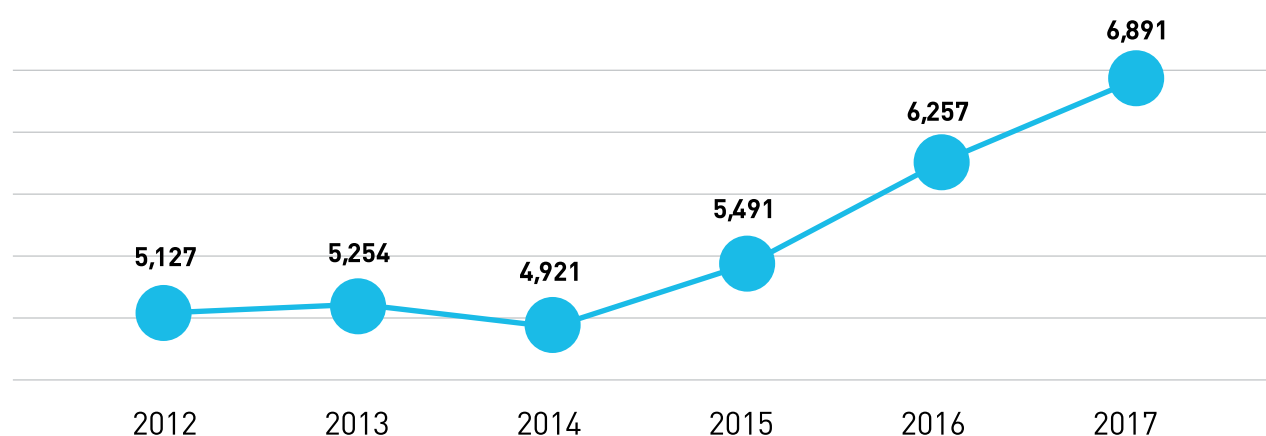
- perfection of the counteractions to the acts of sabotage and anti-terrorist security of power facilities;
- development of communication systems, remote control and data transmission to improve manageability of the grids and reduce the time of incident response;
- the inclusion of investment projects for the reconstruction of power facilities in connection with the requirements of UES, JSC.

Long-term investment program provides for the capital investments' spending in the amount of 28,814 million rubles (VAT excluded), the funding — 33,454 million rubles (VAT included), introduction of fixed assets — 31,353 million rubles. During this period it is planned to re-build and reconstruct 3,325 km and commission transformer capacity of 1,773 MVA.

In 2013, the development of capital investments will amount to 5,254 million rubles (VAT excluded), funding — 5,653 million rubles (VAT included), introduction of fixed assets — 6,901 million rubles, plans to build and reconstruct 645 km and introduce 459 MVA.

2. Results of the activity

SCOPE OF THE PLANNED CAPITAL INVESTMENTS IN COMPLIANCE WITH THE IDP 2013–2017 AND ACTUAL FOR 2012 FOR IDGC OF SOUTH, JSC, RUB mln.



INNOVATION-DRIVEN GROWTH

“Program of the innovation-driven growth of IDGC of the South, JSC for 2011–2016” (hereinafter — IDG) was approved on 29.07.2011 by the Board of Directors of IDGC of the South, JSC (minutes of the Board of Directors of the Company of 01.08.2011 No. 69/2011).

“The plan of the activities of the Program of the innovation-driven growth of IDGC of the South, JSC for 2011–2016” approved by the order of IDGC of the South, JSC on August 31, 2011 No. 528 “On the implementation of Program of the innovation-driven growth of IDGC of the South, JSC”.

To provide for the participation of IDGC of the South, JSC in the formation of the Specialized Fund endowment of the Skolkovo Institute of Science and Technology corrections were made in the IDG and approved by the Board of Directors of the Company on 30.10.2012 (Minutes of the Board of Directors of the Company of 02.11.2012 No. 98/2012). The main IDG activities in 2012 are aimed at creating a system of innovation development at IDGC of the South, JSC, including the construction of communication platforms involving basic industry of higher education institutions.

Currently the system of management of innovation and technology development is being formed, mechanism for the implementation of pilot projects for the introduction of innovative technologies and the transition of IDGC of the South, JSC a new management structure grid complex is being improved.

Principle directions of the innovation-driven growth of IDGC of the South, JSC:

- development of the methodical (regulatory) support;
- human resources development (personnel training);

- R&D planning and execution;
- implementation of “finished” effective innovative developments;
- perfection of basic business processes;
- development of the information technologies and IT-infrastructure;
- energy efficiency improving.

R&D first priority directions:

- improving the reliability and security of electricity consumers;
- optimization of management, improving the efficiency of financial, economic, operational and maintenance activities (development of advanced solutions and measures to improve service systems of transmission facilities complex);
- energy efficiency (introduction of energy-efficient equipment, lighting control systems and microclimate, reduction of energy losses in electric networks, optimization of costs);
- perfection of the regulatory-and-technical methodical base;
- trial operation of new advanced types of electrical equipment;
- development and introduction of new methods of transmission facilities’ diagnosis;
- development of organizational and technical measures to improve the sustainability of facilities in extraordinary situations;
- perfection of environmental and information security.

Corrected IDG includes the approved the “Plan of research, development and technological works of IDGC of the South, JSC 2012”, providing for the implementation of the research and development activities (hereinafter — R&D) during the year 2012 performed by contractors in accordance with the terms of contracts concluded with them for total value of 134.55 million rubles.

Item No.	R&D stages completion as of 31.12.2012
1	<p>The agreement to perform R&D on the topic: “Pilot operation of the a neutral short-term bridging device in the 10 kV network based on the re-closers for the needs of IDGC of the South, JSC — Volgogradenergo”, signed with Tavrida Electric Group of Companies, CJSC of September 19, 2011 No.743 and providing for a 3 R&D stages, of the total value 3.142 million rubles (VAT included) was completed.</p> <p>Annotated report on the implementation of the 1st stage of research has been formed.</p> <p>Technical documentation was developed for the creation, installation, commissioning and operation of the pilot industrial sample in accordance with the developed technical solutions, documentation was developed for the re-use of the technical solutions and annotated report has been formed on the research completed. Summary report was drawn up on the full-scale testing of the designed pilot industrial sample, which was considered at a meeting of the Scientific and Technical Council of IDGC Holding, JSC on December 14, 2011 with the direct participation of representatives of Tavrida Electric Group of Companies, CJSC.</p>
2	<p>The agreement to perform R&D on the topic “Development of technical requirements and characteristics of DC control power installed in distribution substations 6–10 kV, substations 35–110 kV, made using modern components, with the development of re-use projects”, concluded with “Interregional Production pooling of technical recruitment TEKHNOKOMPLEKT”, JSC of September 16, 2011 No.706 and providing for performance of 5 R&D stages of the total cost 3.15 million rubles (VAT included), is valid.</p> <p>Annotated reports on the implementation of the R&D stages 1, 2, 3 have been formed.</p> <p>Physical model of operative direct current system elements have been created, their tests were completed and technical specification development work was formed.</p> <p>The project of re-use for creation of the operative direct current system elements for different objects depending on the main circuit and its voltage class has been developed.</p>
3	<p>The agreement to perform R&D on the topic “Implementation of the modern system for early detection of icing on the 35–110 kV overhead lines” (for the branches of IDGC of the South, JSC — Volgogradenergo, Rostovenergo), concluded with “RC-Micro Tool” of 19 September 2011 No.745 providing for 5 implementation stages of R&D, of the total value of 18.78 million rubles (VAT included), is valid.</p> <p>R&D stages 1–4 have been completed in full scale, their actual results:</p> <ul style="list-style-type: none"> • patent search, the comparative analysis, and the selection and approval of peers and a prototype device detecting icing and rime deposits on the phase conductors and ground wire 35-110 kV have been completed and, in addition, documents have been executed and an application has been filed for a patent of the Russian Federation, followed by its receipt and publication on May 27, 2012; • project works and were completed and final report was drawn up on completed research; • the design was developed of the deposits' detection devices, experimental models for implementation and operation on the overhead line were produced and existing control points system for early detection of icing was developed in addition, a single system of overhead lines' monitoring, covering all already installed and re-installed devices for deposits' detection in the territory of IDGC of the South has also been developed; • the summary report on the researches completed has been formed. <p>In addition, within the framework of the above-mentioned agreement and on the basis of the application filed with the Federal Service for Intellectual Property, Patents and Trademarks on November 28, 2011 No.2011148052/07, IDGC of the South, JSC received a patent in 2012 for utility model No. 116705 “Device for deposits' detecting on the anchor span of the overhead power line”, which was published and registered in the National register of Utility models of the Russian Federation on May 27, 2012 (valid until November 28, 2021).</p>
4	<p>The agreement to perform R&D on the topic “Development of information system for monitoring and forecasting of electricity distribution grids' parameters”, concluded with the Federal State Budgetary Educational Institution of Higher Professional Education Kuban State Technological University on September 19, 2011 No.8.64.01.07-11/714 and providing for the implementation of R&D stage 4, of the total value of 1,695 million rubles (VAT is excluded) is valid.</p> <p>R&D stages 1 and 2 are completed in full scope, R&D performance reports have been formed.</p>
5	<p>The agreement to perform R&D on the topic “Survey of the influence of traction and other non-linear loads 110 kV power grids on the quality and level of electricity losses”, concluded with the Federal State Budgetary Educational Institution of Higher Professional Education National Research Tomsk Polytechnic University on September 19, 2011 No.2-475/11y/741 providing for 3rd stage of R&D, for the total amount of 12.0 million rubles (VAT included), is valid.</p> <p>Annotated report on the implementation of the 1st and 2nd stages of research has been formed.</p> <p>The summary report on the researches completed has been formed.</p>
6	<p>The agreement to perform R&D on the topic “Research and development of methodology for determining the performance of transport of electrical energy in conjunction with the reactive power flows and levels of quality in electric networks of 110 kV”, concluded with the Federal State Budgetary Educational Institution of Higher Professional Education National Research Tomsk Polytechnic University on September 19, 2011, No.2-476/11y/742 and providing for 3 stages of R&D, for the total amount of 9.0 million rubles (VAT included), is valid.</p> <p>Study has been completed of the modes of electric grids 110 kV of the branches of IDGC of the South, JSC — Rostovenergo and Volgogradenergo with the definition of the basic properties of their response and the definition of their impact on the value of the incremental losses of electricity and performance indicators of its transmission. The methods to determine the performance of power transmission in conjunction with the cross flow of reactive power; power quality indices in electrical grids of 110 kV and frequency properties were developed.</p> <p>The summary report on the researches completed has been formed.</p>

2. Results of the activity

Item No.	R&D stages completion as of 31.12.2012
7	<p>The agreement to perform R&D on the topic “Development of estimate and regulatory framework for the determination of the cost of repair and maintenance of electrical installations (SNBro) in the price level as of January 1, 2012”, concluded with JSC “Siberian Center for Pricing in Construction, Industry and Energy” on September 19, 2011 No.726 providing for the implementation of R&D stage 4, of the total value 12,057 million rubles (VAT included) is valid.</p> <p>R&D stages 1 and 2 have been completed in full as of 31.12.2012, actual results of their performance:</p> <ul style="list-style-type: none"> the necessary information has been collected and analytical work was completed for the development of a survey of the elemental estimate standards for the repair of the branch of IDGC of the South, JSC — Rostovenergo with its subsequent development; the necessary information has been collected and analytical work was completed for the development of a survey unit prices for the repair of the branch of IDGC of the South, JSC — Rostovenergo and their subsequent development, developed the procedure for applying the above collections, and method to determine the index increased cost to basic prices has been developed.
8	<p>The agreement to perform R&D on the topic “The introduction of the microprocessor blockings of new generation 110 kV breakers (microelectronic and microprocessor-based system with a magnetic lock installation of a prototype for a substation switchgear of IDGC of the South, JSC branch — Rostovenergo)” concluded with Science and Research Institute of Energy Technology of September 27, 2011 No. 727 providing for 3 stages of R&D, in the amount 2.9 million rubles (VAT excluded), is valid.</p> <p>R&D stages 1–2 have been completed in full scale, their actual results were performed:</p> <ul style="list-style-type: none"> annotated reports on completion of the research stages 1 and 2 have been formed; the summary report on the researches completed has been formed.
9	<p>The agreement to perform R&D on the topic “The establishment of modern base and commissioning into trial operation of the selective protection sets against single-phase earth fault in compensated and non-compensated networks 6–35 kV, based on the definition of a single-phase earth fault in the transient and steady-state processes” concluded with “Scientific and Research Engineering center of Interregional distribution Grid Companies”, JSC on May 10, 2012 No.12/027/628 and providing R&D performance of 6 stages for the total amount of 33.0 million rubles (VAT included), is valid.</p> <p>R&D stages 1–3 have been completed in full scale, their actual results:</p> <ul style="list-style-type: none"> the interim report on the implementation of R&D, as well as the report of a thematic patent search with the draft explanatory memorandum has been formed; the interim reports on the implementation of R&D have been formed.
10	<p>The agreement to perform technical developments on the topic “Regulatory and technical documentation of the distribution grid companies” of October 31, 2012 No.884/12/037, concluded with JSC “Scientific and Research Engineering Center of Interregional Distribution Grid Companies” that provides for the implementation 2 TD stages, for the total amount of 5,892 million rubles (VAT included), is valid.</p> <p>TD stages were being implemented by a counteragent as of 31.12.2012.</p>
11	<p>The agreement to perform TD on the topic “Development of the regulatory documents system of IDGC of the South, JSC based on the requirements of the international standard ISO 50001:2011”, concluded with FINEX quality, JSC of October 31, 2012 No. 17/12-K/897 that provides for implementation of 5 TD stages for the total amount of 5,894 million rubles (VAT included), is valid.</p> <p>R&D stages 1–3 have been completed in full as of 31.12.2012, actual results of their performance:</p> <ul style="list-style-type: none"> analytical review was completed for the existing legal framework in relation to the requirements of the international standard ISO 50001:2011 and the elements existing in IDGC of the South, JSC for the energy conservation and efficiency on the basis of regulations and other governing documents of IDGC of the South, JSC; classification of documents that are necessary and sufficient for the production of energy management in IDGC of the South, JSC was made, ranking was implemented; standard plan of activities to form the energy management system at IDGC of the South, JSC was developed and approved.
12	<p>The agreement to perform R&D on the topic “Development of methodic materials for electricians training in distribution equipment using a simulator switchgear power systems”, concluded with Interregional Industrial Association of Technical Recruitment Tekhnokomplekt, JSC of November 9, 2012 No. 891 and providing for performance 5 stages of development works, for the total amount of 15,501 million rubles (VAT included), is valid.</p> <p>TD stages were being implemented by a counteragent as of 31.12.2012.</p>
13	<p>The agreement to perform R&D on the topic “Determining the structure and principles of operation of the emergency automatics (EA) of the distribution grids of large cities and algorithms for the calculation and implementation of control actions (CA) of the system”, concluded with “Distributed Technologies” on November 13, 2012 No. 895 and provides for implementation of 5 stages of R&D, for the total amount of 4.75 million rubles (VAT included) is valid.</p> <p>R&D first stage was completed in full scope, actual result of its implementation:</p> <p>The analysis of the tasks of emergency management of distribution grids and the analysis of publications in the emergency control system is formed by an analytical overview of the principles of construction and operation of emergency control systems.</p>
14	<p>The agreement to perform research, development and engineering works on “Development of methods and techniques of automated searching, locating and monitoring of energy losses at the nodes of networks of 110 kV, 35 kV, 10 (6) kV and 0.4 kV”, concluded with “Research and Production Association MIR” of December 3, 2012 No. 912 and providing for four stages of implementation research, development and engineering works, for the amount of 6.79 million rubles (VAT included), valid.</p> <p>Research, development and engineering works stages were being implemented by a counteragent as of 31.12.2012.</p>

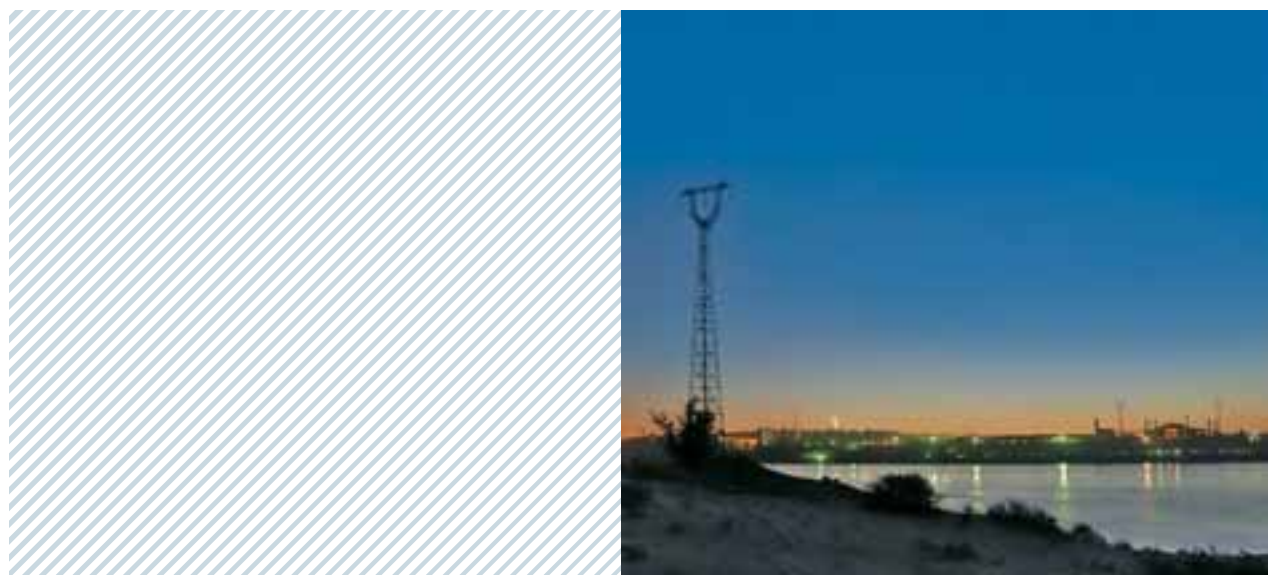
In 2012, no joint activities of foreign economic activity of IDGC of the South, JSC was performed in the framework of its international cooperation with international organizations in the implementation of activities and projects in the field of research and development, as well as their participation in the creation of innovative activities, research and development centers and etc. was conducted.

IMPLEMENTATION OF INNOVATIVE EQUIPMENT, MATERIALS, STRUCTURES AND TECHNOLOGIES

Category	Number of facilities where implementation was performed, units	Q-ty of installed equipment, implemented technologies, pcs	Total cost (investments), mln. rubles
Equipment, materials, structures	52	175	16.448
Including the same developed in the course of R&D	52	175	16.448
Technologies	3	3	28.261
Including the same developed in the course of R&D	3	3	28.261

RESEARCHES AND DEVELOPMENTS

Quantity of R&D, pcs		Funding scope, mln. rubles		Number of registered intellectual property objects, pcs	Quantity of publications, pcs
Contracted	Completed	Contracted	Actually paid		
14	1	134.551	44.709	1	1



2. Results of the activity

FINANCE

Basic provisions of the Company's Accounting policy

The provision "On the Company's Accounting Policy" is developed in accordance with the requirements of regulations on accounting, as well as the requirements of the tax and civil legislation of the Russian Federation.

IDGC of the South, JSC arranges and maintains accounting records, prepares financial statements in accordance with the Federal Law of 21 November 1996. No. 129-ФЗ "On Accounting", the Provisions on accounting and financial reporting in the Russian Federation, approved by Order of the Ministry of Finance of the Russian Federation of 29.07.98 No. 34н, the Chart of Accounts for bookkeeping approved by order of the Ministry of Finance of the Russian Federation of 31.10.2000 No. 94н and other regulatory documents in the field of accounting.

Provisions on the accounting policy of the Company have been formed on the following assumptions:

- ringfenced assets of the enterprise;
- continuous operations of the enterprise;
- sequence of the accounting policy application.

To accept the assets and liabilities for accounting Company makes their evaluation in monetary terms. Assets are evaluated as follows:

- property purchased for a fee, measured by the amount of expenses actually incurred for its acquisition;
- property produced by subdivisions of the Company, valued at the prime cost of manufacture (the actual costs associated with the production of the object of property);
- tangible assets, write-off of the remaining fixed assets and equipment, spare parts unfit for recovery and further use of, resulting from recovery of fixed assets (reconstruction, modernization, repair) are valued at the current market value at the date of disposal of fixed assets or the date of initial recognition of spare parts;
- property received free and assets identified during the inventory of assets and liabilities valued at fair market value on the date of acceptance of property for accounting.

The current market value is the amount of monetary funds that may be received from the sale of this asset at the date of its acceptance for accounting.

The current market price is formed on the basis of prices in effect at the same or similar type of property. The data about the current price should be documented or certified by an expert opinion.

Property received by the Company under contracts providing for the performance of obligations (payment) is not cash (in particular, the swap agreements), is estimated at a cost of assets transferred or to be transferred by the Company. The cost

of assets transferred or to be transferred by the Company, is set based at the price at which the Company usually determines the value of similar assets in comparable circumstances.

In evaluating of the property purchased for any reason, the actual cost is formed with the addition of the costs incurred by the Company on bringing the property to a condition suitable for use.

The value of assets in which it has been taken for accounting purposes are not subject to change, except as required by laws of the Russian Federation.

For investments the current market value may be determined in the prescribed manner and corrections are made to the book value up to the market value.

Inventory of assets and liabilities held by the Company in accordance with Article 12 of the Federal Law of 21.11.1996 No. 129-ФЗ "On Accounting" and the Guidelines for the inventory of assets and liabilities, approved by the order of Ministry of Finance 13.06.1995 No. 49.

Assets the following conditions are met simultaneously are recognized by the company as the fixed assets:

- they are planned to be used in the products manufacture, performance of work or provision of services or for administrative purposes for a long time (useful life exceeding 12 months, or the normal operating cycle, if it exceeds 12 months);
- the ability to bring economic benefits (income) in the future, and the organization has no intention to resell the assets.

Assets in respect of which the conditions described above are met, and the value of no more than 40,000 rubles per unit is recorded in the inventory, with the exception of electric equipment, motor vehicles, mobile and portable radios, backup power sources. In order to ensure the safety of these facilities in the production or operation, the quantitative accounting shall be maintained.

The costs of all types of repair of fixed assets (current and overhaul) are included in the expenses on ordinary activities during the period in which the completed and accepted repairs (stages of repair work).

Determination of the useful life of fixed assets is based on the expected physical wear and tear, which depends on the mode of operation, the natural environment and the impact of the aggressive environment, and on the repair system. The useful life of the fixed assets use is determined within the limits approved by the Government of the Russian Federation of 01.01.2002 No. 1, according to the list approved by the Chief of the Company or his authorized representative.

The Company applied the linear method of fixed assets depreciation.

Accounting of the intangible assets of the Company is performed in accordance with the Accounting Provisions "Intangible Assets Accounting" (PBU 14/2007) approved by Order of the Ministry of Finance of the Russian Federation of 27.12.2007 No. 153H.

Intangible assets shall not be revaluated.

The depreciation for all types of intangible assets are performed by linear method.

Accounting for the scientific-and-research, design and experimental and technological works of the Company are to be implemented in accordance with the Accounting Provisions "Accounting for the scientific-and-research, design and experimental and technological works" (BU 17/02), approved by Order of the RF Ministry of Finance 19.11.2002 No. 115H. R&D expenditures are written off by linear method.

Assets of the tangible form, capable of bringing economic benefits (income) in the future in the form of interest, dividends or gains in value (calculated as the difference between the sale (redemption) and purchase price) as a result exchange, use on obligations, increasing the current market value are recognized by the Company as the financial investments.

All costs directly attributable to the acquisition of assets as financial investments, irrespective of their size, are included in the initial cost of investments if they have been incurred prior to or at the time of recording and are written off to other expenses, if they are incurred after financial investments' recording.

The accounting unit of the inventory is the item number or a homogenous group (depending on the type of inventory).

The cost of special clothing of the use period

exceeding 12 months paid off through linear method based on the useful life determined in accordance with regulations. Depreciation is started from the month of the transfer of special clothing for use.

Inventories written off in production, sold externally, retiring on other grounds, including by internal displacement between the branches, and within the branch are valued at the average cost of each type of stocks on the basis of the territorial department of the local accounting and tax accounting and reporting.

2. Results of the activity

Mean assessment of the actual cost of materials is carried out by determining the actual cost of the material at the time of its release (rolling valuation).

Inventories (including spare parts), credited as a result of withdrawals from fixed assets in the recovery stage, are recognized as other income, and are measured at the carrying amount of the most recent acquisitions of similar parts with the actual depreciation percent of credited objects (not below cost of scrap metal), if such information is not available — at the current market value.

The Company divides its earnings into income from ordinary activities and other incomes.

The following is recognized by the Company as incomes from ordinary activities:

- income from electric power transmission services;
- income from services on technological connection to the grid;
- lease income;
- income from other works and services:
 - industrial nature;
 - non-industrial nature.

Other income includes all income not related to the implementation of works and services from ordinary activities.

Income of the Company, in accordance with the principle of accrual, is to be recognized in the accounting period when they occurred, regardless of the actual time of receipt of funds associated with these facts.

Expenses incurred by the organization during the reporting period but relating to future reporting periods are recorded in the balance sheet in accordance with the terms of the assets admission procedure, established accounting regulations and shall be written off in the manner prescribed for the write-down of assets of this type.

Commercial expenses are admitted by the Company in the accounting statements if they have been realized.

The reserve capital is formed by the Company from its profit on the basis of the Constituent documents and decision of the founders (shareholders).

In section III of balance sheet (capital and reserves) in the line "Revaluation of non-current assets" includes the amount of increase in the value of non-current assets as a result of revaluation, as passed opening balance sheet at the Company's reorganization through merger.

The amount of assets cost gains from the revaluation are used for the objects of property that have previously been subject to final appraisal, and only up to the amount accumulated by each individual inventory item. At the time of an object de-recording from the account (for any reason) the amount of accrued thereon are charged to revaluation surplus to retained profits of the Company.

Accounts payable to suppliers of goods, works and services are taken into account in the amount accepted for payment and accrued liabilities according to settlement documents.

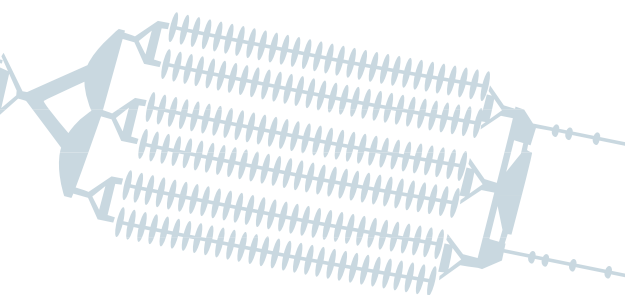
Accounts payable for non-invoiced deliveries are recorded in the amount of received values determined based on the price and conditions stipulated in the agreements.

Costs on loans and credits are recognized as other expenses of the respective reporting period. The exception to this procedure is interest on loans and credits to be included in the value of investment assets.

Additional costs for loans and credits are included in other expenses in the reporting period in which they were incurred.

The Company establishes the reserve for doubtful accounts receivable. The reserve is established on the quarterly basis based on the revision results of the accounts receivable, separately for each doubtful debt.

The Company recognizes the estimated liability for payment of future vacations. Calculation of the estimated liability on a monthly basis, in accordance with the methodology developed by the Company.



In accordance with PBU 7/98 "Events after the reporting date", the Company recognizes in the financial statements of the events after the reporting date that have or may have an impact on the financial condition, cash flows or results of operations of the organization and which occurred between the balance sheet date and the date of signing the financial statements for the fiscal year.

The Company calculates and pays taxes and levies in accordance with the laws of the Russian Federation on taxes and levies,

the legislation of the Russian Federation on taxes and levies, legal acts of local self-government on taxes and levies.

For the purposes of the income tax the recognition of revenues and expenses on an accrual basis is applied.

The Company does not distribute profits in each separate unit, situated in the territory of one entity of the Russian Federation, and pays corporate income tax to the budget of the entity of the Russian Federation through a separate division in charge for all subdivisions that are registered for tax purposes in the same region of Russia.

Analysis of the Company financial status and activity results

In 2012, IDGC of the South, JSC planned the profit in the amount of 302 million rubles. However, the planned result was not achieved. In fact, the results of 2012 a loss of 3,303 million rubles were incurred.

In 2012, cost savings was reached in terms of costs, administrative expenses, interest expense as a result of the activities to optimize the costs for the amount of 707 million rubles against the plan. Also revenue in excess of plan was also received from grid connection in the amount of 101 million rubles. Other income was received in the amount of 838 million rubles in excess of the target level (identified profit of previous years, reflects income from the reduction of provision).

However, the negative factors weight is higher:

- decrease in revenue from the transfer and transit of electricity via grids by 9% of the plan (deviation amounted to 2,069 million rubles), including:
 - reversal of revenue, in Rostovenergo branch, the counteragent of Energosbyt Rostovenergo, JSC (decision of the Arbitration Court on the case No. A53-8310/2012), in the amount of 1,717 million rubles;

- drop in revenues, of Rostovenergo branch through reducing the individual tariff of Donenergo, JSC PCT RO decision No. 38/4 of 09.10.2012 for the amount of 150 million rubles;
- drop in revenue for Astrakhanenergo branch (reduction in the average tariff and transmission volumes) for the amount of 206 million rubles;
- establishment of reserves for the doubtful debts as recommended by the internal and external auditors of the Company in the amount of 1,615 million rubles;
- establishment of reserves for impairment of investments in subsidiaries of the Company in the amount of 278 million rubles;
- establishment of reserves for other contingent liabilities in the amount of 1,236 million rubles;

All activities have been carefully thought out by the management of the Company and are required for the accounting corrections. It should be noted that the results of previous years have also been changed. In all tables and diagrams the data in accordance with the Company's financial statements are demonstrated.

2. Results of the activity

FINANCIAL RESULTS AND BASIC INDICES OF THE COMPANY OPERATIONS

Indices	2009	2010	2011	2012
Total proceeds	19,027.4	22,014.39	24,356.30	23,464.35
from electricity transfer	16,820.0	20,995.68	22,688.10	21,362.64
from technological connection	879.40	291.83	291.83	1,953.62
Sales proceeds	1,794.6	2,037.10	3,536.80	1,532.02
Net profit	-1,108.90	-3,410.98	80.82	-3,302.95
Net assets	19,569.50	15,295.04	15,368.24	12,057.91
Short-term liabilities	9,422.80	18,282.74	8,786.20	15,047.30
Long-term liabilities	12,076.6	3,518.83	16,776.06	16,799.44
Investments into capital asset	2,847.2	1,803.97	4,107.31	5,094.71

The volume of proceeds from the electric power transmission was reduced as compared to 2011 by **1,325 million rubles**, due to the reversal of revenue of Rostovenergo branch. Proceeds from connection in 2012 increased against 2011 and amounted to **1,953 million rubles**. The increase was conditioned by the completion of the implementation of measures for technological connection counterparty KTK-R CJSC in Kalmenergo branch.

In the result loss incurred by the Company in 2012 reduction of net assets amounted to **3,310.3 million rubles**.

(In 2011, net assets amounted to 15,368 million rubles, in 2012 — 12,058 million rubles). Accounting corrections were implemented in the part of the equity capital which resulted in the change in net assets as of 01.01.2012.

The investment program for 2012 approved by the Board of Directors, determines the scope of the capital investments (for all activities) of 4,922 million rubles, however **5,095 million rubles** or 103.5% were actually spent.

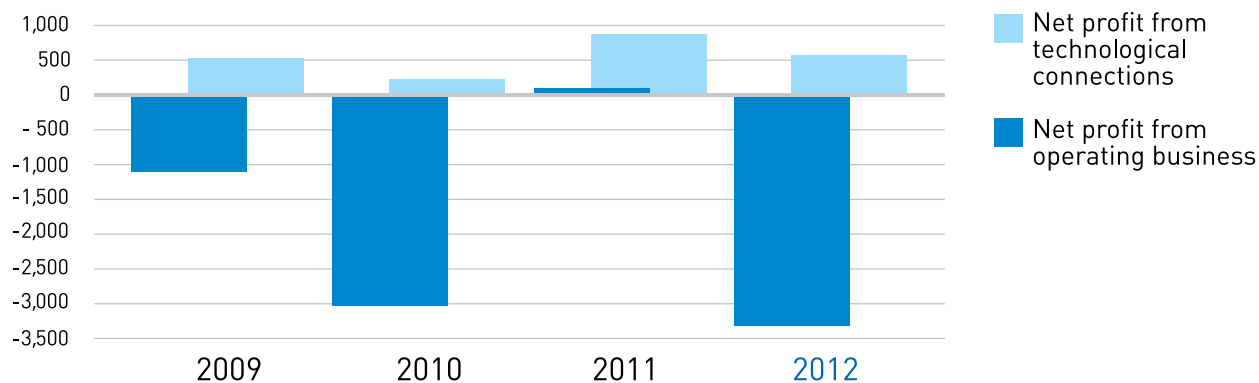
INDICES DYNAMICS FORMING FINANCIAL RESULT OF THE COMPANY

Indices	2009	2010	2011	2012	Deviation against 2011	
					RUB mln.	%
Sales proceeds	19,027.4	22,014	24,356	23,464	-892	-4
Prime cost	16,568	19,390	20,068	21,056	988	5
Gross profit	2,460	2,624	4,288	2,408	-1,880	-44
Other income	392	773	1,057	1,302	246	23
Other expenses	4,736	4,736	2,684	4,756	2,071	77
Income before income tax	-959	-3,652	429	-3,461	-3,891	-906
Income tax and similar payments	150	241	-349	158	507	-145
Net profit of reporting period	-1,109	-3,411	81	-3,303	-3,384	-4,187

Proceeds and profit structure in terms of the business lines**PROCEEDS' STRUCTURE IN TERMS OF REGIONS, mln. rubles**

Branch	Proceeds total	Share in general proceeds	Network services (inc. TS)	Total share in IDGC of the South, JSC	Other services	Total share in IDGC of the South, JSC
Astrakhanenergo	3,850	16.41%	3,830	16.43%	20	13.61%
Volgogradenergo	7,952	33.89%	7,919	33.96%	33	22.45%
Rostovenergo	1,523	6.49%	1,509	6.47%	14	9.52%
Kalmenergo	10,104	43.06%	10,059	43.14%	45	30.61%
Kubanenergo	11	0.05%	0	0.00%	11	7.48%
Executive establishment	24	0.10%	0	0.00%	24	16.33%
TOTAL	23,464	100.00%	23,317	100.00%	147	100.00%

Total proceeds from services of IDGC of the South, JSC in 2012 amounted to **23,464 million rubles**. Proceeds from network services amounted to 23,317 million rubles, including the electricity transmission services — **21,362 million rubles**, from technological connection to the electric grid of the Company — **1,954 million rubles**.

PROFIT DYNAMICS IN TERMS OF BUSINESS LINES

2. Results of the activity

RATIO OF LIQUIDITY, PROFITABILITY AND FINANCIAL STABILITY

Indices	2009	2010	2011	2012
Sales profitability, %	9.40	9.25	14.52	6.53
Equity ratio (financial independence)	0.478	0.411	0.374	0.274
Current liquidity ratio	1.274	0.511	1.283	0.860
Quick assets ratio	1.193	0.432	1.090	0.728
Correlation of the accounts receivable and accounts payable	1.193	1.140	0.976	0.790
Correlation of own and borrowed funds	0.914	0.698	0.599	0.377

As can be seen from the above table, the return on sales in 2012 was reduced due to the above reasons for the decline in proceeds and the creation of reserves. In general, all the indicators have a fall dynamics, which confirms the current status of the Company.

EFFICIENCY INDICES

Indices	Unit of measurement	2009	2010	2011	2012	Deviation against 2011
ROE	%	-5.39	-18.38	0.01	-22.66	-3,378.98
Sales profitability	%	9.43	9.25	14.52	6.53	0.45
ROTA	%	-2.31	-9.86	1.05	-7.89	-7.51
Current liquidity ratio		1.27	0.51	1.28	0.86	0.67
Quick assets ratio		1.19	0.43	1.09	0.73	0.67
EBITDA	RUB mln.	2,842.90	252.03	4,156.48	579.21	0.14

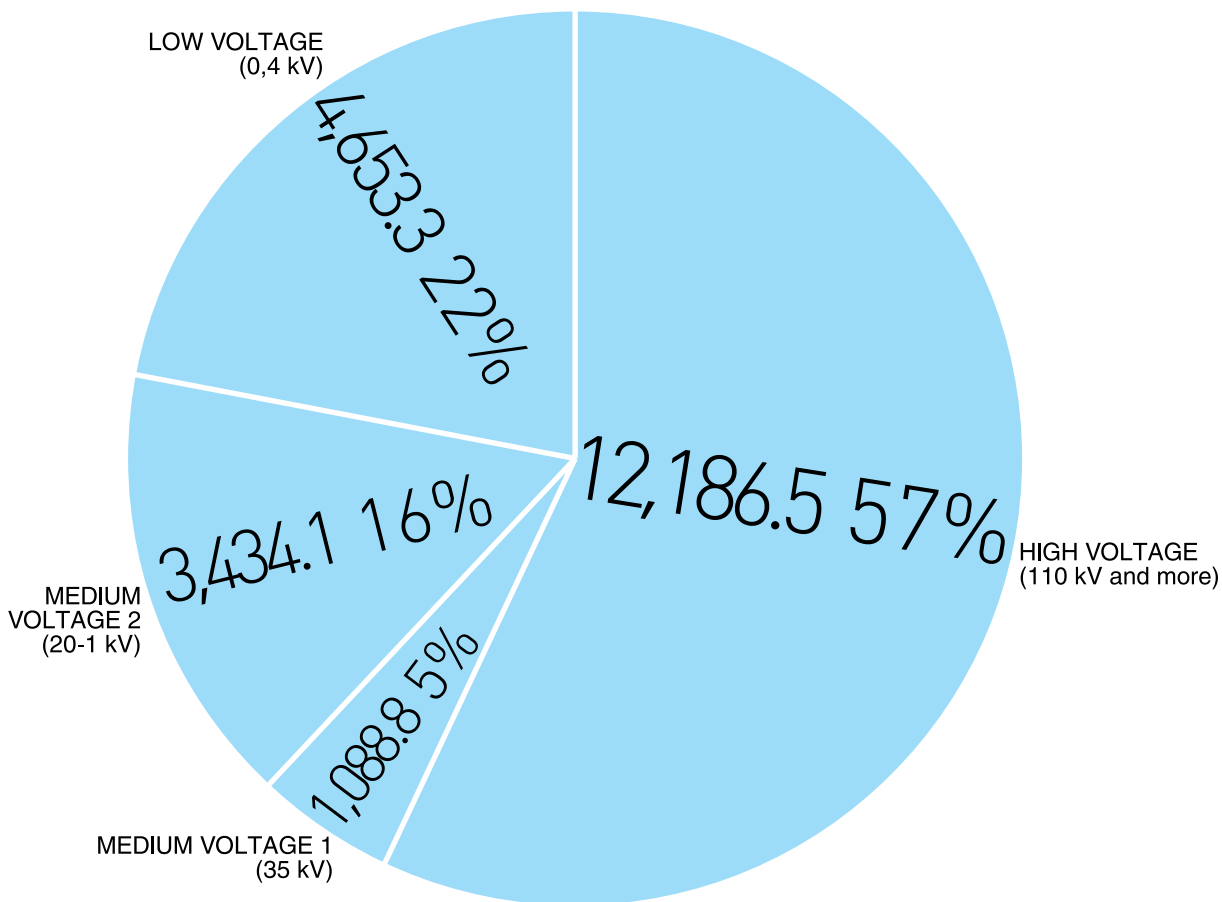
At the end of 2012 decline in proportion to financial results can be noted.

CURRENT SALES INDICES IN THE MONETARY TERMS

In 2012, the total revenue of IDGC of the South, JSC amounted to **23,464 million rubles**, which is below the previous year by 892 million rubles (4%). The largest share (91 %) takes the proceeds from electricity transmission, mln. rubles:

Voltage class	2009	2010	2011	2012	Deviations against 2011
High voltage (from 110 kV)	9,257.9	11,372.4	12,020.1	12,186.5	166.4
Average voltage 1 (35 kV)	1,001.0	1,099.0	1,314.5	1,088.8	-225.7
Average voltage 2 (20-1 kV)	2,241.1	3,479.7	4,057.2	3,434.1	-623.1
Low voltage (0.4 kV and lower)	4,319.9	5,006.7	5,296.3	4,653.3	-643.0

**PROCEEDS STRUCTURE FROM ELECTRIC TRANSMISSION SERVICES,
RUB mln.**



2. Results of the activity

PRINCIPLE ITEMS OF THE BALANCE SHEET

	Index description	Line Code	31.12.2010	31.12.2011	31.12.2012
ASSETS					
I. NON-CURRENT ASSETS					
5.2.1–5.2.2	The results of research and developments, including:	1120	3	26	54
5.3.1–5.3.5	Capital assets	1150	26,681	28,928	31,302
5.4.1–5.4.3	Financial Investments	1170	462	419	245
5.7.2	Deferred tax assets	1180	367	161	196
	Other noncurrent assets	1190	460	746	598
	TOTAL for section I	1100	27,972	30,279	32,396
II. NONCURRENT ASSETS					
5.5.1–5.5.2	Stocks, including	1210	787	1064	1161
5.6.1–5.6.4	Accounts receivable	1230	7,715	7,944	8,263
	Payments expected in more than 12 months after reporting date	1231	593	466	351
	Payments expected during 12 months after reporting date	1232	7,122	7,478	7,912
F4	Monetary funds and monetary equivalents	1250	338	1,404	1,739
	TOTAL for section II	1200	9,048	10,582	11,447
	BALANCE	1600	37,020	40,862	43,843
PASSIVE					
III. CAPITAL AND RESERVES					
3.1	Authorized capital (share capital, authorized fund, contributions of partners)	1310	4,981	4,981	4,981
5.3.1–5.1.1	Revaluation of non-current assets	1340	14,830	14,758	14,745
3.1	Reserve capital	1360	143	143	149
3.1	Undistributed profit (uncovered loss)	1370	(4,735)	(4,582)	(7,878)
	of previous years	1371	(1,324)	(4,663)	(4,575)
	of the reporting period	1372	(3,411)	81	(3,303)
	TOTAL for section III	1300	15,219	15,299	11,996
IV. LONG-TERM LIABILITIES					
5.6.7–5.6.8	Loaned funds	1410	3,213	13,750	16,500
	TOTAL for section IV	1400	3,519	16,776	16,799
V. SHORT-TERM LIABILITIES					
5.6.7–5.6.8	Loaned funds	1510	10,954	2,839	2,842
5.6.5–5.6.6	Accounts receivable	1520	6,753	5,408	10,462
5.7.1	Estimated liabilities	1540	499	470	1,682
	TOTAL for section V	1500	18,283	8,786	15,047
	BALANCE	1700	37,020	40,862	43,843

Fixed assets take the largest share in the assets. Their specific value amounts to 71 % together with the construction in progress.

In the structure of liabilities, the major portion takes the loaned funds — 38 %. However, the share of own funds is quite high: share capital and additional capital, retained profits and undistributed profits and losses — total to 28 %.

MAIN INDICES VALUE OF THE PROFIT AND LOSS ACCOUNT FOR 2011

Index	2011	2012	Deviation	
			abs.	against
Proceeds	24,356.30	23,464.35	-892	-4 %
Sales prime cost	20,068.06	21,056.32	988	5 %
Gross profit (loss)	4,288.25	2,408.03	-1,880	-44 %
Administration expenses	751.45	876.01	125	17 %
Sales proceeds (loss)	3,536.80	1,532.02	-2,005	-57 %
Interests to receive	13.68	18.42	5	35 %
Interest to pay	1,493.28	1,622.18	129	9 %
Income from participation in other organizations	0.03	63.69	64	207,260 %
Other income	1,056.54	1,302.44	246	23 %
Other expenses	2,684.45	4,755.73	2,071	77 %
Income (loss) before tax	429.32	-3,461.35	-3,891	-906 %
Income tax and similar mandatory payments	-348.50	158.40	507	-145 %
Net profit (loss)	80.82	-3,302.95	-3,384	-4,187 %

NET PROFIT DISTRIBUTION IN TERMS OF USE DIRECTIONS

Index description	Profit distribution			
	2009	2010	2011	2012
Net profit (thousand rubles)	-1,108,879	- 3,410.98	80,819	-3,302,948
Reserve fund (thousand rubles)			5,869	
Accumulation fund (thousand rubles)				
Dividends (thousand rubles)				
Profit use for the current year investments (thousand rubles)				
Dividends per 1 share, kop.				

No dividends were paid out in 2012.

2. Results of the activity

Dynamics and change of the accounts payable and accounts receivable of the Company

DYNAMICS AND STRUCTURE OF ACCOUNTS RECEIVABLE OF THE COMPANY, RUB thou

Index description	2010	2011	2012	Deviation against the previous year
Total long-term:	593,181	465,589	351,114	319,255
Including buyers and customers	33,875	31,542	14,519	114,475
Advanced payments	12,990	853	16,368	15,515
Other debtors	546,316	433,194	320,227	112,967
Total short-term	7,121,835	7,478,024	7,911,754	433,730
Including buyers and customers	5,786,217	5,605,610	6,307,790	702,180
Advanced payments	140,103	700,407	117,932	582,475
Other debtors	1,195,515	1,172,007	1,486,032	314,025
TOTAL	7,715,016	7,943,613	8,262,868	319,255

In comparison with 2011 receivables in 2012 were increased by 319 255 thousand rubles. The largest share in the structure of the accounts receivable is taken by the short-term debt — 95.75 %.

In the short-term receivables the largest share of receivables in the amount of 6,307,790 rubles is taken by the buyers and customers. In comparison with the same period in 2011 receivables for the year 2012 dropped by 144,039 thousand rubles.

DYNAMICS AND STRUCTURE OF THE COMPANY'S LIABILITIES

Index description	2010, thousand rubles	2011, thousand rubles	2012, thousand rubles	Deviation against the previous year, thousand rubles
Long-term liabilities				
Total	3,231,762	16,478,379	16,500,000	21,621
Loans and credits	3,212,900	13,750,000	16,500,000	2,750,000
Other long-term liabilities, including:	18,862	2,728,379	0	-2,728,379
To suppliers and contractors	18,862	4,715	0	-4,715
Other long-term liabilities	0	2,723,664	0	-2,723,664
Short-term liabilities				
Total	17,707,258	8,247,057	13,303,949	5,056,892
Loans and credits	10,953,836	2,839,120	2,841,890	2,770
Accounts payable, including:	6,753,442	5,407,937	10,462,059	5,054,122
Suppliers and contractors	5,313,674	2,967,061	5,092,305	2,125,244
Personnel salary debts	144,119	188,665	10,888	-177,777
Debts towards State and extra-budget funds	66,507	84,023	106,084	22,061
Tax and levies debts	60,645	90,351	37,530	-52,821
Advanced payments received	927,029	1,801,147	1,752,790	-48,357
Other creditors	239,554	276,690	495,787	219,097
TOTAL	20,939,020	24,725,436	29,803,949	5,078,513

Company's liabilities increased by the results of 2012. The growth of long-term liabilities of the Company is insignificant. Current liabilities increased by 63% due to the growth of debt to suppliers and contractors, and the promissory note loan with a maturity of no earlier than 1.5 years to pay off overdue debts to the FGC UES, JSC.

The growth of long-term obligations of the Company under "Loans and credits" relates to the raising of long-term borrowings to finance the investment program of the Company.

INDICES' DYNAMICS

Index	2010	2011	2012	Deviations against previous year, %
Debt-to-equity ratio, %	128	151	161	+10
Accounts receivable turnover, times	2.5	2.7	2.8	+0.1
The level of overdue debt, %	40	25	20	-5

The growth of "Debt-to-equity ratio" (+10%) is due to the involvement of additional loaned funds in 2012 to finance the investment program of the Company and the repayment of advance commitments.

The growth of "Accounts receivable" in comparison with the previous year is insignificant.

STRUCTURE AND DYNAMICS OF THE CREDIT PORTFOLIO OF IDGC OF SOUTH, JSC, mln. rubles

Credit (loan) type, debt source	2010	2011	2012	Share in the common liabilities' structure
Short-term credits	1,400.0	2,400.0	2,400.0	13%
Long-term credits	6,100.0	9,192.3	11,942.0	62%
Promissory note of IDGC of the South, JSC	312.9	312.9	312.9	2%
Debenture issue	6,000.0	4,557.7	4,557.7	23%
TOTAL	12,812.9	16,462.9	19,212.6	100%

Debenture issue

Bonds Series 02, the State Registration Number 4-02-34956-E recorded December 16, 2008 by the Federal Service for Financial Markets.

Emission volume — 6 million pcs of the face value 1,000 rubles each.

Emission period — 1,820 days (10 coupon periods of 182 days each).

Date of emission distribution 01.09.2009. The emission distributed in full.

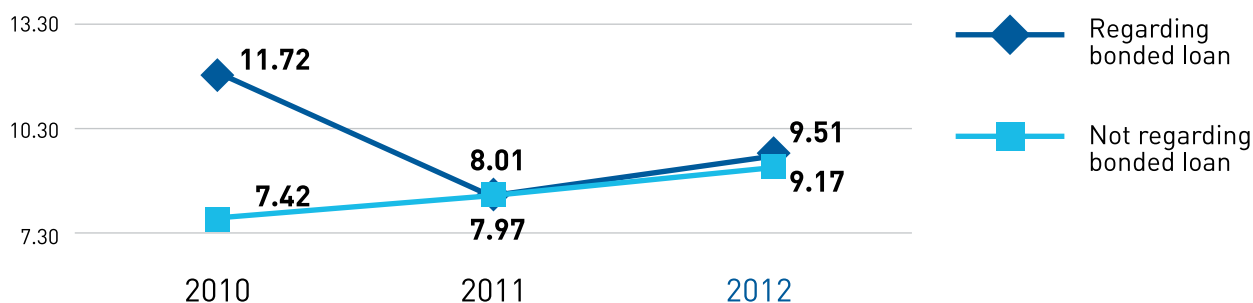
The maturity of the bond issue — August 26, 2014.

The coupon rate from 1st to 4th — 17.5% per annum, from 5th to 10th — 8.1% per annum.

In accordance with the credit strategy IDGC of the South, JSC has attracted medium-and long-term loans (from 3 to 5 years) to refinance previous loans and financing of the investment program of the Company.

2. Results of the activity

DYNAMICS OF THE WEIGHTED AVERAGE INTEREST RATE FOR LOANED FUNDS SERVICE



In comparison with 2011 the weighted average interest rate has grown from 8.01% to 9.51% (including the bond issue) and from 7.97% to 9.17% (excluding the bond issue) which is primarily due to increase in interest rates of the banking system of Russia in 2012. Despite the fact that the Central Bank of Russia raised rates

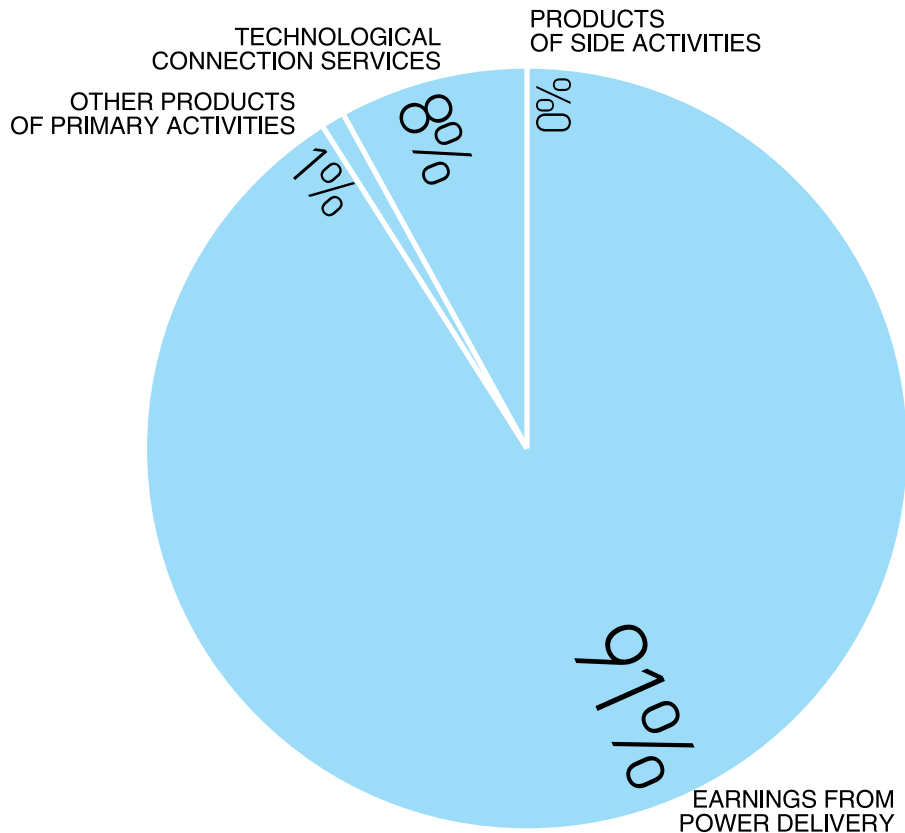
on its operations once in September 2012 thus responding to the excess of the inflation from target range, the average rate on bank loans in rubles increased to 10.4% from 9.2% in January 2012.

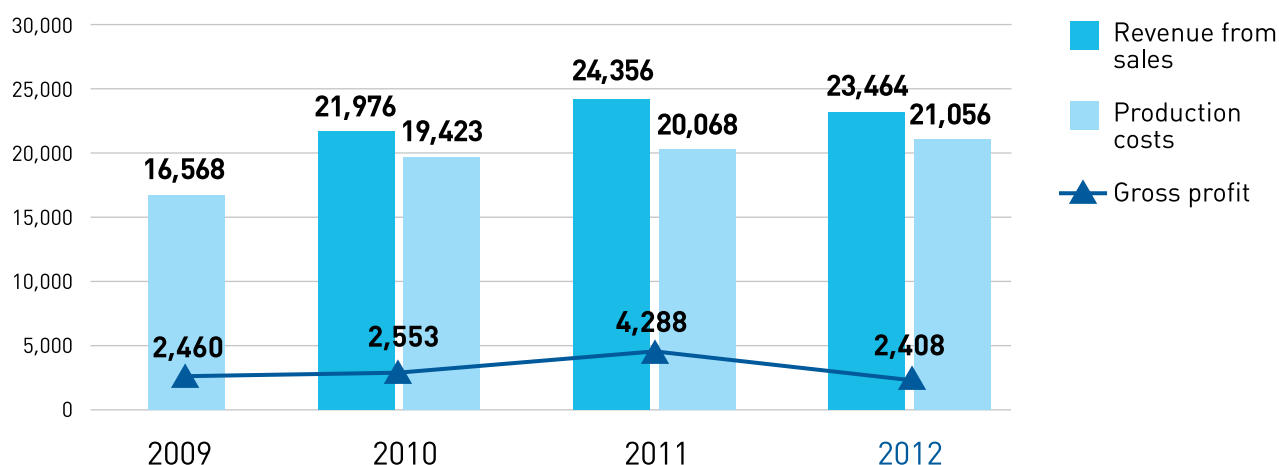
As of the end of 2012 to the Company own bonds for the amount of 1,442.3 bln. rubles.

Information on structure of incomes and expenses

In 2012, the total revenue of IDGC of the South, JSC amounted to **23,464 million rubles**, which is below the previous year by 892 million rubles (4%). The largest share (91%) is taken by the proceeds from electricity transmission:

STRUCTURE OF EARNINGS OF IDGC OF THE SOUTH, JSC IN 2012



DYNAMICS OF INCOMES GROWTH (FALL), RUB mln.

The actual gross profit of the Company in 2012 is 1,880 million rubles lower than that of last year.

EXPENSES DYNAMICS OF IDGC OF SOUTH, JSC

Description of expenses item	2011		2012		Changes	
	Amount, RUB mln.	Specific weight, %	Amount, RUB mln.	Specific weight, %	Abs., RUB mln.	Relative, %
The cost of products manufacture and sale	20,067	100	21,056	105	989	5
tangible costs	5,277	26	5,339	27	62	1
Work and production services	7,008	35	7,391	37	383	5
Labor costs	3,458	17	3,765	19	307	9
Insurance premiums	1,110	6	1,088	5	-22	-2
Depreciation	2,190	11	2,369	12	179	8
Others	1,024	5	1,104	6	80	8

Actual costs of IDGC of the South, JSC in 2012 amounted to 21,056 million rubles, thus the sum of expenditures in 2011 amounted to 20,067 million rubles. Costs growth amounted to 989 million rubles, or 5%.

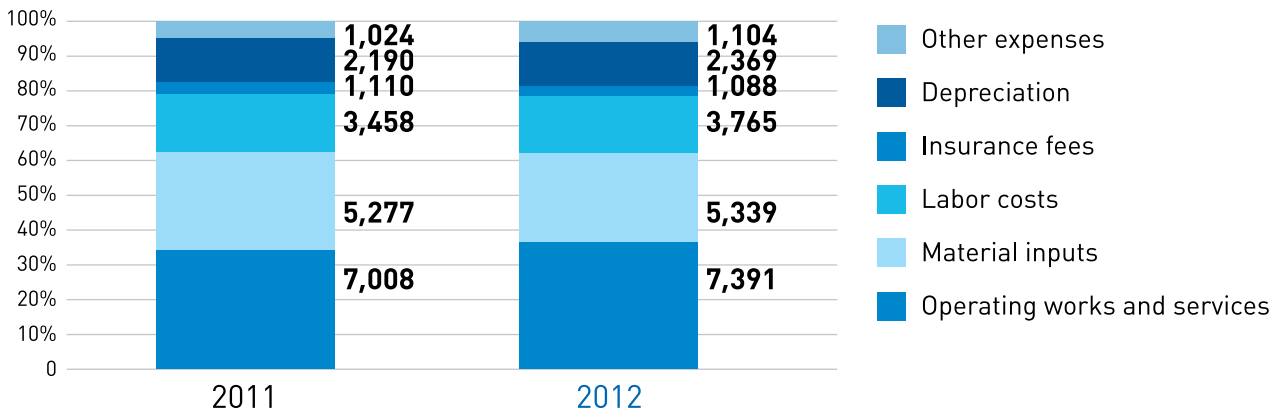
The analysis of the dynamics of change may consider costs on the contribution of each item in the total cost. The main cost increase is observed under "labor costs" in connection with the payment of the

annual premium for the 2011 results. The depreciation cost has grown, which is a consequence of the execution of the investment program of activities. As for the article "work and production services", there is growth due to increased volumes of the services of electric energy transmission through networks of third-party organizations (TNO).

Intuitively, the cost structure is shown in the graph, where the amount of costs in 2012 corresponds to the level in 2011.

2. Results of the activity

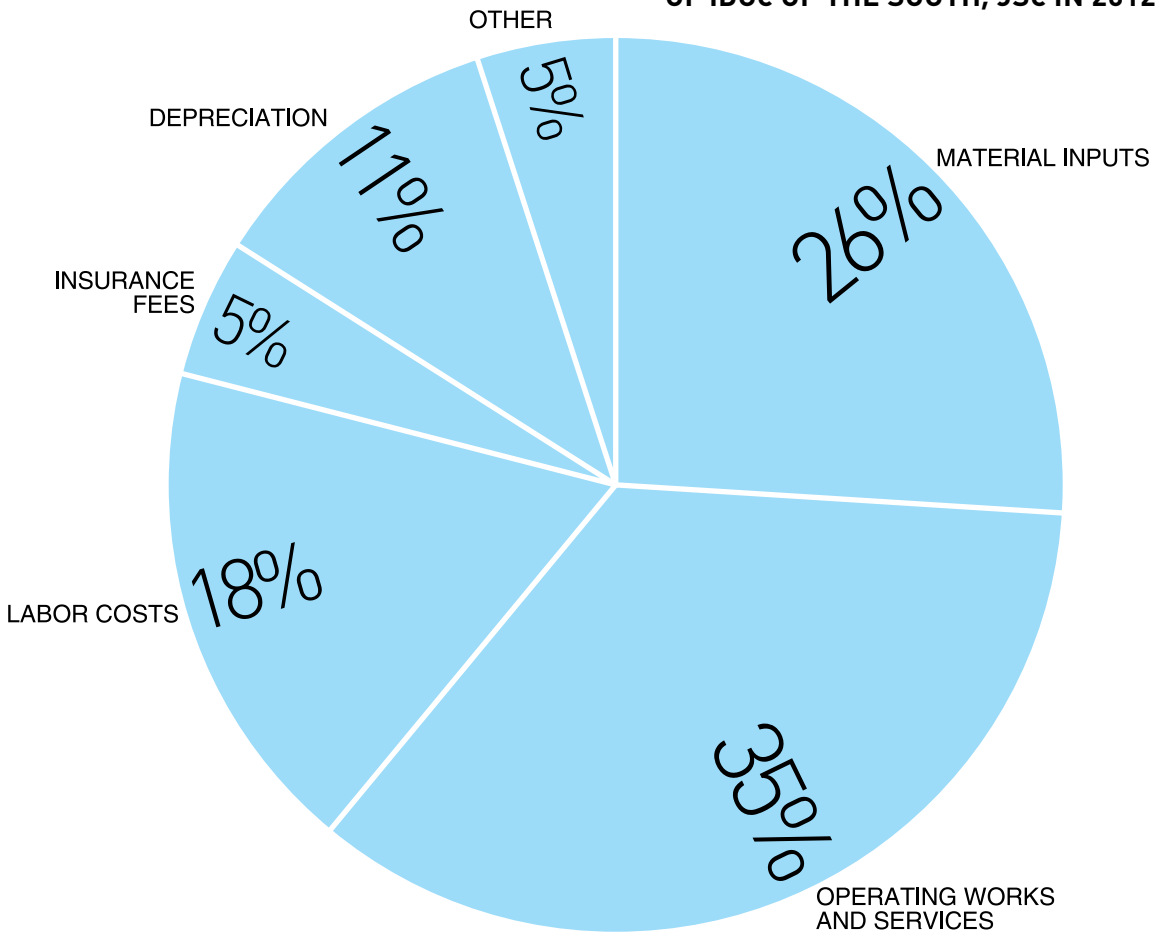
EXPENSES STRUCTURE 2011–2012



Most of the costs of IDGC of the South, JSC — 37% — are taken by the work and services performed. This item includes the cost of network services companies in electricity transmission services of FGC UES, JSC the cost to implement the maintenance program, maintain fixed assets in working condition, as well as services in the field of industrial safety.

Material costs account for 27% of the total cost and include electricity purchases to compensate for losses and economic needs, materials and fuel required for production activities.

EXPENSES STRUCTURE OF IDGC OF THE SOUTH, JSC IN 2012



Activities undertaken by IDGC of the South, JSC to reduce costs

To improve financial position of IDGC of the South, JSC in 2012, increasing operational efficiency and liquidity, IDGC of the South, JSC the works on the implementation of measures aimed at reducing the costs and the financial health of the Company:

1. Reduce the cost of electricity losses in networks including through:
 - organizational measures (load balancing phases in networks 0.4 kV);
 - technical measures (replacement of overhead wires on congested, the replacement wire taps of overhead lines 0.4 kV to the buildings on the SSIC replacement of overloaded transformers and underused);
 - measures to improve the design of systems and technical accounting (conducting raids to identify unaccounted electricity, implementation of control removals meter readings, instrumental conducting testing of electricity meters).
2. Activities to tighten the tender procedures in the implementation of procurement activities aimed at reducing the cost of purchased materials, equipment, services and works;
3. Reduce the cost of acquisition of raw materials and by reducing the cost of purchases during the regulated procedures, reduction of limits cancellation of materials, extended use of tools and equipment, the optimization of the payroll of the rolling stock;
4. Reduced labor costs due to ongoing optimization of business processes and optimization of personnel;
5. Cost reduction as a result of the implementation of measures to reduce other operating costs, mainly due to lower contributions to scientific development and production center, optimizing the cost of communications services, security services, legal and consulting services, as well as changes in the plan of work for re-registration and registration of title rights.

Forecasting financial results

At the end of 2013 IDGC of the South, JSC is scheduled to return to break-even, which undoubtedly will result in improved financial results, liquidity and financial stability. In 2013, much attention is paid to improving operational efficiency; the focus

of the work of the task is to reduce the operating and financial expenses of the Company. It is also planned to produce optimize the investment focus of activities. Net income is expected to reach 15 million rubles.





CORPORATE REPORT

Fixed assets for a total of **3**.439 billion rubles
were installed in the reporting year

3

CORPORATE REPORT

CORPORATE GOVERNANCE

Company's corporate governance is a set of processes for controlling and monitoring its activity and including the relationship between the shareholders, the Board of Directors and executive bodies of the Company for the benefit of shareholders.

The Company considers corporate governance as the tool of improving business efficiency, enhance its reputation and reduce the cost of raising capital.

Corporate Governance in the Company is performed according to the law of the Russian Federation, the Charter of IDGC of the South, JSC, internal documents regulating activities of the management and supervisory bodies of IDGC of the South, JSC, the Code of Corporate Governance of IDGC of the South, JSC, the Provisions on Information Policy of IDGC of the South, JSC and other internal documents of the Company.



Fairness

The Company provides its shareholders with a real opportunity to exercise their rights associated with their participation in the Company as well as the opportunity to receive efficient protection in case of violation of their rights.

Disclosure

The Company seeks to provide its shareholders and investors with accessible, regular and reliable information, including that for purpose of control over the executive bodies of the Company and making qualified decisions on estimation of their activity.

Accountability of the governing bodies of the Company to the shareholders

The supreme management body of the Company is the General Meeting of Shareholders. It reviews the results of the Company's activity on an annual basis.

The Board of Directors provides strategic management of the Company's activities and is accountable to the shareholders of the Company.

The Company's executive bodies are the Management Board and the General Director. These bodies shall perform management of the Company's current activity and are accountable to the General Meeting of Shareholders and to the Board of Directors.

The current accountability system reduces risk of divergence of interests of managers with those of shareholders.

Financial and economic activities control

The current control system of the Company's financial and economic activities is allocated to provide investors with confidence for the Company and its management bodies. Control of the Company's financial and economic activities is performed by the Board of Directors, the Audit Commission and the Company's Auditor.

Department of Internal Audit and Risk Management was established with purpose to provide operative internal control over the economic operations.

Respect for the rights of third parties

The Company seeks to create relationships with third parties, including their employees, based on respect and with regard to their rights. The Company seeks to stimulate active cooperation with investors, creditors and other interested parties in order to increase its assets and shareholder value.

IDGC of the South, JSC has been recognized as a company with advanced practice of corporate governance.

On 16 December 2011, the Consortium of the Russian Institute of Directors and "Expert RA" rating agency confirmed **6+ national corporate management rating of the Company level** (in 2009 — 5+ national corporate management rating, in 2010 — 6+ national corporate management rating). In 2012 The Company and the Non-commercial Partnership "Russian Institute of Directors" concluded the Service Agreement for Annual monitoring of the corporate governance practice and information support of the assigned rating of the corporate governance.

The Company has a potential to increase in rating and seeks to its further increase in future.

The report on corporate governance practices in IDGC of the South, JSC is available on the corporate website of the Company on Internet at: http://mrsk-yuga.ru/corporate_management/reiting/.

Information on adherence of the Corporate Governance Code of IDGC of the South, JSC for 2012 is shown in the appendix 7 to the Annual Report.

Corporate governance ratings for the affiliated companies of IDGC of the South, JSC has not been assigned.

3. Corporate report

The annual report of the Company for 2011 has been awarded:

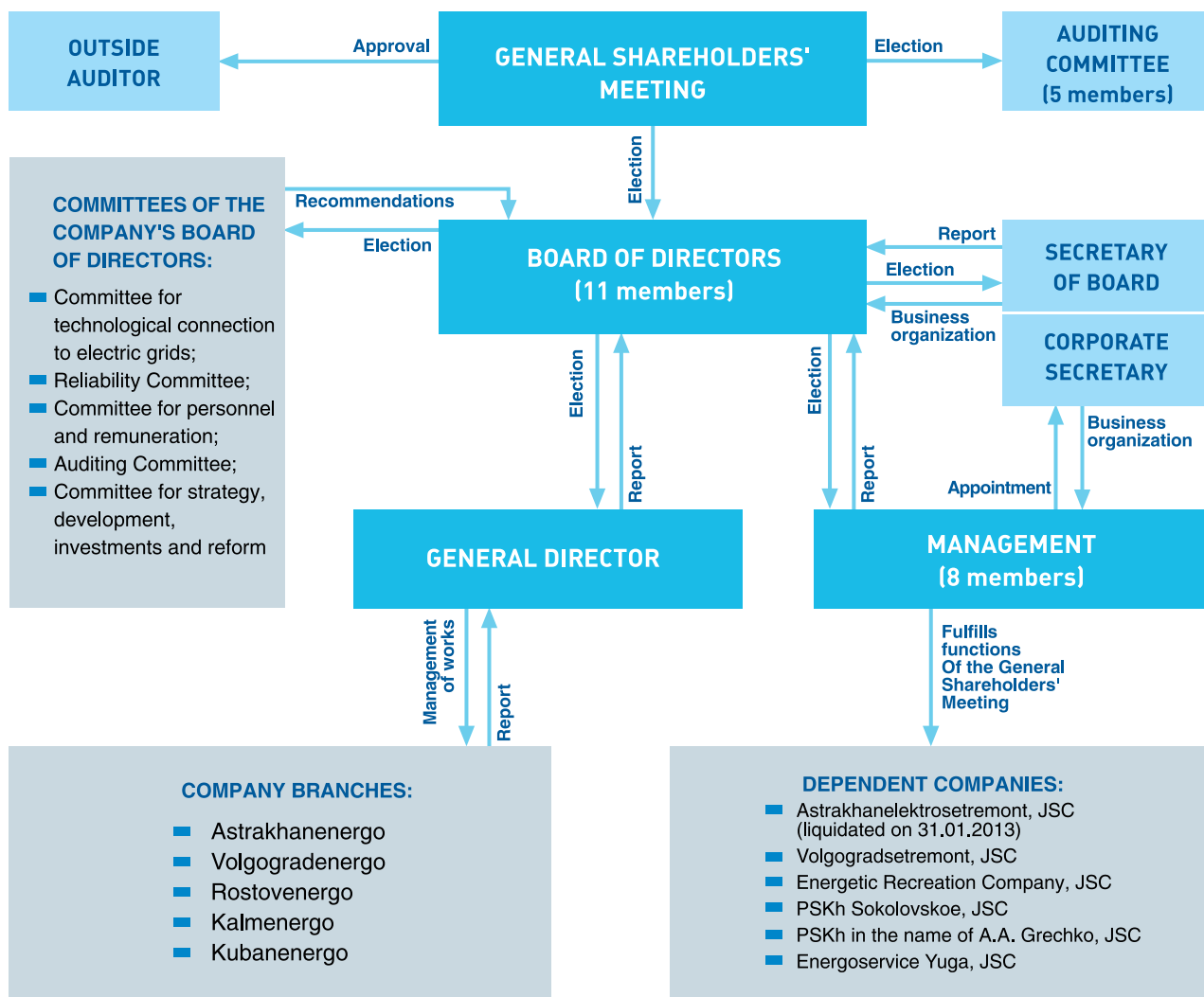
- first place in the nomination "The level of disclosure" and "Industry report "Infrastructure"" at the IX open competition annual reports of joint-stock companies, organized by the Administration of Krasnodar Region with the participation of the Russian Institute of Directors and the journal Harvard Business Review-Russia, and held in the framework of the XI International Investment Forum "Sochi-2012";
- the winner in the nomination "The best report of the issuer of the Southern Federal District" at the XV Federal Contest of annual reports and websites, organized by the magazine "Securities Market" and a social network INVESTOR.RU in partnership

with the Federal Service for Financial Markets and conducted within the framework of the IX Federal Investment Forum.

In the process of disclosure of the information on the Company as an issuer, the Company complies with the requirements of the current legislation of the Russian Federation and local Regulations as well as seeks to disclose additional information about its activity according to the Provision on Information Policy of IDGC of the South, JSC.

Information about the Company during the whole period of activity of IDGC of the South, JSC as well as texts of the documents are available for permanent public access on the website of the Company on Internet at: www.mrsk-yuga.ru.

Corporate governance system of IDGC of the South, JSC



General Meeting of the Company Shareholders

In accordance to the Federal Law “On Joint-Stock Companies” and the Charter of IDGC of the South, JSC, General Meeting of Shareholders is a supreme management body of IDGC of the South, JSC.

The Company annually conducts annual General Meeting of Shareholders on terms stipulated in the Charter of the Company, but not earlier than two months before the end of financial year and not later than six months after it.

The matters related to the competence of the General Meeting of Shareholders are those relating to approval of internal documents regulating the activity of the Company’s management bodies, to the charter capital and securities, reorganization and liquidation of the Company, election of management bodies, approval of major transactions and control of the Company’s activity.

The detailed competence of the General Meeting of Shareholders is shown in the article 10 of the Charter of IDGC of the South, JSC, which is available on the web-site of the Company on Internet.

The Company conducted two General Meetings of Shareholders in 2012: **annual** general meeting held on 18 July 2012 (according to the requirements of the Federal Law “On Joint-Stock Companies” and the Charter of IDGC of the South, JSC) and **extraordinary** General Meeting held on the 24 August 2012 (on the basis of a shareholder of the Company holding more than 10 percent of the voting shares of the Company — the Company IDGC Holding, JSC to convene an Extraordinary General Meeting of Shareholders of IDGC of the South, JSC (EGM) and the inclusion in the agenda of the EGM on early termination of office of the members of the Board of Directors IDGC of the South, JSC and the election of the Board of Directors of the Company with the nomination of candidates of IDGC Holding, JSC.

The full text of the Resolutions of the General Meetings of Shareholders of the Company can be found on the website of the Company on Internet at: http://mrsk-yuga.ru/corporate_management/resh_sobr_akcion/.

Procedures of calling and making suggestions for the inclusion of issues in the agenda of the General Meeting of Shareholders of the Company are set by the current legislation of the Russian Federation, the Charter of the Company and the Provision on procedure for preparation and holding of the General Meeting of Shareholders of IDGC of the South, JSC published on the website of the Company on the Internet at: http://www.mrsk-yuga.ru/corporate_management/proc_sozyv/.

The Board of Directors of the Company

The General Meeting of Shareholders determines number of members of the Board of Directors of the Company and elects its members to perform general management of the Company’s activity.

According to section 16.1 article 16 of the Charter of the Company, number of members of the Board of Directors of the Company amounts 11 (eleven) persons.

The matters related to the competence of the Board of Directors of the Company are the following:

- to determine the priority directions of the Company’s business activities and the Company’s development strategy;
- to call annual and extraordinary General Meetings of Shareholders of the Company as well as to inform about the date of a new General Meeting of Shareholders to be held instead of an unsuccessful Meeting due to absence of quorum, to approve of agenda of the General Meeting of Shareholders;
- to approve the Company Registrar, the conditions of the contract with him as well as to terminate the contract with him;
- to elect a Director General of the Company and terminate his authorities on an early basis, as well as to terminate the labour contract with him on an early basis;
- to review the General Director’s reports regarding the Company’s activity (including the reports on performance of his own official responsibilities) and on compliance with the decisions adopted by the General Meeting of Shareholders and the Board of Directors of the Company;
- to determine the number of members of the Company’s Management Board, to elect members of the Company’s Management Board, to establish remuneration and compensation to be paid to them, to terminate their authorities on an early basis;
- other matters stipulated in the Federal Law “On Joint-Stock Companies” and the Charter of the Company.

Matters related to the competence of the Board of Directors of the Company may not be delegated to the executive body of the Company.

The detailed competence of the Board of Directors as well as the procedure of nomination of candidates to the Board of Directors is described in the Charter of IDGC of the South, JSC on the procedure of the General Shareholders Meeting of the Open Joint-Stock Company “Interregional Distribution Grid Company of the South” which is available on the web-site of the Company on Internet.

The Company believes that the presence of independent directors in the Board of Directors is an important factor. In addition, the current Board of Directors of the Company includes representative of non-profit organization Investor Protection Association that serves as an additional guarantee of protection of interests of minority shareholders.

Members of the Board of Directors have a comprehensive knowledge and skills in accounting, strategic management, corporate governance, corporate finance, risk management as well as in specific spheres related to electric power industry that allows effective management of the Company.

Procedure for calling for the Board of Directors meetings and inclusion of issues in the agenda of the Board of Directors is set by the Provision on the procedure for preparation and holding of the meetings of the Board of Directors of IDGC of the South, JSC published on the website of the Company on the Internet.

During 2012, the Company’s governance was performed under management of three sets of the Board of Directors of IDGC of the South, JSC that corresponded to the requirements of MICEX, CJSC trade organizer to maintain securities of the Company in “B” quotation list.

3. Corporate report

The Board of Directors acting till the annual General Meeting of Shareholders, term of powers is from 04.07.2011 to 18.06.2012 (titles are indicated at the time of the election):

1	Aleksey Yurievich Perepyolkin , Chairman	Member of the Management Board, Deputy Director General in charge of Corporate Governance and Property of IDGC Holding, JSC
2	Sergey Aleksandrovich Arkhipov	Board Chairman, CEO of IDGC of the South, JSC
3	Aleksandr Markovich Branis	Director of Prosperity Capital Management (RF) Ltd
4	Vladimir Vyacheslavovich Inozemtsev	Head of the Department of Electric Power Transport and Energy Efficiency of IDGC Holding, JSC
5	Khasan Mushtafaevich Likhov	Deputy Director of the Department of Economic Regulation and Property Relations in the Fuel-Energy Complex of the Ministry of Energy of the Russian Federation
6	Boris Iosifovich Mekhanoshin , Deputy Chairman since 24.02.2012	Deputy Director General, Technical Director of IDGC Holding, JSC
7	Dmitry Leonidovich Pankov	Director for Strategy, Development and Innovation of IDGC Holding, JSC
8	Aleksey Valerievich Sannikov , Deputy Chairman till 24.02.2012	Member of the Management Board, Deputy Director General of IDGC Holding, JSC
9	Roman Alekseevich Filkin	Co-director , electric power industry, engineering industry, of Representative Office of Prosperity Capital Management (RF), Ltd
10	Aleksandr Viktorovich Shevchuk	Deputy Executive Director of non-profit organization Investor Protection Association
11	Sergey Evgenievich Yurchuk	Finance Director of IDGC Holding, JSC

The Board of Directors elected by the annual General Meeting of Shareholders for a term from 18.06.2012 to 24.08.2012 (titles are indicated at the time of the election). Chairman has not been elected.

1	Aleksey Yurievich Perepyolkin	Member of the Management Board, Deputy Director General in charge of Corporate Governance and Property of IDGC Holding, JSC
2	Sergey Aleksandrovich Arkhipov	CEO of IDGC of the South, JSC
3	Aleksandr Markovich Branis	Director of Prosperity Capital Management (RF), Ltd.
4	Aleksey Vladimirovich Demidov	Member of the Management Board, First Deputy Director General of IDGC Holding, JSC
5	Khasan Mushtafaevich Likhov	Deputy Director of the Department for Economic Regulation and property relations in the Fuel-Energy Complex of the Ministry of Energy of Russia.
6	Leonid Vladimirovich Mazo	Deputy CEO of IDGC Holding, JSC
7	Dmitry Leonidovich Pankov	Director of Strategy, Development and Innovation of IDGC Holding, JSC
8	Roman Alekseevich Filkin	Co-director , electric power industry, engineering industry, of Representative Office of Prosperity Capital Management (RF), Ltd.
9	Aleksandr Viktorovich Shevchuk	Deputy Executive Director of non-profit organization Investor Protection Association
10	Taras Vyacheslavovich Shevchenko	Director for Purchases (Chief of Purchases Department) IDGC Holding, JSC
11	Sergey Evgenievich Yurchuk	Finance Director of IDGC Holding, JSC

The current Board of Directors of the Company

elected by the extraordinary General Meeting of Shareholders of IDGC of the South, JSC on 24 August 2012, minutes dated 27 July 2012 No. 8 (titles are indicated as of 31 December 2012):

Valeriy Anatolievich Goncharov

Chairman of the Board of Directors of IDGC of the South, JSC, Deputy Chairman of the Management Board of FGC UES, JSC,

Deputy Executive Director for Investment Activity IDGC Holding, JSC

Year of birth: 1963

Nationality: Russia

Higher education:

- Leningrad Order of Lenin Shipbuilding Institute, specialty "electrical engineer".
- Academic degree: Ph. D. in Economics.

Titles in the last 5 years:

- First Deputy Director of Roszheldorsnab, JSC — branch of Russian Railways, JSC.
- CEO of Roszheldorproject, JSC.

Sergey Aleksandrovich Arkhipov

Member of the Board of Directors of IDGC of the South, JSC,

Deputy Director General, Technical Director of IDGC Holding, JSC

Year of birth: 1967

Nationality: Russia

Higher education:

- The Almaty Energy Institute, specialty "Electric power systems and grids".
- Extended education: Professional retraining in the Academy of National Economy under the Government of the Russian Federation, the course of study: Company Development Management.
- Federal State Educational Institution of Continuing Professional Education "Institution of Advanced Training for High-Level Personnel and Fuel and Energy Sector Specialists" (FGU IPK TEK), the course of study: "State Secret Protection Management".
- Academic degree: Ph. D. in Economics.

Titles in the last 5 years:

- Managing Director, Deputy General Director, Managing Director of Rostovenergo, JSC.
- Acting First Deputy CEO for Economics and Finance, First Deputy CEO of Yuzhuralzoloto Group of Companies Territorial Generating Company-8, JSC.
- Executive Director of Smolenskenergo, JSC.
- Deputy General Director, Director of branch of IDGC of the Central Region, JSC — Smolenskenergo, JSC.
- Chairman of the Management Board of Kubanenergo, JSC.
- First Deputy CEO of IDGC of the Central Region, JSC.
- Board Chairman, CEO of IDGC of the South, JSC.



3. Corporate report



Aleksandr Markovich Branis

*Member of the Board of Directors of IDGC of the South, JSC,
Director of Prosperity Capital Management (RF) Ltd.*

Year of birth: 1977

Nationality: Russia

Higher education:

- The Academy of National Economy under the Government of the Russian Federation, Bachelor of management.

Titles in the last 5 years:

- Chief Investment Officer of Representative office of Prosperity Capital Management (RF), Ltd.
- Private pension funds assets management specialist of Prosperity Capital Management, CJSC.
- Member of the Board of Directors of TGC-6, TGC-4, TGC-2.
- Director of the Analytical Department of Representative office of Prosperity Capital Management (RF), Ltd.
- Member of the Board of Directors of Sevzapelectrosetstroy, JSC; Zavod Saranskabel, JSC; IDGC of the Central Region, JSC; Bashkirenergo, JSC; Prokatmontazh, JSC; Bashkirenergo, Novgorod Energy Sales Company, JSC.
- General Director, Chief Accountant of Prosperity Capital Management, LLC.
- Chairman of the Liquidation Committee of Prosperity Capital Management, LLC.
- Member of the Board of Directors of IDGC of the Central and Volga Regions, JSC.



Feodor Aleksandrovich Diakov

*Member of the Board of Directors of IDGC of the South, JSC,
CEO of the branch UES FGC, JSC — Trunk Power Grids*

Year of birth: 1958

Nationality: Russia

Higher education:

- Kiev Institute of Civil Engineers, specialty "Radio Engineer".

Extended education:

- ANO Training Institute of Power Engineers, Moscow School of Management Skolkovo, State Academy of Training and Continuous Education and Investment Specialists, FGAOU DPO Institute of Energy Advanced Training.
- Academic degree: Doctor of Science (Engineering).

Titles in the last 5 years:

- CEO of the branch UES FGC, JSC — Trunk Power Grids.



Anna Yurievna Katina

*Member of the Board of Directors of IDGC of the South, JSC, Member of the Audit Committee of the Board of Directors of IDGC of the South, JSC,
Deputy Head of the Department for Corporate Governance and Shareholder Relations of IDGC Holding, JSC*

Year of birth: 1982

Nationality: Russia

Higher education:

- Moscow Humanitarian University, specialty "Jurisprudence".

Extended education:

- Training Program for management staff for national economy entities of the Russian Federation in the field of "Management".
- Institute for Stock Market and Management Program "Base Rate Securities Market".

Titles in the last 5 years:

- Head of the Department for Corporate Governance and Shareholder Relations of IDGC Holding, JSC.
- Member of the Board of Directors of Plant RETO, JSC; Berendeyevskoye, JSC; Tsarskoye Selo Energy Company, JSC; Lenenergo Energoservichnaya Company, JSC; Ural Research Center, JSC; Ekaterinburgenergosbyt, JSC; Energy Company of the Urals, JSC.



Valeria Dmitrievna Kuvaeva

*Member of the Board of Directors of IDGC of the South, JSC,
Chief specialist — an expert, consultant of the Department of the Ministry of Energy of the Russian Federation*

Year of birth: 1987

Nationality: Russia

Higher education:

- The State University of Management, specialty "Corporate Governance".

Titles in the last 5 years:

- Manager, Department Head Multidisciplinary Expert Evaluation Center, LLC.
- Marketing Department Specialist of the FSUE Central Control Administration of the Fuel and Energy Complex.
- Chief specialist — an expert, consultant of the Department of the Ministry of Energy of the Russian Federation.
- Member of the Board of Directors of UES GruzRosenergo, JSC; Ust-Srednekanskaya power plant, JSC; Kursktopprom, JSC; Luga GORTOPSBYT, JSC; Trust Sevenergostroy, JSC.
- Member of the Audit Committee of Institute EnergoSetProekt, JSC.
- Member of the Board of Directors of Mosenergoemont, JSC; IDGC of the Central and Volga Regions, JSC; IDGC of Siberia, JSC; IDGC of Ural, JSC.
- Member of the Audit Committee of IDGC Holding, JSC.
- Leading Lawyer of the Corporate Governance Department OEk, JSC.



Aleksandr Mikhailovich Osipov

*Member of the Board of Directors, Member of the Audit Committee of the Board of Directors, of IDGC of the South, JSC,
Vice-President and Chairman of the Expert Council of the All-Russian Public Organization "Business Russia"*

Year of birth: 1969

Nationality: Russia

Higher education:

- Kharkov Higher Military Engineering School of missile troops, specialty "Economic science and process control".
- Stavropol State University, specialty "Jurisprudence".
- Extended education: The Academy of National Economy under the Government of the Russian Federation with a degree of "Master of Business Administration".

Titles in the last 5 years:

- Head of the regional network of Joint-Stock Commercial Bank EVROFINANCE MOSNARBANK, Open Joint-Stock Company.
- CEO of Center of Evaluation and Audit, LLC.



Egor Vyacheslavovich Prokhorov

*Deputy Chairman of the Board of Directors of IDGC of the South, JSC; Chairman of the Audit Committee of the Board of Directors of IDGC of the South, JSC,
Chief Finance Officer of FGC UES, JSC; Chief Finance Officer of IDGC Holding, JSC (part-time)*

Year of birth: 1982

Nationality: Russia

Higher education:

- Saint-Petersburg State University, specialty "Mathematical Methods in Economics".
- Academic degree: Ph.D. in Economics.

Titles in the last 5 years:

- Chief of the Department OGC-1, JSC.
- Head of the Directorate of INTER RAO UES, JSC.
- Head of the Department of FGC UES, JSC, Chief Executive Officer (part-time), Energy Index FGC UES, LLC.
- Member of the Board of Directors of Glavsetservice ENES, JSC; Electrosetservice ENES, JSC; Energostroisnabcomplex UES, JSC; MCC Energy, JSC.
- Member of the Board of Directors of Real Estate VNIPInergoprom, UES SIC, JSC; Research Center of North-West, JSC; Research Center of the South, JSC; ECOMC UES, JSC; Kubanenergo, JSC.

3. Corporate report



Igor Nickolaevich Repin

Member of the Board of Directors of IDGC of the South, JSC; Member of Audit Committee; Member of the Strategy, Development, Investments and Reform Committee; Member of the Nomination and Remuneration Committee; Member of the reliability of the Board of Directors of IDGC of the South, JSC; a Member of the Committee for Technological Connection to electric grids of the Board of Directors of IDGC of the South, JSC, Deputy Executive Director of non-profit organization Investor Protection Association

Year of birth: 1966

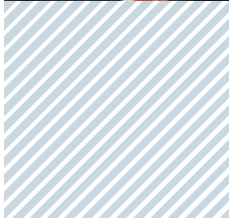
Nationality: Russia

Higher education:

- Moscow State University, Faculty of Geography, specialty "Land Hydrology".
- Extended education: Federal Commission for the Securities Market of Russia (a certificate of the 1st category). Higher School of Economics on the training program for members of the Board of Directors of the Company.
- Russian Legal Academy of the Ministry of Justice of the Russian Federation under single program of arbitration managers' training.

Titles in the last 5 years:

- Deputy Executive Director of non-profit organization Investor Protection Association.



Roman Alekseevich Filkin

Member of the Board of Directors of IDGC of the South, JSC; Member of the Strategy, Development, Investments and Restructuring Committee; Member of the Audit Committee; Member of Human Resources and Rewards Committee of the Board of Directors of IDGC of the South, JSC, Co-director, electric power industry, engineering industry, of Representative Office of Prosperity Capital Management (RF), Ltd.

Year of birth: 1983

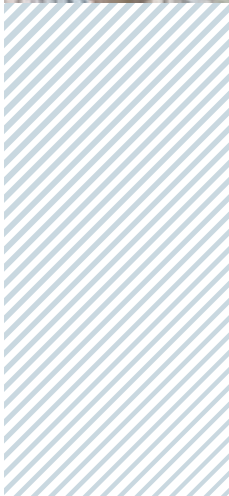
Nationality: Russia

Higher education:

- Federal State Educational Institution of Higher Professional Education Finance Academy under the Government of the Russian Federation, specialty "Finance and Credit".

Titles in the last 5 years:

- Deputy Director of the Representative Office of Prosperity Capital Management (RF) Ltd.
- Member of the Board of Directors of Mordovia Energy Retail Company, JSC; Novgorod Energy Retail Company, JSC; Penza Energy Retail Company, JSC; Ryazan Energy Company, JSC; Tver Energy Retail Company, JSC; Joint-Stock Company Territorial Generating Company No. 4 Arkhangelsk Retail Company, JSC; Yaroslavl Retail Company, JSC; Dagestan Energy Retail Company, JSC; Smolensk Energy Company, JSC; Smolensk Energy Service Company, JSC; Tver Energy Company, JSC; Territorial Generating Company No. 6, JSC; Bryansk Retail Company, JSC; Mosenergostroy, JSC; Oryol Retail Company, JSC; Kursk Energy Company, JSC; Territorial Generating Company No. 2, JSC; Voronezh Energy Retail Company, JSC; Novgorodstroy, JSC; Chemical-Pharmaceutical Plant Akrikhin, JSC; Smolenskenergostroy, JSC; Tambov Energy Retail Company, JSC; Krasny Kotelschik, SCC.
- Member of the Board of Directors of Dalenergomontazh, NE OJSC; NOVGORODOBLKOMUNELEKTRO, JSC; Energospetsmontazh, JSC; Bank Southern Region, JSC; Spetsstroy, JSC; Severtruboprovodstroy, JSC; Voronezh Aircraft Manufacturing Company, JSC; Bashkirenergo, JSC; Urengoytruboprovodstroy, JSC; Open Joint-Stock Company for Energy and Electrification Magadan, for construction of pipelines in the South of Russia Yuzhtruboprovodstroy; Tambov Energy Retail Company, JSC; Prokatmontazh, JSC.
- Member of the Board of Directors of IDGC North-West, JSC; Dalenergomontazh, JSC; Smolensk Energy Company, JSC; Kurgan Machine-Building Plant, JSC.



Aleksandr Viktorovich Shevchuk

Member of the Board of Directors of IDGC of the South, JSC; Member of Audit Committee, Member of the Human Resources and Rewards Committee; Member of the Strategy, Development, Investments and Reform Committee of the Board of Directors of IDGC of the South, JSC; a Member of the Committee for Technological Connection to electric grids of the Board of Directors of IDGC of the South, JSC, Deputy Executive Director of non-profit organization Investor Protection Association

Year of birth: 1983

Nationality: Russia

Higher education:

- the Finance Academy under the Government of the Russian Federation, specialty "Finance and Credit".

Titles in the last 5 years:

- Deputy Executive Director of non-profit organization Investor Protection Association.
- Member of the Board of Directors of Dalsvyaz, JSC; Centrtelcom, JSC; IDGC of the North Caucasus, JSC; Nizhny Novgorod Cellular Communication, CJSC; Southern Telecom, JSC; Sibirtelcom, JSC; IDGC of the Central Region, JSC; IDGC of the North Caucasus, JSC; Volgogradgorgas, JSC; Urengoytruboprovodstroy, JSC; MOSTOTRUST, JSC.

Members of the Board of Directors of the Company either do not own shares in IDGC of the South, JSC, shares in subsidiaries/affiliates companies of IDGC of the South, JSC, or have family relations with other members of the management bodies and the Company financial and economic activity control bodies.

All the members of the Board of Directors of the Company express their consent to disclose information about them in this annual report.

Activity of the Board of Directors in 2012

During reporting year 2012, 23 meetings of the Board of Directors have been held, 22 meetings of them were held by ballot which examined 300 questions.

Information on participation of the members in the meetings of the Board of Directors held in 2012:

2012 (up to 18.06)	31.01	24.02	28.02	05.03	15.03	23.04	28.04	02.05	30.05	04.06	14.06	15.06
A. Yu. Perepyolkin												
S. A. Arkhipov												
A. M. Branis												
V. V. Inozemtsev												
Kh. M. Likhov												
B. I. Mekhanoshin												
D. L. Pankov												
A. V. Sannikov												
R. A. Filkin												
A. V. Shevchuk												
S. E. Yurchuk												

2012 (from 18.06. to 24.08)	27.07	08.08	23.08
S. A. Arkhipov			
A. M. Branis			
A. V. Demidov			
Kh. M. Likhov			
L. V. Mazo			
D. L. Pankov			
A. Yu. Perepyolkin			
R. A. Filkin			
T. V. Shevchenko			
A. V. Shevchuk			
S. E. Yurchuk			

 — participation in meeting

2012 (after 24.08)	28.09 *	8.10	17.10	30.10	30.11	05.12	21.12	29.12
S. A. Arkhipov								
A. M. Branis								
F. A. Diackov								
V. A. Goncharov								
A. Yu. Katina								
V. D. Kuvaeva								
A. M. Kislyakov								
E. V. Prokhorov								
I. N. Repin								
R. A. Filkin								
A. V. Shevchuk								

3. Corporate report

Report of the Board of Directors of IDGC of the South, JSC on the results of the Company's development of priority areas of activity

In the construction and operation of fiber-optic communication lines (FOCL-OHTL) (defined as the first priority direction 23.04.2012, minutes dated 26.04.2012 No. 85/2012).

Construction and operation of fiber-optic communication lines (FOCL-OHTL) was decided to be defined as the first priority direction on 23 April 2012, by the Board of Directors.

Within the framework of the direction the Action Plan for 2012 for the construction and operation of fiber-optic communication lines was developed and approved.

In compliance with the plan:

- persons in charge for the construction and operation of fiber-optic communication lines were appointed in the Company and its subsidiaries;
- amendments and supplements were made to the Technical Policy of the Company regarding the construction and operation of fiber-optic communication lines, the development of technological communication of the Company on the basis of fiber-optic communication lines;
- model contracts were developed and approved in the provision of electric power facilities of the Company for the installation of fiber-optic communication lines of third parties;
- internal documents (specifications, technical specifications, technical specifications, methods of calculation, etc.) were developed and approved by the Company's in the provision of electric power facilities of the Company for the installation of fiber-optic communication lines of third parties.

In August 2012, the Board of Directors of the Company approved the Report of CEO of IDGC of the South, JSC on the implementation of the Action Plan of the Company for the construction and operation of fiber-optic communication lines. Each quarter, the Company has the technical audit of fiber-optic communication lines, the results of this audit are considered on a quarterly basis by the Board of Directors of the Company.

In the sphere of the production assets management system implementation in the Company (defined as the first priority direction on 30.05.2012, minutes dated 04.06.2012 No. 88/2012).

The introduction of production asset management system of IDGC of the South, JSC is realized in the form of the Equipment Maintenance and Repair (EMR) of the Corporate Integrated Resource Management System (ICRMS) software-based SAP AG, which is associated with the expediency to use of the previously entered in the data system as well as the possibility of using the experience of other IDGC.

The following local regulatory documents were approved and put into effect within the framework of this direction realization in 2012:

- The standard of Production assets management of IDGC of the South, JSC (SRT ISM 80380011-IA/F-5230-040-2012).

- The concept of building a unified automated system of reference data in the management of the maintenance and repair of IDGC of the South, JSC.

The following actions were completed:

- the administrative document (order dated 24.01.2012 No. 21 "On preparing for the next phase of implementation of the production assets management system of IDGC of the South, JSC") was issued;
- working group on implementation of production asset management system at the level of the executive office and branches of the Company were established;
- the necessary infrastructure in every region of electric grids (REG) and the production division (PD) (workstations, computers, communication channels with a capacity of 2 to 1,000 Mbit/s, software provided with access to the module "Equipment Maintenance and Repair" (EMR) SAP was installed and configured;
- personnel involved in the work with the available functionality "Equipment Maintenance and Repair" (EMR) based on SAP was trained, explanations were given to the department heads and their staff;
- contract with AT Service, LLC dated 26.06.2012 No. 698 on "Development of an information system for certification of power equipment of IDGC of the South, JSC on the basis of SAP" was concluded;
- equipment certification of electrical grids of IDGC of the South, JSC (equipment data are recorded in the information system SAP TOPO);
- implementation of production assets management system is monitored regularly, report on the implementation of the plan schedule is submitted quarterly to the Board of IDGC of the South, JSC.

In the implementation of the strategy of the Company in the field of information technology, automation and telecommunications for the period up to 2016 (defined as the first priority direction on 27.07.2012, minutes dated 30.07.2012 No. 92/2012).

To ensure the implementation of this priority direction the Company has done activities in the development and approval of the Company document — Strategy of the Company in the field of Information Technology, Automation and Telecommunications for the Period up to 2016. The Company has ensured the implementation of the Action Plan for 2012 to implement the strategy of the Company in the field of information technology, automation and telecommunications for the period up to 2016 within the approved parameters of the business plans and investment programs of IDGC of the South, JSC.

In the area of applications submission to the regulatory authorities for adjustment of tariffs by the return on invested capital (RAB) (defined as the first priority direction on 23.08.2012, minutes dated 24.08.2012 No. 94/2012).

As part of the decision submission of applications to regulatory agencies is ensured for tariffs regulation by the return on invested capital (RAB). The bodies of executive power for the state regulation of tariffs passed the decision extending tariff regulation by the return on invested capital (RAB) to 01.07.2017 on the three branches of IDGC of the South, JSC — Astrakhanenergo, Kalmenergo, Rostovenergo. Parameters of the long-term RAB-regulation were agreed with the FTS of Russia.

Application for transition of IDGC of the South — branch Volgogradenergo to by RAB was transmitted by a letter of 28.04.2012 No. ВлрЭ/1400/5393. In August of 2012 the corrected calculation of the necessary gross proceeds of the branch Volgogradenergo through RAB at 2013–2017 was transmitted to the Ministry of Fuel, Energy and tariff regulation of the Volgograd region. The investment program and the long-term parameters of RAB regulation of the branch Volgogradenergo was agreed with Mintopenergotarif, and an application was submitted to FTS of Russia relating to the transition of the branch Volgogradenergo with the long-term indexation at RAB from 01.01.2013. FTS RF did not approve transition Volgogradenergo to RAB from 01.01.2013.

In the sphere of key performance indicators change of CEO and senior managers of the Company (defined as the first priority on 30.10.2012, Minutes minutes dated 02.11.2012 No. 98/2012).

The Company has changed the system of CEO and senior managers of the Company key performance indicators. The Board of Directors of IDGC of the South, JSC approved on 30.10.2012 the key performance indicators (list and share bonuses, method of calculation and evaluation of) the CEO and senior managers of the Company.

In December 2012 the Company approved by the Order the key performance indicators of senior managers of IDGC of the South.

Transition to the new key performance indicators system was completed from 01.01.2013.

In the area of receivables mobilization (defined as the first priority on 29.12.2012, minutes dated 11.01.2013 No. 102/2012).

The Company has ensured the implementation of measures to mobilize receivables, envisaged by the long-term development of the Plan of IDGC of the South, JSC approved by the Board of Directors of the Company

To reduce accounts receivable actions are taken for pre-trial and judicial character. Meetings, negotiations are held with the debtors' management, contracts are concluded on assignment of choices in action, agreements are concluded to restructure debt. Regional and federal authorities are engaged to resolve the problem of non-payments. However, the claim-related work is the most effective. Despite the duration of the process the results

are available. Thus in 2012 court orders for a total of a total of 1,083 mln. rub. were obtained against Volgogradenergosbyt, JSC, which have been repaid to date in full.

The procedure for the claim-related works is regulated by the local laws and regulations. In addition, the specialized agencies of the executive office of the Company developed on a quarterly basis a specific list of measures aimed at reducing the receivables. This list is made up in the form of a graphic plan that contains a list of debtors, the size and structure of the debt, the planned measures to reduce the debt, the timing of their implementation, the expected financial results. This schedule shall be made on a quarterly basis to review and approval by the Board of Directors of the Company.

Control over the implementation of the planned activities is implemented on a monthly basis in the form of reports on the execution of the graph plan and the quarterly meetings of the Board of Directors.

In addition, it is important to note following decisions, approved by the Board of Directors of the Company in 2012:

- The Action Plan was approved to bring the consumer services in line with the requirements of the Standard of IDGC of the South, JSC “The system of centralized customer service” (minutes dated 02.03.2012 No. 81/2011).
- The Program of insurance coverage for IDGC of the South, JSC for 2012 was approved (minutes dated 02.03.2012 No. 82/2011).
- Participation of IDGC of the South, JSC in NP “National Committee SIREN Electrical Distribution Grids” (minutes dated 04.06.2012 No. 88/2012) and the Non-Profit Partnership “Market Council to organize an effective system of wholesale and retail electric power and capacity” was approved (minutes dated 21.12.2012 No. 101/2012).
- The Program of measures to reduce the risk of occupational injuries prevention in IDGC of the South, JSC for 2012–2013 was approved (minutes dated 18.06.2012 No. 91/2012).
- Collective agreements of the branches of IDGC of the South, JSC — Astrakhanenergo, Volgogradenergo, Kalmenergo were approved (minutes dated 18.06.2012 No. 91/2012).
- The revised business plan for 2012–2016 was approved. (minutes dated 29.09.2012 No. 95/2012).
- Vashkevich Vladimir Frantishkovich was appointed the Acting CEO of IDGC of the South, JSC (minutes dated 09.10.2012 No. 96/2012).
- The Company charitable assistance to the disaster in Krymsk Krasnodar Territory was approved (minutes dated 22.10.2012 No. 97/2012).
- The Anti-Corruption Concept in IDGC of the South, JSC was approved (minutes dated 02.11.2012 No. 98/2012).
- The decision made by IDGC of the South, JSC on transaction involving the donation of the Company — the contract donation of funds was approved for the establishment of specialized endowment of the Skolkovo Institute of Science and Technology in the amount of 0.59 mln., concluded with the Specialized

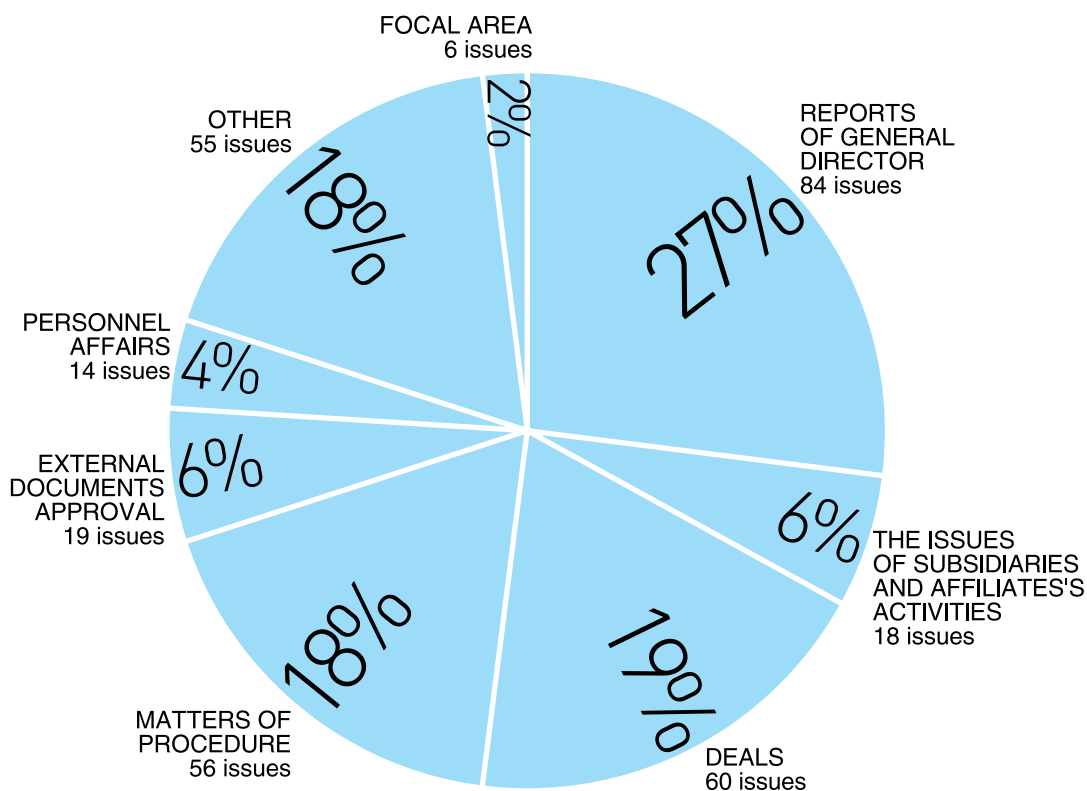
3. Corporate report

Fund Endowment support and development of the Skolkovo Institute of Science and Technology (minutes dated 02.11.2012 No. 98/2012).

- Service contract was approved for the operation and development of the distribution grid complex between IDGC Holding, JSC and IDGC of the South, JSC as the non-arm's length transaction (minutes dated 05.12.2012 No. 99/2012).
- The Program for energy conservation and energy efficiency of IDGC of the South, JSC for 2013 and forecast to 2018 was approved (minutes dated 11.01.2013 No. 102/2012).

In addition, the sessions of the Board of Directors regularly examined reports submitted by the CEO of the Company on various lines of the Company activity and execution of the decisions previously delivered by the Board of Directors, as well as the questions on preliminary approval of transactions, the conclusion of which required compliance with a special corporate procedures, the Company viewpoint on the questions of agendas for the sessions of the Board of Directors and general meetings of the shareholders of the affiliated and dependant companies of IDGC of the South, JSC has been determined.

ANALYSIS OF THE DECISIONS MADE BY THE MEMBERS OF THE BOARD OF DIRECTORS IN 2012



Information on remuneration (refund of charges) for members of the Board of Directors

The procedure of calculation and payment of remuneration to members of the Board of Directors has been set by the Provision on remuneration and compensations for members of the IDGC of the South, JSC Board of Directors, approved by the decision of the annual General Meeting of Shareholders of the Company of 30.05.2008 (minutes dated 04.06.2008 No. 1) and placed on the website of the Company in the Internet.

CALCULATION OF THE AMOUNT OF REMUNERATION FOR THE MEMBERS OF THE BOARD OF DIRECTORS OF THE COMPANY IN ACCORDANCE WITH THE PROVISION ON REMUNERATION AND COMPENSATIONS FOR THE MEMBERS OF THE BOARD OF DIRECTORS OF IDGC OF THE SOUTH, JSC

Period	Amount of Minimum Monthly Tariff Rate, RUB	Calculation of the amount of remuneration for the member of the IDGC of the South, JSC Board of Directors for participation in one meeting (including Personal Income Tax, 13%)			Approximate annual remuneration amount for one member of the Board of Directors, RUB
		in advance, RUB (8 of Minimum Monthly Tariff Rate)	In the form of physical meeting, RUB (10 of Minimum Monthly Tariff Rate)	For functions of Chairman	
2012					
1 st quarter	4,464	35,712	44,640	Increases by 50 %	798,317
2 nd quarter	4,464	35,712	44,640		
3 rd quarter	4,607	36,856	46,070		
4 th quarter	4,607	36,856	46,070		
Cumulative remuneration to the members of the Board of Directors for 2012 amounted to RUB 8,382,335.					

According to results of the work implemented for the last financial year, there are no debts in payment of remuneration to the members of the Board of Directors.

In 2012, the training of the members of the Board of Directors of the Company was not conducted.

Corporate Secretary of the Company

The Board of Directors elected the Corporate Secretary of the Company in order to provide appropriate compliance with procedure of preparation and carrying out of the General Meeting of the Shareholders, sessions of the Board of Directors, as well as effective cooperation between the Board of Directors, committees of the Board of Directors, the Audit Commission, the Company's Auditor, the executive bodies and the executive office of the Company.

The Corporate Secretary of the Company is guided by the Federal Law "On Joint-Stock Companies", other regulations of the Russian Federation, the Charter and the internal documents of the Company, as well as by the Provision on the Corporate Secretary of IDGC of the South, JSC, (as amended), approved by the decision delivered by the Board of Directors of the Company (minutes dated 14.09.2009 No. 34/2009).

The Corporate Secretary is regulated by the Board of Directors of the Company.

Andrey Anatolievich Kantsurov performed the functions of the Corporate Secretary of the Company until 21 December 2012 as elected by the Board of Directors of the Company 08.07.2011, 27.07.2012, 28.09.2012 (minutes dated 08.07.2011 No. 88/2011, dated 30.07.2012 No. 92/2012, dated 02.10.2012 No. 95/2012).

The Assistant CEO of the Company was elected as the Corporate Secretary of the Company from 21 December, 2012 (minutes dated 21.12.2012 No. 101/2012).

Aleksey Petrovich Ruzavin

*The Corporate Secretary of the Company,
Assistant CEO of IDGC of the South, JSC*

Year of birth: 1986

Nationality: Russia

Higher education:

- Bauman Moscow State Technical University, specialties "Economics and Management at an Enterprise", "Computer-aided design".

Extended education:

- ABB Educational Courses in power equipment, Moscow.
- Academy Halliburton, engineering/business courses, Moscow.
- International Summer School for the English language study, Stafford House School of English, Great Britain, Canterbury.

Titles in the last 5 years:

- Consultant remote customer service center Alfa Bank.
- Specialist of the Supply Chain Department of Halliburton, JSC.
- Lead Engineer of Inventory, the chief specialist of maintenance products Elektrogaz, JSC.
- Chief of the Elektrogaz, JSC Standardization Group.
- Chief of the maintenance products Elektrogaz, JSC Department.

Corporate Secretary of the Company is paid a remuneration in the order, amount and on terms determined by the Regulations on payment to members of the Board of Directors of IDGC of the South, JSC remuneration and compensation, the Regulations on the Corporate Secretary of IDGC of the South, JSC and the contract for performance of the duties of the Corporate Secretary.

3. Corporate report

Committees of the Board of Directors of IDGC of the South, JSC

For the consideration of matters within included to the competence of the Board of Directors, or reviewed by the Board of Directors to control the executive body of the Company, and to develop the necessary recommendations to the Board of Directors of the Company the Board of Directors of IDGC of the South, JSC in 2009 (minutes dated 11.02. 2009 No. 22/2009, minutes dated 02.03.2009 No. 23/2009, minutes dated 04.12.2009 No. 37/2009) created and approved by the Provisions and formed the first formulations of the following five committees of the Board of Directors of IDGC of the South, JSC:

- Committee on Technological Connection to the Electric Grids;
- Audit Committee;
- Personnel and Remuneration Committee;
- Reliability Committee;
- Strategy, Development, Investments and Restructuring Committee.

In accordance with the approved provisions on committees, the members of the committees shall be elected for a term till

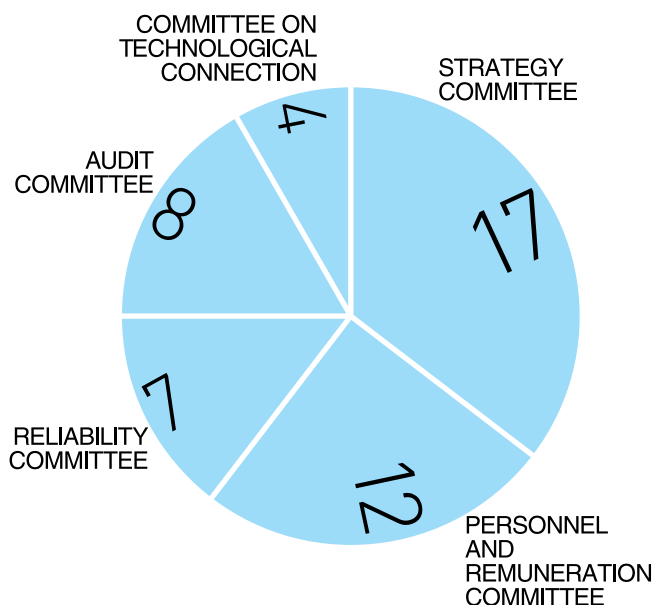
re-election of the Board of Directors of the Company's with new composition (as for Reliability Committee) and till the first session of the Board of Directors of the Company with new composition (as for the other four committees).

The powers of any committee member may be terminated on an early basis by the decision of the Board of Directors adopted by the majority vote of the total number of members of the Company Board of Directors.

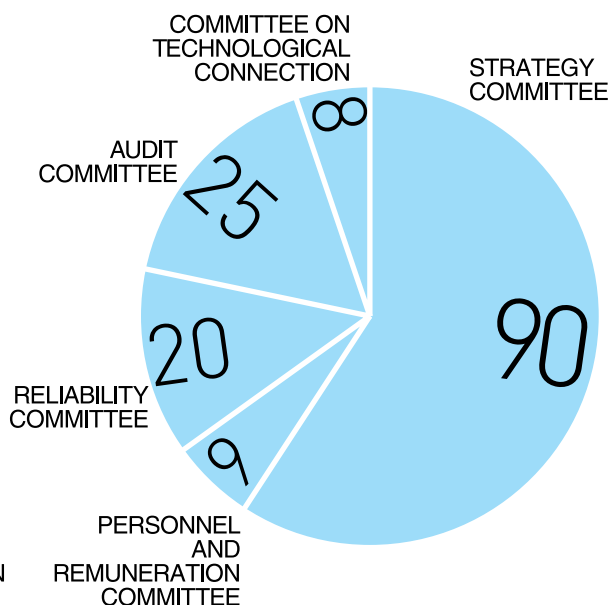
According to the provisions on the committees, the Company's Corporate Secretary exercise the functions of the Secretaries of the Committees, unless the decisions of the committees provide otherwise. At the meetings of the five committees Secretaries of the Committee were elected, who performed their duties in 2012. Currently, the Company's Corporate Secretary performs functions of the secretaries of all five committees.

In the reporting year, the Committees activity was performed under the leadership of three compositions. 47 meetings of the Committees were held in 2012 which reviewed over 170 matters.

NUMBER OF MEETINGS OF THE COMPANY'S BOARD OF DIRECTORS' COMMITTEES IN 2012



NUMBER OF ISSUES EXAMINED IN 2012



Committee on Technological Connection to the Electric Grids at the Board of Directors of IDGC of the South, JSC

The main purpose of the Committee on Technological Connection to the Electric Grids at the Board of Directors of IDGC of the South, JSC is to ensure transparency of activities and non-discriminatory consumer access to services of technological connection to the electric grids of the Company.

The Committee performs its activity in accordance with the Provision on the Committee on Technological Connection to the Electric Grids at the Board of Directors of IDGC of the South, JSC approved by the decision of the Board of Directors on 09.02.2009 (minutes dated 11.02.2009 No.22/2009) which is available on the web-site of the Company on Internet.

Before 27.07.2012, the Committee in the composition elected at the meeting of the Board of Directors of IDGC of the South, JSC on 29.07.2011 (minutes dated 01.08.2011 No. 69/2011) was

acting, the composition was as follows: Denis Aleksandrovich Spirin (Committee Chairman), Olga Petrovna Samarchenko, Vitaly Vasilyevich Brizhan (till 16.09.2011), Mikhail Urievich Reshetnikov (from 16.09.2011 to 26.12.2011), Vadim Vladimirovich Karpenko (from 26.12.2011), Sergei Vladimirovich Pokrovsky and Aleksandr Mikhailovich Pyatigor.

Before 28.09.2012, the Committee in the composition elected at the meeting of the Board of Directors of IDGC of the South, JSC on 27.07.2012 (minutes dated 30.07.2012 No. 92/2012) was acting, the composition was as follows: Igor Georgievich Polovnev (Committee Chairman), Artur Magometovich Aushev, Vadim Vladimirovich Karpenko, Aleksandr Mikhailovich Pyatigor and Aleksandr Victorovich Shevchuk.

The Committee elected at a meeting of the Board of Directors of IDGC of the South, JSC on 28.09.2012 (minutes dated 02.10.2012 No.95/2012)

Committee Member Full Name	Title as of the time of election
Igor Georgievich Polovnev , Committee Chairman	Financial Director of non-profit organization Investor Protection Association
Vadim Vladimirovich Karpenko	Board Member, Deputy CEO in charge of Corporate Management of IDGC of the South, JSC
Artur Magometovich Aushev	Deputy CEO on development and rendering of services of IDGC of the South, JSC
Leonid Vladimirovich Mazo	Deputy Executive Director for Development and Relations with Customers of IDGC Holding, JSC
Igor Nickolaevich Repin	The Deputy Executive Director of the non-profit organization Association for Protection of Investors' Rights, Member of the Board of Directors of IDGC of the South, JSC

Information on the activities of the Committee and the main decisions

During the year, four meetings of the Committee were held on technological connection to electric grids of the Board of Directors of IDGC of the South, JSC (all in absentia), which reviewed 8 questions. Results of the monitoring activities on technological connection of consumers to electric distribution grids, including contract

work and general statistics merger, subject to certain groups, and approved work plan for the second half of 2012 — the first half of 2013 and generated proposals on the budget of the Committee technological connection to electrical grids of the Board of Directors of IDGC of the South, JSC in 2013 were taken into account.

3. Corporate report

Audit Committee of the Board of Directors of IDGC of the South, JSC

The main task of the Committee is to develop recommendations (conclusions) to the Board of Directors of the Company in the field of Company auditing and reporting.

The Committee operates in accordance with the Regulations on the Audit Committee of the Board of Directors of IDGC of the South, JSC in the new revision, approved by the Board of Directors on 23.08.2012 (minutes dated 24.08.2012 No.94/2010) and published on the corporate website of the Company on the Internet.

Personal composition of the Committee of the Board of Directors is fully consistent with the requirements of the trade organizer of SE MICEX, CJSC for the maintenance of the Company's securities in the quotation list "B".

Before 27.07.2012, the Committee in the composition elected at the meeting of the Board of Directors of IDGC of the South,

JSC on 29.07.2011 (minutes dated 01.08.2011 No. 69/2011) was acting, the composition was as follows: Sergey Evgenievich Yurchuk (Committee Chairman), Boris Iosifovich Mekhanoshin, Dmitry Leonidovich Pankov, Roman Alekseevich Filkin, Aleksandr Victorovich Shevchuk.

Before 28.09.2012, the Committee in the composition elected at the meeting of the Board of Directors of IDGC of the South, JSC on 27.07.2012 (minutes dated 30.07.2012 No. 92/2012) was acting, the composition was as follows: Aleksey Vladimirovich Demidov (Committee Chairman), Aleksandr Victorovich Shevchuk, Roman Alekseevich Filkin, Dmitry Leonidovich Pankov and Sergey Evgenievich Yurchuk.

The Committee elected at a meeting of the Board of Directors of IDGC of the South, JSC on 28.09.2012 (minutes dated 02.10.2012 No.95/2012).

Committee Member Full Name	Title as of the time of election
Egor Vyacheslavovich Prokhorov , Committee Chairman	Director of Finance of FGC UES, JSC; Director of Finance of IDGC Holding, JSC; Member of the Board of Directors of IDGC of the South, JSC
Anna Yurievna Katina	Deputy Head of the Department for Corporate Governance and Shareholder Relations of IDGC Holding, JSC; Member of the Board of Directors of IDGC of the South, JSC
Aleksandr Mikhailovich Osipov	Vice-President of the All-Russian public organization Business Russia, Chairman of the Expert Council; Member of the Board of Directors of IDGC of the South, JSC
Aleksandr Viktorovich Shevchuk	The Deputy Executive Director of the non-profit organization Association for Protection of Investors' Rights; Member of the Board of Directors of IDGC of the South, JSC
Roman Alekseevich Filkin	Co-Director, electric power industry, engineering industry, of Representative Office of Prosperity Capital Management (RF), Ltd.; Member of the Board of Directors IDGC of the South, JSC
Igor Nickolaevich Repin	Deputy Executive Director of non-profit organization Investor Protection Association; Member of the Board of Directors of IDGC of the South, JSC

All Committee members are the members of the Board of Directors of the Company.

Information on the activities of the Committee and the main decisions

During the year, 8 meetings were held (7 — in absentia, 2 — in the form of joint presence) of the Audit Committee of the Board of Directors of IDGC of the South, JSC which reviewed more than 25 matters.

The following shall be noted among the most important decisions made by the Committee in 2012:

- The annual financial (accounting) statements of the Company prepared in accordance with RAS for 2011, Annual Report of the Company for 2011 were approved preliminary;

- The report on insider transactions in securities of the Company and its subsidiaries was noted.
- Proposals on the budget size of the Audit Committee of the Board of Directors of IDGC of the South, JSC in 2013 were formed.
- Reports were reviewed on the progress of the Internal Audit and Risk Management.
- The Plan — Schedule of the Audit Committee of the Board of Directors of IDGC of the South, JSC for the 2012–2013 corporate year was approved.

Human Resources and Rewards Committee of the Board of Directors of IDGC of the South, JSC

The Human Resources and Remuneration Committee is an advisory body ensuring the effective implementation of the Board of Directors of its functions under the overall management of the Company

The main task of the Committee is to develop recommendations (opinions) to the Board of Directors on the remuneration of the members of the Board of Directors of the Company to determine the essential terms of contracts with the members of the Board of Directors, the members of the collegial executive body and the person performing the functions of the sole executive body of the Company.

The competence and the procedure for calling and holding of meetings of the Committee are specified in the Regulations on the Human Resources and Remuneration Committee of the Board of Directors of IDGC of the South, JSC in the new revision, approved by the Board of Directors on 06.04.2011 (minutes dated

08.04.2011 No. 61/2011) and published on the corporate website of the Company.

Before 27.07.2012, the Committee in the composition elected at the meeting of the Board of Directors of IDGC of the South, JSC on 29.07.2011 (minutes dated 01.08.2011 No. 69/2011) was acting, the composition was as follows: Victor Evgenievich Lutskovich (Committee Chairman), Natalia Ilyinichna Erpsher, Irina Anatolievna Gracheva, Denis Aleksandrovich Spirin, Svetlana Nickolaevna Masalova, Aleksandr Victorovich Shevchuk, Roman Alekseevich Filkin.

Before 28.09.2012, the Committee in the composition elected at the meeting of the Board of Directors of IDGC of the South, JSC on 27.07.2012 (minutes dated 30.07.2012 No. 92/2012) was acting, the composition was as follows: Yuri Nickolaevich Mangarov (Committee Chairman), Natalia Ilyinichna Erpsher, Vladimir Vasilevich Kirichuk, Irina Anatolievna Gracheva, Aleksandr Victorovich Shevchuk.

The Committee elected at a meeting of the Board of Directors of IDGC of the South, JSC on 28.09.2012 (minutes dated 02.10.2012 No. 95/2012)

Committee Member Full Name	Title as of the time of election
Yuri Nickolaevich Mangarov, Committee Chairman	Deputy Executive Director — Chief of IDGC Holding, JSC Administration
Natalia Ilyinichna Erpsher	Head of the Department for Organization Development of IDGC Holding, JSC
Dmitriy Aleksandrovich Chevkin	HR management Director of UES FGC, JSC
Svetlana Borisovna Gredneva	Head of the Department for HR Management of IDGC Holding, JSC
Shevchuk Aleksandr Viktorovich	The Deputy Executive Director of the non-profit organization Association for Protection of Investors' Rights; Member of the Board of Directors of IDGC of the South, JSC
Filkin Roman Alekseevich,	Co-director, electric power industry, engineering industry, of Representative Office of Prosperity Capital Management (RF), Ltd.; Member of the board of Directors IDGC of the South, JSC
Repin Igor Nickolaevich	The Deputy Executive Director of the non-profit organization Association for Protection of Investors' Rights; Member of the Board of Directors of IDGC of the South, JSC

Information on the activities of the Committee and the main decisions

During the year, 12 meetings of the Committee were (in all correspondence) which reviewed about 30 matters, including:

- the organizational structure of the executive office of the Company (minutes dated 07.03.2012 No. 29) has been reviewed preliminary;
- draft Regulation on the management reserve of young specialists of IDGC of the South, JSC and external personnel reserve of young professionals from the number of students specialized educational institutions (minutes dated 07.03.2012 No. 29) was considered;
- recommendations were issued to the Board of Directors to amend the Company's internal documents — Regulation on material incentives of the CEO of IDGC of the South, JSC (minutes dated 20.04.2012 No. 32);
- the Board of Directors of IDGC of the South, JSC was recommended to appoint Vaskevich Vladimir Frantishkovich Acting CEO of IDGC of the South, JSC (minutes dated 08.10.2012 No. 37).

3. Corporate report

Committee for strategy, investments and reform of the Board of Directors of IDGC of the South, JSC

The main task of the Committee for Strategy, Development, Investments and Reform Board of Directors of IDGC of the South, JSC is the development and presentation of recommendations (opinions) to the Board of Directors to determine the priorities, strategic objectives and core principles for the strategic development of the Company.

The competence and the procedure for calling and holding of meetings of the Committee are specified in the Regulations Committee for Strategy, Development, Investments and Reform of the Board of Directors of IDGC of the South, JSC in the new revision, approved by the Board of Directors on 01.12.2009 (Minutes minutes dated 04.12.2009 No. 37/2009) and published on the corporate website of the Company in the Internet.

Before 27.07.2012, the Committee in the composition elected at the meeting of the Board of Directors of IDGC of the South, JSC on 29.07.2011 (minutes dated 01.08.2011 No. 69/2011) was act-

ing, the composition was as follows: Sergey Evgenievich Yurchuk (Committee Chairman), Vadim Alekseevich Pavlov, Svetlana Aleksandrovna Balayeva, Vladimir Frantishkovich Vashkevich, Aleksey Urievich Perepelkin, Roman Alekseevich Filkin, Ruslan Kimovich Tsiku and Aleksandr Victorovich Shevchuk.

Before 28.09.2012, the Committee in the composition elected at the meeting of the Board of Directors of IDGC of the South, JSC on 27.07.2012 (minutes dated 30.07.2012 No. 92/2012) was acting, the composition was as follows: Vadim Alekseevich Pavlov (Committee Chairman), Svetlana Aleksandrovna Balayeva, Ruslan Kimovich Tsiku, Dmitry Olegovich Ahrimenko, Valery Ivanovich Isaev, Roman Alekseevich Filkin, Aleksandr Victorovich Shevchuk, Karim Karimovich Samahuzhin, Vadim Vladimirovich Karpenko, Pavel Evgenievich Akilin.

The Committee elected at a meeting of the Board of Directors of IDGC of the South, JSC on 28.09.2012 (minutes dated 02.10.2012 No. 95/2012)

Committee Member Full Name	Title as of the time of election
Vadim Alekseevich Pavlov , Committee Chairman	Head of Strategy and Development Centre of IDGC Holding, JSC
Svetlana Aleksandrovna Balayeva	Head of the Department for Investments of IDGC Holding, JSC
Ruslan Kimovich Tsiku	Head of the Department for Business-Planning of IDGC Holding, JSC
Dmitry Olegovich Ahrimenko	First Deputy Head of the Department for Corporate Governance and Shareholder Relations of IDGC Holding, JSC
Valery Ivanovich Isaev	Head of the Finance Department of IDGC Holding, JSC
Roman Alekseevich Filkin	Co-director, electric power industry, engineering industry, of Representative Office of Prosperity Capital Management (RF), Ltd.; Member of the board of Directors IDGC of the South, JSC
Aleksandr Viktorovich Shevchuk	The Deputy Executive Director of the non-profit organization Association for Protection of Investors' Rights; Member of the Board of Directors of IDGC of the South, JSC
Karim Karimovich Samahuzhin	Chief specialist — expert of corporate governance Corporate Governance Department, pricing environment and internal control of the fuel and energy sector in the Ministry of Energy of Russia
Vadim Vladimirovich Karpenko	Board Member, Deputy CEO in charge of Corporate Management of IDGC of the South, JSC
Pavel Evgenievich Akilin	Board Member, Deputy CEO for Economy and Finance of IDGC of the South, JSC
Igor Nickolaevich Repin	The Deputy Executive Director of the non-profit organization Association for Protection of Investors' Rights; Member of the Board of Directors of IDGC of the South, JSC

Information on the activities of the Committee and the main decisions

During the year, 17 meetings of the Committee were (3 meetings in person and in absentia) which reviewed about 90 matters, including:

- recommendations were issued to the Board of Directors to determine the priorities of the Company (minutes dated 05.03.2012 No. 33, dated 20.04.2012 No. 35, dated 26.07.2012 No. 40, dated 29.10.2012 No. 45);
- the participation of IDGC of the South, JSC in NP "National Committee SIREN Electrical Distribution Grids" was approved (minutes dated 13.06.2012 No. 37);
- the Company's strategy in the field of information technology, automation and telecommunications for the period up to 2016 was approved (minutes dated 26.07.2012 No. 40);
- The Program for energy conservation and energy efficiency of IDGC of the South, JSC for 2013–2017 was approved (minutes dated 26.09.2012 No. 42/2017);
- recommendations were issued to the Board of Directors of IDGC of the South, JSC to approve the Company's business plan, including an investment program for the period 2013–2017 (minutes dated 29.12.2012 No. 47).

Committee for Reliability of the Board of Directors of IDGC of the South, JSC

The main objective of the Committee for Reliability of the Board of Directors of IDGC of the South, JSC is the development and presentation of recommendations (opinions) to the Board of Directors on the expertise of investment programs and plans for the repair of power facilities, an analysis of their performance in terms of the integrated reliability requirements, as well as quarterly reports to the Board of Directors society on the state of fixed assets of the Company's facilities.

The competence and the procedure for calling and holding of meetings of the Committee are specified in the Regulations Committee for Reliability of the Board of Directors of IDGC of the South, JSC in the new revision, approved by the Board of Directors on 01.12.2009 (minutes dated 04.12.2009 No 37/2009) and published on the corporate website of the Company in the Internet.

Before 27.07.2012, the Committee in the composition elected at the meeting of the Board of Directors of IDGC of the South,

JSC on 29.07.2011 (minutes dated 01.08.2011 No. 69/2011) was acting, the composition was as follows: Sergey Vladimirovich Shpilevoy (Committee Chairman), Vyacheslav Victorovich Sizov, Aleksandr Vasilievich Bespalov, Pavel Vladimirovich Ilyushin, Sergey Gennadievich Michalevic, Dmitry Leonidovich Pankov, and Sergei Vadimovich Pokrovsky.

Before 28.09.2012, the Committee in the composition elected at the meeting of the Board of Directors of IDGC of the South, JSC on 27.07.2012 (minutes dated 30.07.2012 No. 92/2012) was acting, the composition was as follows: Sergey Vladimirovich Shpilevoy (Committee Chairman), Sergey Nikolaevich Frolov, Dmitry Leonidovich Pankov, Sergey Gennadievich Michalevic, Oleg Aleksandrovich Sukhov, Igor Georgevich Polovnev and Aleksandr Vasilievich Bespalov.

The Committee elected at a meeting of the Board of Directors of IDGC of the South, JSC on 28.09.2012 (minutes dated 02.10.2012 No. 95/2012)

Committee Member Full Name	Title as of the time of election
Sergey Vladimirovich Shpilevoy , Committee Chairman	Deputy Head of the Directorate for Production Control and Labour Protection of IDGC Holding, JSC
Sergey Nikolaevich Frolov	Deputy Chief Engineer for Operation and Repair of IDGC of the South, JSC
Dmitry Leonidovich Pankov	Director of Strategy, Development and Innovation of IDGC Holding, JSC
Igor Nickolaevich Repin	The Deputy Executive Director of the non-profit organization Association for Protection of Investors' Rights; Member of the Board of Directors of IDGC of the South, JSC
Oleg Aleksandrovich Sukhov	Deputy Chief of the operational and technological management — Head of the operational situation center of IDGC Holding, JSC
Igor Georgevich Polovnev	Financial Director of Investors Rights' Protection Association
Aleksandr Vasilievich Bespalov	Deputy Head of capital Construction Department of IDGC Holding, JSC

Information on the activities of the Committee and the main decisions:

During the year, 7 meetings of the Committee were held (in all correspondence) which reviewed about 20 matters, including:

- recommendations were issued to the Board of Directors to determine the priority directions of IDGC of the South, JSC: introduction of production asset management system of the Company and to approve the standard for "Management of production assets of IDGC of the South, JSC", and the format of the report of the CEO on the implementation of the Standard "Management of production assets of IDGC of the South, JSC" (minutes dated 01.03.2012 No. 16);
- the installation Standard of fiber-optic communication lines outside investors in security zones of overhead power lines was approved (minutes dated 20.04.2012 No. 17);
- recommendations were issued to the Board of Directors to approve the Regulations on Internal technical control of IDGC of the South, JSC (minutes dated 05.10.2012 No. 19);
- Information on the fixed assets state was reviewed every quarter for the Board of Directors of the Company.

All committees of the Board of Directors acted on the basis of the approved work plan for 2012.

During the reporting period, the Chairman and members of the Committees held regular meetings with senior management of the Company, the heads of the departments of the executive office of the Company, involved in the process of business planning and strategy development of IDGC of the South, JSC. The meeting in presentia were attended by external experts. Consent of all the members of the Committee on the disclosure of information about them in this annual report was obtained.

3. Corporate report

Information on remuneration (refund of charges) for members of the Board of Directors

At a meeting of the Board of Directors of IDGC of the South, JSC of 3 February 2010 the same approved the relevant provisions on remuneration and compensation to members of the committees of the Board of Directors of IDGC of the South, JSC (minutes dated 05.02.2010 No.39/2010) for all committees.

CALCULATION OF THE AMOUNT OF REMUNERATION FOR THE MEMBERS OF THE BOARD OF DIRECTORS OF THE COMPANY IN ACCORDANCE WITH THE PROVISION ON REMUNERATION AND COMPENSATIONS FOR THE MEMBERS OF THE BOARD OF DIRECTORS OF IDGC OF THE SOUTH, JSC

Period	The remuneration committee member of the Board of Directors of IDGC of the South, JSC for participation in a meeting (including Personal Income Tax, 13%)				Approximate annual remuneration amount for one member of the Board of Directors, RUB
	Amount of Minimum Monthly Tariff Rate, RUB	in advance, RUB (1 of Minimum Monthly Tariff Rate)	In the form of physical meeting, RUB (2 of Minimum Monthly Tariff Rate)	For functions of Chairman	
2012					
1 st quarter	4,464	4,464	8,928	Increases by 50%	88,124
2 nd quarter	4,464	4,464	8,928		
3 rd quarter	4,607	4,607	9,214		
4 th quarter	4,607	4,607	9,214		
Cumulative remuneration to the members of the Board of Directors for 2012 amounted to RUB 3,392,800					

The remuneration paid to secretaries of the Committees of the Board of Directors for each meeting in person is the equivalent of one (1) Minimum Monthly Tariff Rate on the day of the meeting of the Committee in absentia — 0.5 (zero to five) Minimum Monthly Tariff Rate.

According to results of the work implemented for the last financial year, there are no debts in payment of remuneration to the members of the Board of Directors.

The full text of the decisions taken at the meetings of the Committees can be found on the corporate web site of IDGC of the South, JSC in the Internet at: http://www.mrsk-yuga.ru/corporate_management/kom_sov_direct.

Executive Bodies of IDGC of South, JSC

Management of the Company is implemented by the sole executive body — the CEO and collegial executive body — the Board of the Company, which are accountable to the General Meeting of Shareholders and the Board of Directors of the Company.

The Management Board of IDGC of the South, JSC

The Management Board is a collegial executive body, responsible for the practical implementation of the goals, development strategies and policies of the Company. According to the Charter of IDGC of the South, JSC the CEO of the Company is the Chairman of the Management Board.

The Management Board, implementing Management of the Company, acts in the interests of the Company, and is guided by the decisions of the General Meeting of Shareholders and the Board of Directors of the Company, in accordance with the laws of the Russian Federation, the Charter of IDGC of the South, JSC the Regulations on the Management Board of IDGC of the South, JSC approved by the Annual general Meeting of Shareholders on 15 June 2011 (minutes dated 17.06.2011 No. 5) and other internal documents of the Company.

Competence of the Management Board of the Company includes the matters of the Company activities in accordance with the current legislation of the Russian Federation and article 22 of the Charter.

In accordance with paragraph 5 section 22.2 article 22 of the Charter of IDGC of the South, JSC the Board shall make decisions on matters within the competence of the top management bodies — the General Shareholders Meetings — 100 percent of the share capital is owned by IDGC of the South, JSC.

Determination of the number of members of the Company's Management Board, to elect members of the Company's Management Board, to establish remuneration and compensation to be paid to them, to terminate their authorities on an early basis are performed by the decision of the Board of Directors of the Company. Numerical staff of the Company Management Board can be 3 (three) persons minimum in compliance with section 22.3 article 22 of the Charter IDGC of the South, JSC.

In order to ensure the timely preparation of materials for consideration by the Board and the Board of Directors of IDGC of the South, JSC the Company has developed a calendar of corporate events of IDGC of the South, JSC for 2012.

A. S. Bykanov, the official of the Corporate Governance and Interaction with Shareholders Department performs the duties of the Secretary of the Company Management Board.



3. Corporate report

Members of the Management Board of IDGC of the South, JSC as of 31.12.2012:

Vladimir Frantishkovich Vashkevich

Chairman of the Management Board of IDGC of the South, JSC from 9 October 2012,

Acting CEO of IDGC of the South, JSC

Year of birth: 1972

Nationality: Russia

Higher education:

- Y. Andropov Leningrad Higher Military Political School of Air Defence, specialty "Command tactical air defence".
- Saint-Petersburg State University, specialty "Jurisprudence".
- St. Petersburg College of Finance and Economics, specialty "Finance", qualification: lawyer.
- Kuban State Technical University, specialty "Power Supply" (is graduating).

Titles in the last 5 years:

- Deputy Head of the Department of metal structures and building materials Gazkomplektimpex, Ltd.
- Head of Sales and Marketing, Head of Department and contract work of Gazavtomatika.
- Deputy CEO of the Material — Technical Resources, Acting Director General of Elektrogaz, JSC.
- Deputy CEO of the material — technical support of Elektrogaz, JSC.
- Deputy CEO for General Affairs of Elektrogaz, JSC.
- Acting CEO of IDGC of the South, JSC.
- Deputy CEO for capital construction, Board Member.
- Member of the Strategy, Development, Investments and Reform Committee, Member of the Board of Directors.

Timur Ulumdjievich Alaev

Member of the Board of IDGC of the South, JSC since 16 September 2011
Deputy CEO, Director of branch of IDGC of South, JSC — Kalmenergo

Year of birth: 1971

Nationality: Russia

Higher education:

- Novocherkassk Polytechnic Institute, specialty "Automatic control of power systems", qualification: electrical engineer.
- National Academy of Retraining and Advanced Training of Managers and Investment Specialists, program "Ensuring environmental safety managers and specialists of general business management systems".
- GOU DPO G.V. Plekhanov Interdisciplinary Institute Training and Retraining of Managers and Specialists of the Russian Academy of Economics, management training federal program "Management", specialty "Strategic Management", with the right to carry out professional activities in the field of management.

Titles in the last 5 years:

- First Deputy Managing Director — Chief Engineer of Kalmykia, JSC.
- Deputy CEO for Technical Issues — Chief Engineer of Kalmykia, JSC, member of the Management Board of IDGC of the South, JSC.

Pavel Evgenievich Akilin

Member of the Board of IDGC of the South, JSC from 24 December 2010,
Deputy Chairman of the Board since 27 September 2011,

Deputy CEO for Economy and Finance of IDGC of the South, JSC

Year of birth: 1975

Nationality: Russia

Higher education:

- Izhevsk State Technical University, specialty "Economics and Management at enterprise".
- State Educational Institution "State University of Management", the program "MBA-Management of the company" with the assignment of additional qualification of "Master of Business Administration (MBA)".

Titles in the last 5 years:

- Deputy CEO for Economy Udmurtenergo, JSC.
- Deputy Director of Economics, Deputy Director for Economy and Finance of the Verhnevolzhkiy branch of IDGC of Central and North Caucasus, JSC.
- Deputy CEO for Economy of the Open Joint-Stock Company of Energy and Electrification Lenenergo.
- Deputy CEO for Economy Pavlovoenergo, JSC.
- Deputy Director for Economy and Finance Branch of IDGC of Central Region, JSC — Tverenergo.
- Director for Economy IDGC of Central Region, JSC.

Aleksandr Vladimirovich Vosmirko

Chairman of the Management Board of IDGC of the South, JSC since 1 September 2010

Deputy CEO for Security of IDGC of the South, JSC

Year of birth: 1959

Nationality: Russia

Higher education:

- Higher Frontier Military Political School of the KGB USSR named after K. E. Voroshilov, specialty "military-political, combined arms", qualification: officer with the highest military and political education.
- V. I. Lenin Military Political Academy, specialty "military-political" qualifications: officer with a higher military education, teacher of history.
- State Educational Institution of Higher Professional Education "North-Caucasian Academy of Public Administration" (SKAGS), specialty "Jurisprudence", qualification: lawyer.

Extended education:

- Professional training in the North Caucasus Academy of State Service, "Jurisprudence", with the right to conduct professional activities in the field of criminal legal relations.

Titles in the last 5 years:

- Senior Expert, Representative Representative of Rosoboronexport in Krasnodarskiy Region.
- Head of Delegation of the State Corporation Russian Technologies in Krasnodarskiy Region.
- Acting Deputy Director General, Security and Controlling of IDGC of the South, JSC.
- Deputy CEO for Security and controlling of IDGC of the South, JSC.

Pavel Victorovich Goncharov

Member of the Board of IDGC of the South, JSC since 16 September 2011, Deputy CEO, Director of branch of IDGC of South, JSC — Astrakhanenergo

Year of birth: 1966

Nationality: Russia

Higher education:

- Pavlodar Industrial Institute, speciality “Electrical system”, qualification: electrical engineer.
- Volgograd Academy of Public Administration, retraining in “State and municipal management”.
- Institution of Advanced Training for High-Level Personnel and Fuel and Energy Sector Specialists, program “Organization of trade secret protection”.
- Professional training at the State University of Management Program “Managing energy companies in market economies with the right to carry out professional activities in the field of economics and management in the power industry”.

Titles in the last 5 years:

- Technical Director Astraknaenergo, JSC.
- First Deputy Managing Director — Chief Engineer of Astraknaenergo, JSC.
- Deputy Director for Technical Issues — Chief Engineer of the branch of IDGC of the South, JSC — Astrakhanenergo, Member of the Management Board of IDGC of the South, JSC.
- Member of the Board of Directors of Astrakhanelectrosetremont, JSC.

Vadim Vladimirovich Karpenko

Member of the Board of IDGC of the South, JSC since 12 December 2011, Member of the Committee on technological connection to electrical grids of the Board of Directors of IDGC of the South, JSC, Member of the Committee for Strategy, Development, Investments and Reform of the Board of Directors of IDGC of the South, JSC, Acting Deputy Director of the branch of Legal Affairs and the interaction with the subjects of the energy market of the branch of IDGC of the South, JSC — Volgogradenergo

Year of birth: 1959

Nationality: Russia

Higher education:

- Petrozavodsk Forest College, speciality “Equipment logging companies and forestry”.
- Leningrad Institute of Finance and Economics, speciality “Planning of the national economy”.
- Professional training at the Academy of National Economy under the Government of the Russian Federation under the program “Leader in the market”, qualification: manager of the highest category.
- Short-term training in NP “Corporate educational and scientific center of UES” under the program “Process Control electrical grids and systems”.
- Academic degree: Ph.D. in Economics.

Titles in the last 5 years:

- The Director of the Department of Management of Property and Land Resources FSUE “Russian Television and Radio Broadcasting Network”.
- Head of the Department for Property Management of IDGC Holding, JSC.
- Acting CEO, Member of the Board of Directors of PSKh named after A. A. Grechko.
- Deputy CEO in charge for Corporate Management of IDGC of the South, JSC.
- Member of the Board of Directors of Agricultural Enterprise Sokolovskoe, JSC.

Vitaly Valerievich Ivanov

Member of the Board of IDGC of the South, JSC since 24 December 2010, Deputy CEO for Technical Issues — Chief Engineer of IDGC of the South

Year of birth: 1970

Nationality: Russia

Higher education:

- Omsk Institute of Railway Transport Engineers, speciality “Automation, Remote Control and Communication in rail transport”.
- The Academy of National Economy under the Government of the Russian Federation, speciality “Management of the company”.

Titles in the last 5 years:

- Deputy CEO for Technical Issues — Chief Engineer of IDGC of the Siberia, JSC.
- Advisor of CEO Administration of IDGC Holding, JSC.
- Member of the Board of Directors of Astrakhanelectrosetremont, JSC, Volgogradsetremont, JSC.
- Member of the Board of Directors of Energoservice of South, JSC.

Aleksandr Vladimirovich Kuzhilin

Member of the Board of IDGC of the South, JSC since 29 August 2011, Director of the branch of IDGC of the South, JSC — Kubanenergo

Year of birth: 1969

Nationality: Russia

Higher education:

- Moscow Higher Combined-Arms Command School named after the Supreme Soviet of the RSFSR, speciality “Command tactical infantry troops”.
- M. V. Frunze Military Academy, speciality “Military and the administrative management”.
- Samara State University, speciality “Jurisprudence”.
- Federal State Educational Institution of Higher Professional Education “Russian Academy of State Service under the President of the Russian Federation” under the program “Anti-corruption mechanisms in the field of public administration”.
- NP “Corporate educational and scientific center of UES” on “Process Control electrical grids and systems”.
- Academic degree: Ph.D. in History.

Titles in the last 5 years:

- Head of Administration, Advisor to the Director Federal Service for Defence Contracts.
- Deputy Head of the Directorate office of IDGC Holding, JSC.
- Head of the Organizational Department of IDGC Holding, JSC.
- Deputy Chief of Administration — Head of the Organization Department of IDGC Holding, JSC.
- Deputy CEO Administration of IDGC of the South, JSC.

3. Corporate report

Egor Vladimirovich Kalenyuk

Member of the Board of IDGC of the South, JSC since 16 September 2011, Deputy CEO, Director of branch of IDGC of South, JSC — Volgogradenergo

Year of birth: 1970

Nationality: Russia

Higher education:

- Khabarovsk Polytechnic Institute, speciality "Economics and Management in Engineering".
- Far Eastern State University of Railway Engineering, speciality "Electrical Power Systems and Grids".
- State Educational Institution of Higher Professional Education "Academy of National Economy under the Government of the Russian Federation", program "Management in Power Engineering".
- RAO UES of Russia non-governmental non-profit educational institution "Institute of Management" in the "Preparing the reserve of executives utilities in terms of restructuring management of electric power systems, of directors, chief engineers and their deputies".
- Institute of Economics, Management and Social Affairs under the program "Debt Management in housing in the new legislation and technology collection".

- Institution of Advanced Training for power engineers, course "Improving the efficiency of energy sales and power sales of PES".
- NP "Corporate Education Center UES" on "Fundamentals of design, implementation and monitoring of quality management systems".
- Short-term refresher course — international seminar in Belgium-Netherlands "Organization of effective marketing and commercial activities in the energy enterprise".
- State Educational Institution of Higher Professional Education "Tomsk Polytechnic University", program "Thermal Power Plants".
- Short-term training program "Federal Law on energy saving and energy efficiency: Practical Application".
- Non-governmental non-profit educational institution "Kubanenergo Learning Center", program "Practical model of leadership".

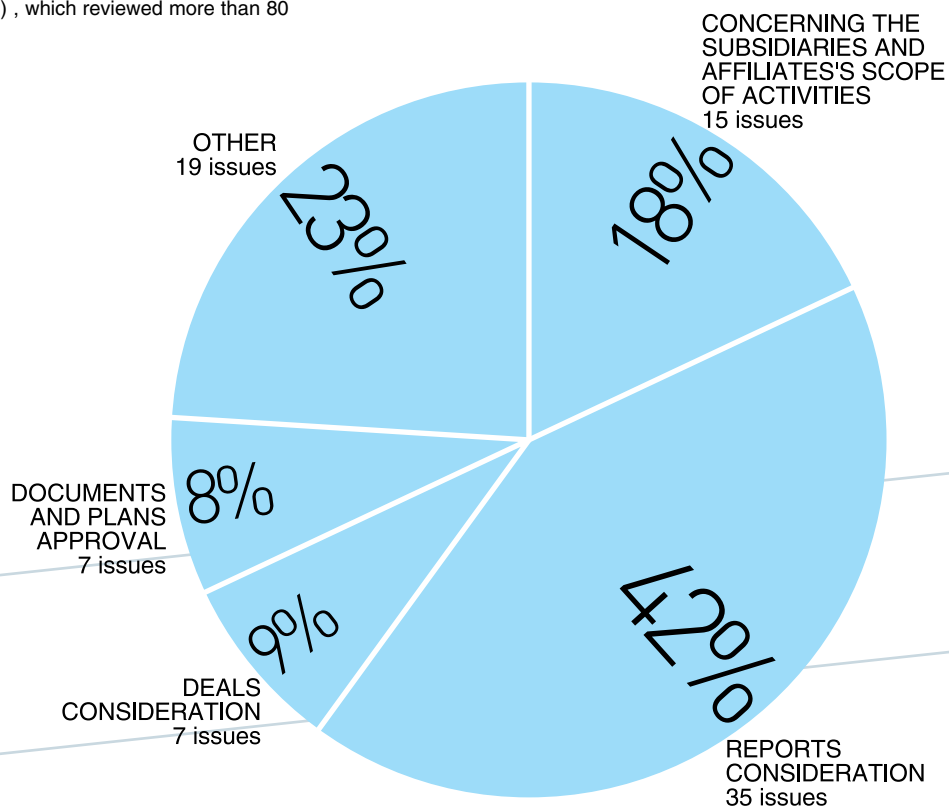
Titles in the last 5 years:

- Deputy CEO for Sales of electric and thermal energy of Khabarovskenergo, JSC.
- Deputy CEO of Far Eastern Generating Company, JSC.
- Acting Deputy CEO, Director of branch of IDGC of South, JSC — Volgogradenergo.
- Member of the Board of Directors of Volgogradsetremont, JSC.

Members of the Management Board of the Company either do not own shares in IDGC of the South, JSC, shares in subsidiaries/ affiliates companies of IDGC of the South, JSC, or have family relations with other members of the management bodies and the Company financial and economic activity control bodies. All the members of the Management Board of the Company express their consent to disclose information about them in this annual report.

Activities of the Management Board in 2012

In the reporting 2012 18 meetings of the Management Board were held (including 8 meetings in person), which reviewed more than 80 questions, including:



To the Board members	Participations in person/in absentia meetings of 2012	Office period
Sergey Aleksandrovich Arkhipov	6/6	From 09.07.2010 to 09.10.2012
Timur Ulumdjievich Alaev	8/10	From 16.09.2011 till now
Pavel Evgenievich Akilin	5/5	From 24.12.2010 to 01.03.2013
Aleksandr Vladimirovich Vosmirko	5/5	From 01.09.2010 to 01.03.2013
Vladimir Frantishkovich Vashkevich	6/8	From 30.05.2011 till now
Pavel Victorovich Goncharov	7/9	From 16.09.2011 till now
Vitaly Valerievich Ivanov	7/8	From 24.12.2010 till now
Aleksandr Vladimirovich Kuzhilin	5/7	From 29.08.2011 to 01.03.2013
Egor Vladimirovich Kalenyuk	8/10	From 16.09.2011 till now
Vadim Vladimirovich Karpenko	8/8	From 23.12.2011 to 01.03.2013
Olga Petrovna Samarchenko	2/4	From 16.09.2011 to 30.07.2012

The following shall be noted among the most important decisions made by the management Board in 2012:

- reports were considered on the formation of Annual Integrated Purchases Program of IDGC of the South, JSC — 2013 (minutes dated 31.10.2012 No. 75) and the introduction of a business process in investing activities (minutes dated 06.12.2012 No. 77).
- the adjusted financial rehabilitation programs of the branches of IDGC of the South, JSC in 2012 were approved (minutes dated 06.12.2012 No. 77).
- reports were considered of the CEO and Chairman of the Board of Directors of Recreation Base Energetic, JSC; Volgogradsetremont, JSC; PSKh named after A. A. Grechko, JSC; PSKh Sokolovskoye, JSC and Energoservice South, JSC on financial and economic activities and the implementation of action plans for financial recovery and development of the subsidiaries and associates of the company (minutes dated 28.12.2012 No. 79).
- implementation of voluntary liquidation of Volgogradsetremont in accordance with the applicable legislation was deemed expedient (minutes dated 28.12.2012 No. 79).

Monthly meetings of the Management Board consider information on the implementation of specific assignments and critical tasks in the Company (orders of the President of the Russian Federation, the Government of the Russian Federation and the Ministry of Energy).

The members of the Board of the Company systematically examine reports on the implementation of previous decisions, monitor the activities of the Company on technological connection of consumers to electric distribution grids, including contract work and general statistics merger, subject to certain groups of customers for the period. In addition, the meetings of the Management Board discussed issues related to the competence of the top management bodies of business entities, 100 percent of the share capital of which is owned by IDGC of the South, JSC.

3. Corporate report

Information on remuneration (refund of charges) to the Board members

In accordance with paragraph 13 section 15.1 article 15 of the Charter of the Company decision to establish remuneration paid to the members of the Board and compensation is within the competence of the Board of Directors of the Company.

Members of the Management Board are included in the category of supreme managers of the Company.

In accordance with the employment agreements between the Company and the members of the Board, the remuneration of a member of the Board shall be paid in the amount and manner prescribed by the Regulation on financial incentives and social package of Top Managers of IDGC of the South, JSC as amended; approved by the Board of Directors 14.06.2011 (minutes dated 16.06.2011 No. 67/2011)

Incentivization of the Management Board members is implemented through:

- by establishing by the order of the CEO of personal allowances of up to 15% of the set top manager salary;
- the payment of the members of the Board quarterly and annual remuneration for the implementation of relevant key performance indicators as top managers.

Based on the decisions of the Board of Directors of IDGC of the South, JSC: minutes of 22.05.2008 No. 13/2008, minutes of 01.12.2008 No. 20/2008, minutes of 11.02.2009 No. 22/2009, minutes of 25.12.2009 No. 38/2009, minutes of 05.02.2010 No. 39/2010, minutes of 28.04.2010 No. 44/2010, minutes of 28.06.2010 No. 49/2010, minutes of 08.07.2010 No. 50/2010, minutes of 01.09.2010 No. 53/2010, minutes of 29.10.2010

No. 55/2010, minutes of 24.12.2010 No. 57/2010, minutes of 01.06.2011 No. 65/2011, minutes of 30.08.2011 No. 71/2011, minutes of 19.09.2011 No. 72/2011, minutes of 26.12.2011 No. 77/2011, minutes of 30.07.2012 No. 92/2012 on definition of the Management Board and the election of members of the Management Board, and in accordance with article 21 of the Charter of IDGC of the South, JSC and articles 15 and 57 of the Labor Code of the Russian Federation, with members of the Board of the Company entered into additional agreements for the implementation of the labor contract of a member of the collegial executive body — the Board.

Since the date of establishment of the Management Board of IDGC of the South, JSC (19.05.2008) till 31.08.2011 the Board members of the Company were paid for the exercise of authority monthly remuneration in the amount of five (5) times the minimum monthly wage rates of a first-established branch tariff agreement in the electricity sector of the Russian Federation.

From 01.09.2011 the members of the Management Board of the Company for the exercise of powers shall be paid monthly remuneration in the amount of 11% of the set top manager salary.

Total remuneration paid to the members of the Management Board of IDGC of the South, JSC for the year 2012 amounted to 105,748,812 rubles (including personal income tax (PIT) — 13%). This amount includes the cost of compensation for participation in meetings of the Board of the Company for a total of 2,276,639 rubles (including PIT — 13%) and the payment of wages in the amount of 99,773,055 rubles (including PIT — 13%) and expenses in the amount of 3,699,118 rubles (including PIT — 13%).

CEO

The CEO shall be elected by the Board of Directors of the Company and is the sole executive body of the Company and Chairman of the Management Board.

Rights and duties of the CEO shall be determined by the legislation of the Russian Federation, the Charter and the employment contract between the Company and the CEO.

In accordance with section 23.2 article 23 of the Charter competence of the CEO includes the matters of the current activities of the Company, except for the matters within the competence of the General Meeting of Shareholders, the Board of Directors and the Management Board. The CEO in the exercise of their rights and responsibilities, acts on behalf of the Company in good faith and reasonable.

From 09.07.2011 to 08.10.2012 CEO of the Company are elected by the Board of Directors of IDGC of the South, JSC (minutes dated 08.07.2010 No. 50/2010 and minutes dated 08.07.2011 No. 68/2011):

Sergey Aleksandrovich Arkhipov

Personal data by S. A. Arkhipov as at 31.12.2012, see "The current Board of Directors of the Company" of the Annual Report (page 95).



In connection with the termination of the employment contract 08.10.2012 with the CEO of the Company S. A. Arkhipov the Board of Directors of the Company made the decision (minutes of 09.10.2012 No. 96/2012) to appoint Acting CEO of IDGC of the South, JSC:

Vladimir Frantishkovich Vashkevich

*Member of the Board of IDGC of the South, JSC since 16 October 2012,
Acting CEO of IDGC of the South, JSC*

Personal data by the Acting General Manager, see "Management Board of IDGC of the South, JSC as at 31.12.2012" of the Annual Report (page 112).

By the decision of the Board of Directors of the Company, Vladimir Frantishkovich Vashkevich was elected CEO IDGC of the South, JSC on 14.02.2013 for three years to 13.02.2016, inclusive (minutes of 18.02.2013 No. 103/2012).

The results of management decisions on the principle activities of the Company, made by the CEO of the Company in 2012 are reflected in the relevant sections of this Annual Report.

3. Corporate report

Information on CEO Remuneration

The Company CEO pay and incentive matters are regulated by the Provisions on financial incentives of the CEO of IDGC of the South, JSC which is an integral part of the employment contract with the CEO of the Company, approved by the Board of Directors of IDGC of the South, JSC (minutes dated 14.06.2011 No. 67/2011), as amended (minutes dated 26.04.2012 No. 85/2012 and minutes dated 13.01.2013 No. 102/2012).

The provisions of the material stimulation of the CEO of IDGC of the South, JSC states:

- the procedure for determining approval and change the size of the position salary of the CEO;
- the procedure for the establishment of allowances to the basic salary for working with information constituting a state secret;

- the types of bonuses:
 - bonuses for achieving key performance indicators (quarterly, annual, special and accessory);
 - a one-time bonus payment (for completing important tasks (work) in the case of awarding state, departmental and corporate awards);
- decision-making procedures aimed at the implementation of the approved regulation.

Bonuses to the CEO in 2012 were paid on the results of key performance indicators determined by the Board of Directors of the Company.

Interested party transactions

In 2012, in accordance with the requirements of the Federal Law “On Joint-Stock Companies” the Board of Directors approved 45 interested party transactions.

A list of Board-approved interested party transactions entered into by IDGC of the South, JSC in 2012 is presented in the annex No. 9 to the Annual Report.

Information on major transaction

In 2012, the Company did not enter into major transactions that require, in accordance with the Federal Law “On Joint-Stock Companies”, the prior approval of the Board of Directors or the General Meeting of Shareholders. During the year, the Company did not make any transaction to purchase or sell shares of the Company with members of management.

AUDITING COMMITTEE

In order to control the financial and business activities, the General Meeting of Shareholders shall elect the Audit Committee of the Company.

The Audit Commission is a permanent body of the internal control of the Company the monitors regularly the financial performance of the Company, its separate divisions, officers, management bodies and departments of the executive office of the Company for compliance with the legislation of the Russian Federation, the Articles of Association and internal documents of the Company. The activities of the Audit Committee shall follow the laws of the Russian Federation, the Charter and other internal documents approved by the General Meeting of shareholders of the Company, the Audit Committee of the Interregional Distribution Grid Company of the South, JSC, approved by the General Meeting of Shareholders of IDGC of the South, JSC — (minutes dated 05.10.2007 No. 1751np/4).

The Audit Committee acts in the interests of the shareholders and reports to the General Shareholders Meeting.

In its activities' performance, the Audit Committee is independent of the officials of the Company's management and the heads of departments of the executive office of the Company.

The Audit Commission carries out its activities through scheduled and unscheduled inspections, the results of which are executed as conclusions (reports) which are the documents the internal control of the Company.

Full text of the Regulations on the Audit Committee of IDGC of the South, JSC placed the corporate website of the Company's web site in the Internet at: <http://www.mrsk-yuga.ru/> in the “Corporate Governance”.

Competence of Audit Commission

In accordance with section 24.3 article 24 of the Charter the following is included to the competence of the Audit Committee:

- confirmation that the data contained in the annual report, annual financial statements, profit and loss accounts;
- analysis of the financial state of the Company, ways to improve the financial condition of the Company and provide recommendations for the management of the Company;
- organization and implementation of the examination (audit) of financial and economic activities, in particular:
 - examination (audit) of financial, accounting, payment and other documents related to the financial and economic activities for compliance with the legislation of the Russian Federation, the Constitution, laws and other documents of the Company;
- monitoring the safety and use of plant and equipment;
- monitoring compliance with the established procedure for writing off the debts of insolvent debtors;
- control over the expenditure of funds of the Company in accordance with the approved business plan and budget;
- control over the formation and use of the reserve and other special funds;
- verification of the accuracy and timeliness of distribution and payment of dividends, interest on bonds, income from other securities;
- verification of compliance with earlier orders to eliminate breaches and deficiencies identified during previous checks (audits);
- other actions (measures) relating to verification of the financial and economic activity of the Company.

In the year under the control of financial and economic activities carried out by two compositions of the Audit Committee.

Composition of the Audit Committee of the Company, elected on 15 June 2011 by the decision of the Annual General Shareholders Meeting of IDGC of the South, JSC (minutes dated 15.06.2011 No. 5).

- **Izumrud Aligadzhievna Alimuradova** (Chairperson);
- **Vladimir Nickolaevich Arkhipov**,
- **Ludmila Dmitrievan Kormushkina**,
- **Irina Aleksandrovna Philippova**,
- **Igor Urievich Bogachev**.

Composition of the Audit Commission of IDGC of the South, JSC, elected on 18 June 2012 by the Annual General Shareholders Meeting of IDGC of the South, JSC (minutes dated 21.06.2012 No. 7):

- **Izumrud Aligadzhievna Alimuradova** (Chairperson);
- **Vladimir Nickolaevich Arkhipov**,
- **Olga Victorovna Popova**,
- **Olga Sergeevan Sinitsyna**,
- **Ludmila Dmitrievan Kormushkina**.

3. Corporate report

Information on members of the bodies to control financial and economic activity of the issuer

Name of the body to control financial and economic activity of the issuer:

Audit Commission of IDGC of the South, JSC

1. Full name: **Izumrud Aligadzhievna Alimuradova** (Chairperson)

Year of birth: 1971

Education:

Dagestan State University, Lenin, specialty "Economic Theory", qualification: economist.

Positions held by the person in the Issuer and other organizations for the last 5 years and at present, in chronological order, including part-time:

Period		Company name	Position
from	till		
2003	2009	Energoconsulting, LLC	Director for Development
2009	Present time	IDGC Holding, JSC	Director for Internal Audit and Risk Management (Head of Internal Audit and Risk Management Department)

Is not a holder of interest in the authorized capital/ordinary shares of the issuer.

Share of the person in the authorized (share) capital (share fund) of subsidiaries and dependent companies of the issuer:

The person is not a holder of the said shares.

Information on any family relations with other individual members of the issuer's management bodies and/or bodies to control financial and economic activity of the issuer:

The said relations are not available.

Information about bringing this person to administrative responsibility for offences in the field of finance, taxes and dues, securities market or criminal liability (presence of previous conviction) for crimes in economy or for crimes against the government:

The person has not been brought to the said types of responsibilities.

Information of holding such person in management bodies of commercial organizations during the period when these organizations were filed for bankruptcy and/or one of bankruptcy proceedings stipulated by the legislation of the Russian Federation on insolvency (bankruptcy):

The person did not occupy such positions.

2. Full name: **Vladimir Nickolaevich Arkhipov**

Year of birth: 1956

Education:

Novosibirsk Institute of Electrical Communication, Telecommunication engineer.

Positions held by the person in the Issuer and other organizations for the last 5 years and at present, in chronological order, including part-time:

Period		Company name	Position
from	till		
2006	2009	Rustel, CJSC	CEO
2009	2012	IDGC Holding, JSC	Chief of Security Department

Is not a holder of interest in the authorized capital/ordinary shares of the issuer.

Share of the person in the authorized (share) capital (share fund) of subsidiaries and dependent companies of the issuer:

The person is not a holder of the said shares.

Information on any family relations with other individual members of the issuer's management bodies and/or bodies to control over financial and economic activity of the issuer:

The said relations are not available.

Information about bringing this person to administrative responsibility for offences in the field of finance, taxes and dues, securities market or criminal liability (presence of previous conviction) for crimes in economy or for crimes against the government:

The person has not been brought to the said types of responsibilities.

Information of holding such person in management bodies of commercial organizations during the period when these organizations were filed for bankruptcy and/or one of bankruptcy proceedings stipulated by the legislation of the Russian Federation on insolvency (bankruptcy):

The person did not occupy such positions.

3. Full name: Olga Victorovna Popova

Year of birth: 1975

Education:

G. V. Plekhanov Russian Academy of Economics, qualification: the world economy.

Positions held by the person in the Issuer and other organizations for the last 5 years and at present, in chronological order, including part-time:

Period		Company name	Position
from	till		
2007	2008	SC Nezisimost	Specialist in IFRS
2008	2010	Media 3, CJSC	Leading Specialist in IFRS
2010	Present time	IDGC Holding, JSC	Head of Internal Audit Department of Internal Audit and Risk Management

Is not a holder of interest in the authorized capital/ordinary shares of the issuer.

Share of the person in the authorized (share) capital (share fund) of subsidiaries and dependent companies of the issuer:

The person is not a holder of the said shares.

Information on any family relations with other individual members of the issuer's management bodies and/or bodies to control over financial and economic activity of the issuer:

The said relations are not available.

Information about bringing this person to administrative responsibility for offences in the field of finance, taxes and dues, securities market or criminal liability (presence of previous conviction) for crimes in economy or for crimes against the government:

The person has not been brought to the said types of responsibilities.

Information of holding such person in management bodies of commercial organizations during the period when these organizations were filed for bankruptcy and/or one of bankruptcy proceedings stipulated by the legislation of the Russian Federation on insolvency (bankruptcy):

The person did not occupy such positions.

4. Full name: Ludmila Dmitrievan Kormushkina

Year of birth: 1956

Education:

Far Eastern State Academy of Economics and Management, specialty "Accounting and audit".

Positions held by the person in the Issuer and other organizations for the last 5 years and at present, in chronological order, including part-time:

Period		Company name	Position
from	till		
2004	2008	RAO UES of Russia, JSC	Chief Expert
2008	Present time	IDGC Holding, JSC	Head of Internal Audit, Audit and Expertise Division of the Department of Internal Audit and Risk Management

Is not a holder of interest in the authorized capital/ordinary shares of the issuer.

Share of the person in the authorized (share) capital (share fund) of subsidiaries and dependent companies of the issuer:

The person is not a holder of the said shares.

Information on any family relations with other individual members of the issuer's management bodies and/or bodies to control over financial and economic activity of the issuer:

The said relations are not available.

Information about bringing this person to administrative responsibility for offences in the field of finance, taxes and dues, securities market or criminal liability (presence of previous conviction) for crimes in economy or for crimes against the government:

The person has not been brought to the said types of responsibilities.

Information of holding such person in management bodies of commercial organizations during the period when these organizations were filed for bankruptcy and/or one of bankruptcy proceedings stipulated by the legislation of the Russian Federation on insolvency (bankruptcy):

The person did not occupy such positions.

3. Corporate report

5. Full name: Olga Sergeevna Sinitsyna

Year of birth: 1979

Education:

Novosibirsk State Academy of Economics and Management, qualification: economist.

Positions held by the person in the Issuer and other organizations for the last 5 years and at present, in chronological order, including part-time:

Period		Company name	Position
from	till		
2005	2010	Finexpertisa, LLC	Projects Manager of Audit Department
2010	2012	IDGC Holding, JSC	Chief expert of audits and examinations of the Internal Audit and Risk Management

Is not a holder of interest in the authorized capital/ordinary shares of the issuer.

Share of the person in the authorized (share) capital (share fund) of subsidiaries and dependent companies of the issuer:

The person is not a holder of the said shares.

Information on any family relations with other individual members of the issuer's management bodies and/or bodies to control over financial and economic activity of the issuer:

The said relations are not available.

Information about bringing this person to administrative responsibility for offences in the field of finance, taxes and dues, securities market or criminal liability (presence of previous conviction) for crimes in economy or for crimes against the government:

The person has not been brought to the said types of responsibilities.

Information of holding such person in management bodies of commercial organizations during the period when these organizations were filed for bankruptcy and/or one of bankruptcy proceedings stipulated by the legislation of the Russian Federation on insolvency (bankruptcy):

The person did not occupy such positions.

Audit Commission activities in 2012

In 2012 nine meetings of the Audit Committee of IDGC of the South, JSC were held:

- 01.03.2012 (minutes dated 01.03.2012 No. 3), where two matters have been reviewed: on the audit of financial-economic activity of IDGC of the South, JSC in 2011, and on the approval date of the audits;
 - 05.04.2012 (minutes dated 05.04.2012 No. 4), which addressed the issue of the approval of the Audit Commission to confirm the reliability of financial statements of IDGC of the South, JSC for 2011;
 - 30.04.2012 (minutes dated 30.04.2012 No. 5), which addressed the issue of the approval of the Audit Commission Report of IDGC of the South, JSC for 2011;
 - 02.07.2012 (minutes dated 02.07.2012 No. 1), which reviewed the following matters: on election of the Chairperson and the secretary of the Audit Commission;
 - 01.08.2012 (minutes dated 01.08.2012 No. 2), which reviewed the following matters: approval of the Audit Commission plan of work and engagement of a specialist to execute documents of the Audit Committee of the Company and to coordinate the work of the Audit Committee of the Company;
 - 06.08.2012 (minutes dated 06.08.2012 No. 3), which reviewed the following matters: Revision of an unscheduled Audit inspection, approval of inspection terms and programs and engagement of professionals to conduct audits of the Company for the period from 01.01.2012 to 01.08.2012;
 - 21.08.2012 (minutes dated 21.08.2012 No. 4), which reviewed engagement of professionals to conduct audits of the Company for the period from 01.01.2012 to 01.08.2012;
 - 28.09.2012 (minutes dated 28.09.2012 No. 5), which reviewed the following matters: on the review of explanations for the findings of the Audit Committee on the results of audits of the Company for the period from 01.01.2012 to 01.08.2012 and the approval of the Audit Report of the Company for the period from 01.01.2012 to 01.08.2012;
 - 26.11.2012 (minutes dated 26.11.2012 No. 6), which reviewed the following matters: audits of expenditure on personnel management, approval of the audit terms and program.
- Minutes of the Audit Commission meetings for the entire period of the Company activity are published at the corporate website of the Company in the Internet.

Information on remuneration (expenses' compensation) to the Audit Commission members

Remuneration to the members of the Audit Committee of the Company is paid in accordance with the Regulations on Payment to Members of the Audit Committee of the Interregional Distribution Grid Company of the South, JSC Remuneration and Compensation, approved on 30.05.2008 by the Annual General Shareholders Meeting of IDGC of the South, JSC (minutes dated 04.06.2008 No. 1).

In accordance with the Regulations, members of the Audit Commission of the Company shall be paid a one-time fee in the amount equal to five minimum monthly wages of a first-rate agreement established by the industry in the Russian Federation power for participation in the audit (inspection) of financial and economic activities.

For each audit (inspection), a member of the Audit Committee may be paid additional compensation in an amount not exceeding 20 times of the minimum monthly wages of the first rank, established by the Agreement subject to indexation.

Member of the Audit Commission of the Company are reimbursed for expenses related to the participation in the meeting of the Audit Commission and for the audit under the standards of remuneration of travel expenses of the Company applicable at the time of the meeting or audit. Total remuneration paid to the members of the Audit Commission of IDGC of the South, JSC for the year 2012 amounted to **203,383 rubles** (includes PIT).

AUDITOR

To check and approve the annual financial statements of the Company the Annual General Shareholders Meeting approves the Auditor of the Company in accordance with articles 47, 48, 54 and 88 of the Federal Law "On Joint-Stock Companies", paragraph 11 section 10.2 article 10, section 11.1 article 11, section 24.8 article 24 of the Charter of IDGC of the South, JSC.

Criteria and methods of Auditor selection

Federal Law "On Joint-Stock Companies", does not determine the term and the procedure for the nomination of the auditor to be included in the list for voting on the approval of the auditor of the Company, as the said Law does not grant shareholders the right to nominate the auditor.

In this connection, the auditor's candidacy for approval at the Annual General Shareholders Meeting shall be specified by the Board of Directors of the Company within the framework of the Annual General Shareholders Meeting preparation and holding. Selection of candidates for the Company's auditors, assessment of their qualifications, quality of work and compliance with the requirements of independence of auditors, submission of the auditor candidacy for approval by the Board of Directors, opinions' making on the auditors' candidacy submitted by third parties is a part of the competences of the Audit Committee of the Board of Directors.

Selection of Auditor shall be made following an open competition held by the Company or its authorized body in

accordance with the Regulations on procedures governing the procurement of goods, works and services for the needs of IDGC of the South, JSC.

The auditor of the IDGC of the South, JSC shall audit the financial and economic activities of the Issuer in accordance with the laws of the Russian Federation on the basis of a signed contract.

To inspect accounting and financial (accounting) statements for 2012 the Board of Directors of IDGC of the South, JSC recommended (minutes dated 05/05/2012 No. 87/2012), and approved on June 18, 2012 the Annual General Meeting of Shareholders (minutes dated 21.06.2012 No. 7) that the auditor of the Company shall be KPMG, CJSC.

KPMG, CJSC is a member of the non-commercial partnership "Auditor Chamber of Russia".

Factors that may affect the independence of the auditor on the issuer as well as the essential interests connecting the auditor (the auditor) to the Issuer (the Issuer) are not available.

3. Corporate report

Procedure for determination of remuneration to the auditor

In accordance with section 24.9 article 24 of the Charter of IDGC of the South, JSC the amount of the auditor's remuneration is determined by the Board of Directors of the Company. Cost of services and payment of the auditor shall be stated in the agreement entered into by the Company and the auditor.

The amount of remuneration of the auditor of IDGC of the South, JSC — KPMG, CJSC for audit of the financial (accounting) statements of IDGC of the South, JSC for 2012, and prepared in accordance with RAS, was defined by the Board of Directors of IDGC of the South, JSC on 23.08.2012 (minutes dated 24.08.2012 No. 94/2012) in the amount of 1,558,788 rubles, including VAT (18 %). No works were performed within the framework of special engagements in the reporting year.

Contact information of Auditor

Full company name	KPMG, Closed Joint-Stock Company
Abbreviated name	KPMG, CJSC
Legal address	Room 3035, 18/1, Olympisky Avenue, Moscow, 129110, Russia
Location	Floor 31, Block C, 10, Presnenskaya Embankment, Moscow, 123317, Russia
INN	7702019950
OGRN	1027700125628
Telephone	(495) 937-44-77
Fax	(495) 937-44-99
E-mail address	moscow@kpmg.ru

Information on membership of an auditor in the self-regulated organizations of auditors

Full name: Non-profit partnership Auditor Chamber of Russia.

Location: Building 3, 3/9, 3rd Syromyatnicheskiy Lane, Moscow, 105120, Russia.

Telephone/fax: (495) 781-24-79 (multichannel).

E-mail: apr@aprussia.ru.

Certificate number: No.255 of 28.12.2009, the basic registration record (ORNZ) No. 10301000804.

INTERNAL CONTROL AND RISKS MANAGEMENT SYSTEM

The system of internal control and risk management (hereinafter — SIC RM) of IDGC of the South, JSC is an element of the corporate governance of the Company, including full range of procedures, methods and controls that are established by the Board of Directors and executive bodies to ensure effective implementation of the internal control financial and business operations of the Company.

To develop SIC and RM regulatory acts have been approved in the Company that regulate the system of internal control and risks management:

- Risk Management Policy was approved by the Board of Directors on 09.06.2010 (minutes dated 11.06.2010 No. 47/2010), the Internal Control Policy in the new revisions was approved by the Board of Directors on 23.08.2012 (minutes dated 24.08.2012 No. 94/2012) — determine the development strategy of the internal control and risk management of the Company.
- Guidelines on Risk Management of IDGC of the South, JSC approved by the Order of IDGC of the South, JSC dated 07.09.2011 No. 538, determine the basic methods for the identification, assessment, management and monitoring of risks.
- Regulations on the control environment and risks of the business processes of “Commercial accounting and sale of electricity transmission services”, “Procurement Management”, “Sales of Services for Technological Connection”, “Operations”, were approved by the Board of Directors (minutes dated 09.06.2011 No. 66/2011), describe the control environment in the business process through the definition of control points, identification of risks of business process integration and control procedures in a business process in order to reduce risks.

Key goals of SIC and RM:

- efficient realization of the strategic and corporate goals of the Company;
 - quality perfection of the Company corporate governance;
 - perfection of the operational and investment efficiency of the Company operations;
- SIC and RM are perfected at all Company management levels on the following control directions:
- preliminary control (risk management system) — includes detection, assessment and management of risks (threats and opportunities) for the effective implementation of the corporate and strategic goals, as well as the detection and management of risk of economic and energy security;
 - running control — includes regulation and standardization of business processes with definition of control procedures and responsibilities of participants in business processes through the levels of management;

- follow-up control — includes control of the reliability of the audit report, the integrity of assets, compliance with financial and business transactions law, the Charter, local regulations, an internal audit of the effectiveness of business processes and the SIC and RM, monitoring compliance with corporate ethics and anti-corruption control.

The regulatory acts of the Company fix the “distributed” model of SIC and TM and responsibility is set as follows:

- The Board of Directors of the Company sets the SIC and RM development directions.
- The Audit Committee of the Board of Directors supervises the effectiveness of SIC and RM.
- Department of Internal Audit and Risk Management audits and evaluates directly the effectiveness of SIC and RM, the system of corporate governance, as well as follow-up procedures. In addition, it arranges and coordinates reporting on risks, provision of information on the risks and internal control procedures of the Company's stakeholders.
- The executive bodies of the Company are in charge for organizing of the effective implementation of running and preventive control procedures, the implementation of local regulations SIC and RM.
- Officers (business process owners) are in charge for establishment and implementation of control procedures and risk management activities, as well as for the timely risks detection and assessment.

Basic risk factors

The Company's operations involve risks that investors should take into account. The key risk factors that the Company currently believes the most important are described hereunder.

Country and regional risks

Country and regional risks are primarily conditioned by macroeconomic factors, which are manifested at the global level, the scale of the Russian Federation and the individual regions. These factors may adversely affect the ability to raise debt capital for liquidity, investment and operating efficiency and, ultimately, shareholder value of the Company. In addition, the crisis in the global economy negatively affects the volume of industrial production and consumption, which results in reduction of the Company revenues.

The key factor in macroeconomic risk is the ongoing global financial crisis affecting the key indicators of commodity and financial markets: prices for the fuel and energy and other raw stock, capital cost, exchange rates of the world currencies and inflation.

The Russian Federation, as well as other BRICS countries, is one of the developing and is sensitive to world crises. This is due

3. Corporate report

to the dependence of the economy on energy prices, low volume and volatility in the Russian financial market, the transition state of the banking system.

In order to minimize the impact of macroeconomic risk, the Company implemented a set of measures aimed at optimizing the share of loans in total structure of capital, raising long-term loans at fixed interest rates, increasing the efficiency of operating and investment costs of the Company.

Risks of regulatory nature (industrial risks)

Main Company activities: sales of services for electric power transmission and technological connection to electric grids — are regulated by the state.

The policy of tariff regulation is aimed at control the increase in electricity tariffs, which could result in restriction of tariff sources for investment and operating activities of the Company.

In order to minimize these risks the Company pursues a balanced policy to improve the efficiency of investment and operating activities aimed at reducing the cost and optimal planning of the structure of sources of funding

One factor is the risk of regulatory mechanisms imperfection of the retail electricity markets functioning entailing differences between the power grid and power supply companies in respect of electricity consumption and power used in the calculation of tariffs. Consequence thereof is appearance of the disputed and overdue receivables for electricity transmission services rendered by the Company, which results in decrease of the Company's liquidity and financial stability. The Company implements activities to eliminate the reasons of conflicts with customers, reduction of the disputed and overdue accounts receivable for services rendered, and the interaction with the Federal Government to draft amendments to the rules of functioning of the retail market, the formation of judicial practice and the creation of positive precedents. In addition, the Company is implementing a program approved by the Board of Directors of the long-term development of electricity metering systems in the retail electricity market in the distribution grids of IDGC of the South, JSC.

An important risk factor is the mechanism of cross-subsidization of other categories of consumers, including households by large industrial consumers. A number of large industrial customers connected directly to the UNPG, pay for services the Company's services in electricity transmission by the tariffs for electricity transmission in cases where the contractual "last mile" basis is used, concluded between the Company and FGC UES, JSC these facilities were leased by the Company. Some large industrial customers have switched to direct contracts with FGC UES, JSC through judicial decisions in 2010–2013, due to the non-availability of the legislation governing the "last mile" contracts.

In accordance with section 5 article 8 of the Federal Law of 26.03.2003 No. 35-ФЗ "On Electric Power Industry" the organization

managing the unified national (All-Russia) electric grid has the right, till 01.01.2014, to transfer into lease territorial grid organizations to the electric grid facilities in coordination with the competent Federal Agencies. Decree of the Government of the Russian Federation dated 27.12.2010 No. 1173 "On the approval procedure for transfer transmission facilities of the Unified National (All-Russian) power grid, for lease by the territorial grid organizations", harmonization Rules were approved by the Ministry of Energy of the Russian Federation concerning lease of the facilities belonging to UNPG by the TGO. Approval of UNPG facilities transferred into lease to TGO since the beginning of 2011 is based on the opinions issued the Authorized Agencies of the Executive Power of the Russian Federation entities.

However, according to the said Decree approval of UNEG facilities into lease by TGO shall be conditioned by the termination of the "direct" transmission contracts concluded between FGC UES, JSC and the consumers, as well as a written message from the Head of the Russian Federation entity. In 2012, the Ministry of Energy of Russia approved the order dated 24.08.2012 No. 403, on the basis of which the Company and FGC UES, JSC concluded the lease contracts UNPG ("last mile" agreements) in 2013. Transmission of electricity using individual UNPG facilities taken by the Company under lease according to the "last mile" agreements is recorded by the Federal and regional Regulatory Bodies within the planned volumes of the services of electricity transmission in 2013. In 2012, the President and the Government of the Russian Federation stressed the importance of solving the problem of cross-subsidies in the electricity. The Ministry of Energy of the Russian Federation issued instructions on evaluation mechanisms to eliminate cross-subsidization. The Company plans to actively participate in the discussion of this problem at the level of the Federal Government.

In the transition of IDGC of the South, JSC to regulation by return on invested capital (RAB) there are a number of risks. The following shall be noted among such risks:

- challenge by the regulators of the assessment of the original base of the invested capital implemented by independent evaluators;
- losses due to wrong forecast of electric power transmission structure in terms of voltage levels and overestimated volumes of the declared capacity against the actual that have been recorded in making the tariff-and-balance decisions;
- failure to obtain deferred incomes as a result of incomes smoothing mechanism: during detection of the planned values of tariffs' parameter calculation by RAB method.

To reduce these risks, the Company shall cooperate with regional regulators for determination of the amounts and sources for financing of investments in the long-term regional development programs to avoid subjectivity in decision-tariff decisions through the development and implementation of cost management pro-

gram, including the same within the framework of observance of the Order of the President of Russia to reduce the cost of acquisition of goods (works/services) per unit of production by at least 10 percent a year for three years in real terms in the prices of 2010. In addition, the Company plans to develop and implement regulatory contracts that enable the setting of tariffs depending on the quality of services provided. In this case, these contracts shall specify the shared liability, of the grid companies on the one hand for the quality of service (clearly stated in the contract), and of the regulatory bodies — for the adjustment of tariff decisions over the long term management from the other hand.

One of the Company's regulatory risk is the risk of demand drop for technological connection and services for the transmission of electrical energy compared with the planned volumes considered in the tariff decisions making by regional agencies. To reduce this risk, the Company continues to monitor applications and the creation on their basis of the forecast supply of electricity, demand for the grid connection of the next year, as well as increase in applications to the regulatory authorities to establish a connection fee per individual project. At the same time, due to the large number of applications for technological connection the Company is not always able to meet them in full, which may adversely affect the amounts of revenue due to the loss of potential customers, as well as non-observation of the antimonopoly legislation in terms of the provision of electricity transmission and delivery of services for technological connection. To solve this problem, the Company develops business application process for technological connection of consumers. Simultaneously, the Company explains process of providing technological connection services for consumers, including the public offering information on the provision of services and the creation of Customer Service Centers.

In connection with the a number of regulations passed in 2012 and simplifying the procedure for depriving a supply companies of a supplier status, the Company has risks associated with having to taking the powers and responsibilities of suppliers of energy sales from the energy sales companies, which include:

- risks associated with growth of accounts receivable of the electricity end-users and write off of the accrued receivables under contracts for the provision of services for the transmission of electricity between retailing and distribution companies;
- risks associated with the functions of a supplier in the wholesale electricity and capacity market;
- risks associated with the growth of the Company's expenses related to the functions of a supplier exceeding the necessary gross proceeds, provided the formation of sales allowances;
- organizational risks associated with the loss of competence and knowledge base of customer data, as well as the erroneous transfer of payment for energy consumed.

In order to minimize these risks, the Company implements activities to interact with Federal and regional authorities, media,

infrastructure organizations in the wholesale electricity market, law enforcement agencies, and organizations deprived of the status of a supplier, on the performance of the functions of a supplier, and debt. In addition, legislative initiatives are formed to optimize the procedure of change of a supplier.

Financial risk

As part of the planned financial and economic model the Company faces the factors that may result in a shortage of funds for investment and operational activities.

The most significant financial risk factors associated with imperfect mechanisms of functioning of the retail electricity market and are explained in section "Risks of a regulatory nature (industrial risks)". However, there are a number of risk factors potentially affecting the Company's financial and economic activity.

Inflation risks

The negative impact of inflation on the financial and economic activities of the Company may be due to the losses in the real value of accounts receivable, an increase in interest payable on borrowed capital, the increased cost of construction of the investment program. The current inflation rate has no significant effect on the financial position of the Company. In accordance with the plans of the Central Bank of Russia relating to the inflation control and its predictive values for the next period, inflation should not have a material impact on the Company's financial results.

Currency risks

Adverse changes in foreign currency exchange rates against Ruble can affect the performance and operating and investment efficiency of the Company.

Foreign exchange risk has no significant effect on the Company as the calculations are made exclusively with counterparties in the currency of the Russian Federation. However, given that the range of goods and equipment purchased by the Company contain imported components, a significant increase in the exchange rate may result in higher prices for purchased products. In this connection the Company implements the policy for the import substitution and conclusion of the long-term contracts that do not provide for prices increase for the product of purchase.

Interest risks

Dynamics of changes in the refinancing rate of the Central Bank of Russia reflects the state of the macroeconomic situation in the economy and affects the cost of raising loans. Loan rates growth can result in an unplanned increase in the cost of servicing the debt of the Company. In order to minimize interest rate risk, the Company pursues a balanced credit policy aimed at optimizing the structure of the loan portfolio and minimizes the cost of debt service.

3. Corporate report

Liquidity risks

The Company operations are subject to risks that may result in reduced liquidity and financial stability. The most important factors are cross-subsidies between consumer groups and a low payment discipline at the retail electricity market.

The most significant component of cross-subsidization is the contracting mechanism of the “last mile” (this factor is described in the section “Risks of a regulatory nature (industrial risks)”).

The volume of receivables in 2012 increased by 4 % to 8,263 billion rubles. The main factors that contributed to the low payment discipline, which resulted in significant increase in accounts receivable, was the lack of effective mechanisms to influence the non-payers, misuse of funds for electricity supply companies, deprived of the status of suppliers, disagreements on the installed capacity in the calculations with the power supply companies.

As a result of these risks the Company may be unable to meet the financial and other restrictive conditions (covenants) specified in the loan agreements, in particular the ratio between total debt and EBITDA, debt ratio, current ratio, the net asset value. In order to minimize this risk factor Company monitors capital and determines the optimal parameters of borrowing, as well as taking measures to reduce the amount of cross-subsidization and optimization of working capital.

Operational risk

The Company's business has a broad geography represented by a variety of climatic conditions. There is a possibility of extraordinary situations caused by natural disasters (hurricanes, storm and icy rains, flash floods and floods, snow drifts, etc.) that can result in system failures of the operability and efficiency of the electrical distribution equipment and of the disruption complex in energy supply of the Company's customers.

Operational and technological risks affecting the reliability of power supply, are primarily connected with high physical and moral deterioration of grid assets, non-observance of the operating modes of power supply equipment, the failure to perform the maintenance programs in the necessary scope. Besides, the operation and process risk factors are as follows:

- natural and anthropogenic nature accidents;
- efficiency drop of the Company assets management (the shift of priorities to ensure reliable operation of grids, incorrect ranking of objects to be repaired);
- factors related to the operation of the equipment, including the extreme deviation from the regulatory and technical requirements, the excess of process parameters of operation mode of the power supply equipment at acceptable values with errors of operating personnel, and operational discipline non-observance.

As a result of these risks both significant economic and reputation consequences may occur. In addition, these risk factors affect the amount of losses in electric grids, increasing the cost of the Company for the purchase of electricity in order to compensate for losses.

Among the measures contributing in reduction of the probability of operational and technological risks, the Company performs the activities aimed at improving the reliability of power supply, and the prevention of risks of technological failures, including:

- clearing and extension of overhead line 0,4–220 kV routes;
- upgrades of the grid facilities;
- expansion of the backup power supply sources (BPSS), motor and special equipment for the emergency recovery works;
- integrated program of grid assets upgrades;
- switching equipment upgrades;
- upgrades and creation of the automated process control systems;
- improvement of information exchange, analysis of the process failures, predicting their consequences, including the introduction of the automated control system for the distribution resources for the emergency recovery works (CSDR ERW);
- perfection of the emergency supply control system;
- increase of the mobile emergency recovery teams and their equipment quality;
- programs to reduce the risk of injury to the electric grid facilities;
- training, supervision and certification of personnel operating process equipment;
- insurance program;
- program of energy conservation and energy efficiency.

In addition, in order to minimize operational and technological risks, the Company is guided by the Regulations on the common technical policy of IDGC Holding, JSC in the distribution grid complex, approved by the Board of Directors of IDGC Holding, JSC (minutes dated 7.10.2011 No.64). Also, the Company is implementing production asset management system based on an index of the actual condition of the equipment.

Investment (project) risk

The Company is active in investments aimed at upgrading and expansion of the grid infrastructure, meanwhile it faces the risk of efficiency drop and the risk of depreciation of capital investments in the performance of investment programs, innovative development programs and R&D.

Increasing volumes of investment development programs require significant financial resources: both own and borrowed on terms that meet the parameters of RAB-regulation, which is a factor of investment risk.

Even if there are volumes of financial resources sufficient for the realization of the investment program, there is a probability of

non-observance of the planned timing of capital investment and delayed commissioning of the investment program facilities of the Company, including the same in the result of default or delay in performance of contractors and suppliers obligations.

Decree of the Government of the Russian Federation "On Amendments to the Rules of approval of investment programs of electric power industry in the authorized capital of which involved state, and grid organizations" dated 27.02.2013 No. 159, provides for the exclusion of the Company's investment program objects that are not included in the territorial planning documents (TPD), there is a risk of growth of construction in progress in connection with the exception of objects launched the construction of the investment program and is not included in the TPD.

In order to reduce the investment risk, the Company plans investment programs, with the following key performance criteria: increasing the availability of the grid infrastructure, reducing wear and modernization of the electric grid, achieve high utilization of new capacities. When planning the investment program and the prerequisite for inclusion of investment projects is the link with the plans of territorial and regional development. The Company has implemented the project management of investment activities, one of the areas of knowledge which is the risk management of investment projects. The Company implements the activities aimed at improving the quality of projects, perfection of the investment effectiveness in the existing grid, reducing the unit cost of construction, to achieve high utilization of new capacities, the development and implementation of the comparative analysis system of the specific value of construction work and materials, the formation of the system of innovation governance, automation of investment management system.

Compliance risk

Frequent changes in the legislation of the Russian Federation relating the State regulation of the industry, a wide range of regulatory requirements and restrictions are risk factors associated with the Company's failure to comply with laws and other legal acts, the regulatory and supervisory authorities, as well as internal documents, defining internal policies, rules and procedures (compliance risk).

The Company's business is regulated and controlled by various bodies such as FAS, FTS, Federal Financial Markets Service, the Federal Tax Service of Russia, Ministry of Energy, Federal Financial Monitoring Service, Rostekhnadzor, the Accounts Chamber of the Russian Federation, and others. In addition, as companies with state participation, the Company performs a number of orders of the President and the Government of the Russian Federation. In this regard, compliance risk factors are of particular importance.

Being a natural monopoly, IDGC of the South, JSC is subject to the risks of recognition of non-observation of antimonopoly

laws in respect of the provision of services to grid connection, the disclosure of information on services, procurement activities. To reduce this risk, urgency of processing of applications and complaints of consumers are traced, timely disclosure of information in accordance with the legislation of the Russian Federation are clearly regulated and monitored.

FFMS of Russia regulates and supervises the activities of the Company in respect of the requirements of the legislation of the Russian Federation on securities, including disclosure of material facts that may adversely affect the value of the securities, as well as countering misuse of insider information.

The objectives of the Audit Chamber of the Russian Federation in accordance with the law is to organize and monitor the timely execution of expenditure items of the Federal Budget and to determine the effectiveness and appropriateness of public funds spending and use of the Federal property.

Changes in the tax law in terms of rates increasing or changes in the procedure for calculating taxes can result in decrease of profitability and an increase in the tax burden of the Company.

The Company owns, leases or has a right for unlimited use for the majority of the land plots where the distribution assets are located. However, title rights for some of them are not properly executed in accordance with the requirements of the legislation. In addition, the legislation established a deadline title right for unlimited use or lease up to January 1, 2015. In order to minimize this factor, the Company implements the program of reissuance of the unlimited use right. In order to minimize these risks, the Company implemented measures to improve compliance control. In 2012, the Board of Directors of the Company approved by the local documents aimed at improving the efficiency and transparency of financial and economic activities, and control of corruption. Changes in the law affecting various aspects of the financial and economic activities of the Company are being monitored.

Corporate cost risk (corporate risk)

As part of the Company's Strategy to 2015 with a perspective to 2020 the Company realizes the ability to manage its future growth and profitability. Many internal and external environment factors affect the Company's increase in shareholder value.

IDGC of the South, JSC is included in the register of natural monopolies, which are subject to regulation by the State in accordance with Russian law. In this regard, the Federal and regional agencies of tariff regulation shall establish and regulate the fees for services rendered by the Company.

In order to control the growth in electricity tariffs for consumers the State has the ability to limit the parameters of growth rates and margins thereof, respectively, the Company's services. The transition to RAB-regulation method reduces the risk of shareholder value, reducing the influence of subjective factors on tariff

3. Corporate report

decisions, but does not eliminate fully the risk factors. Implementation of long-term parameters of RAB-regulation (including fixed rate of return imposed by the regulator and return on invested capital) is the necessary condition for achieving joint goals. In order to minimize this risk factor the Company is implementing the cost management program, provides balanced planning activities in accordance with the approved tariff decisions, envisages implementation of the approved business plan of the Company, is involved in joint with local authorities design of the territorial development programs with approval of the amount and funds sources of investment programs.

The significant risk factor, in addition, is the competition for tariff revenue from regional TNO in each subject of the Russian Federation. In order to minimize this factor risk, the Company plans measures to reduce existing tariff distortions that results in disproportionate increase in revenues of regional TNOs.

An important risk factor is the recognition of the Company in breach of the antitrust laws. The greatest risk is subject to antitrust activities in the field of grid connection of consumers to electric grids. Addresses of the consumers to the territorial office of FAS and the subsequent initiation of a case by the antimonopoly authority for the breach by the Company of legislation in the field of process connections can be caused by a breach of a consumer rights. In particular, this may result in failures in technological connection, failure to comply with statutory deadlines connection to the grid and a number of other factors. An additional negative factor is the fact that the current legislation provides the FAS of Russia with the right to broadly interpret the concept of product market boundaries. Thus, a reasonable complaint of the applicant may result in a turnover-based fine that is calculated based on the total revenue generated throughout the Company's presence is not limited to the territory of a particular branch.

To reduce the influence of the factors that result to the realization of this risk factor the Company improves business processes of technological connection of consumers to simplify their internal procedures, introducing new forms of customer service, such as those associated with interactive methods of service.

Russian Federation as the major shareholder of IDGC Holding, JSC controls the decision-making on most issues and affects the strategy of the Company. Decisions motivated by economic and social interests of the State, may be contradict the interests of other shareholders. Such decisions may concern, including dividend policy, mergers and acquisitions and the privatization of the Com-

pany. In addition being the main shareholder of IDGC of the South, IDGC Holding, JSC can make decisions that will not be treated as by the minority shareholders of the Company to meet their interests. This can result in claims initiated by the minority shareholders and to challenge the decision, adopted by the executive bodies of the Company.

In order to minimize these risks, the Company being guided by the norms of the Code of Corporate Governance, approved by the Board of Directors of the Company shall endeavour to ensure a balance of interests of shareholders, including the respect for and protection of the rights guaranteed to all shareholders of the legislation of the Russian Federation.

Insider information control system

Requirements of the legislation in the area of insider information to the Company as to the issuer are arising from the placement of financial instruments of the Company on the trading floors of Russia: MICEX Stock Exchange — RTS (stocks, bonds).

In accordance with the policy of the Company's internal controls to ensure the requirements of the legislation, the Company carried out three areas of compliance control in the area of insider information: preventive, current and follow-up.

In order to establish procedures for preventive compliance control the Board of Directors of the Company approved on 26.12.2011 the Regulations on Insider Information of IDGC of the South, JSC (minutes dated 29.12.2011 No. 78/2011), taking into account the requirements of the Federal Law dated 27.07.2010 No. 224-ФЗ "On counteraction to illegal use of insider information and market manipulation and on amendments to certain legislative acts of the Russian Federation". The following procedures are established within the framework of the Regulation:

- establishment of the rules for the Company insiders' list;
- determination of the Company insider information list;
- establishment of insider information handling rules;
- establishment of the rules for insider transactions with financial instruments of the Company and subsidiaries;
- confidentiality agreements on insider information and additional agreements to labor contracts with insider — employees of the Company.

Also, in order to improve preventive control by the Board of Directors of the Company approved the Conduct Code that regulates corporate responsibility and conduct ethics of insider — employees of the Company.

The following control procedures are implemented within the framework of the current compliance-control in the Company:

- maintaining of the insiders list;
- record of the notifications to include persons in the list of insiders or the exclusion from such list and on insider transactions with securities of the Company;
- compliance monitoring with the rules of insider transactions with financial instruments of the Company on the basis of the information (notifications) to complete transactions by insiders;
- compliance monitoring with legislation on insider information in the pre-contractual work.

The following analysis is implemented within the compliance control:

- price dynamics of financial instruments of the Company in organized markets;
- newsflow impact on the price dynamics of financial instruments;
- transactions in securities of the Company, declared in the notification to insiders in the Company;
- information on completed transactions from shareholders registrar of the securities.

LEGAL SUPPORT OF THE COMPANY BUSINESS

Legal support of the Company business is performed in the following areas:

- legal support of the Company financial activity;
- claims work;
- organizational and methodological support of the branches activities.

Organizational and methodological support of the Company business includes legal expertise of civil law contracts, orders, instructions, regulations, provisions, and other local normative acts, preparing legal opinions on issues of the Company business, and developing and co-ordination of typical forms of business contracts, other documents, etc.

As part of claim work, the timely and effective protection of the Company interests is ensured, both in pre-trial and court

procedures. The effectiveness of this area of activities is ensured by clear regulation by local normative acts approved by the Company, the actions of all services and subdivisions in case of conflict situations with the Company counteragents, governmental and municipal authorities.

Organizational and methodological support of the branches activities is aimed at achieving uniformity of law enforcement practice in all branches of the Company, providing a unified methodology and principles for legal support, and forming a unified legal position of all branches on legal disputes which the Company is involved in. The goals specified are achieved by collecting and analyzing report data on branches, building, and implementing in the branches the Company position on questions of enforcement of law, control over enforcement of organizational/management documents, written orders on questions of legal support of the Company business.

Information on legal proceedings for 2012 which could have had a significant effect on the Company business

Volgogradenergosbyt, JSC was brought an action for compensating of the cost of losses of electric power in grids belonging to the Issuer, arising during providing services for electric power transmission in the amount of **1,060,486,008.21 rubles**. By the ruling of the Commercial Court of the Volgograd Region of 05.11.2009, the claim was dismissed. Resolution of the Twelfth Arbitration Court of Appeal of 20.12.2012, the claim was partially satisfied and the amount of 31,431,433.98 rubles was recovered. There is possibility of bringing the appeal. If the court of appeal decision will cancel the decision of first instance court of appeal and declines claim of Volgogradenergosbyt, JSC the court decision will come into effect and will be enforced. Enforcement of this judicial act may have a significant effect on the issuer's financial activities.

Nizhnovatomenergosbyt, JSC brought an action to recover **588,681,524.79 rubles** from the Company. The claims are based on the application of the consequences of the invalidity of the transaction — the contract for the provision of services of power transmission, that was recognized as such by the court as a result of the dispute on the so-called lease contract "last mile" (the agreement on the exploitation of power transmission facilities included in the unified national electric grid (UNEG)). By the decision of the Commercial Court of the Rostov region of 05.12.2012 the claim was satisfied. By Resolution of the Fifteenth Court of Appeal of 06.02.2012 the decision was upheld. The Resolution adopted by the court of appeal in the case of judicial acts were cancelled, the case was submitted for a new trial in the court of first instance. The court of 05.10.2012 satisfied the claim in full, in favor

3. Corporate report

of Nizhnovatomenergobyt, JSC and collected 482 665.83 rubles of the unjust enrichment, interest on borrowed funds in the amount of 135 377.86 thousand rubles. Resolution of the Court of Appeal of 27.12.12 the court's decision was upheld. Judicial act came into force. The Company filed a cassation appeal, execution of court decision was suspended. Failure to meet the appeal, the decision will be enforced. Execution of such a judicial act may materially affect the financial performance of the issuer.

Rusenergobit, LLC filed a lawsuit to recover from the IDGC of the South, JSC (Rostovenergo) unjust enrichment in

the amount of **331,847,168.54 rubles** and **55,733,630.94 rubles** of interest on borrowed funds. Resolution of the Fifteenth Court of Appeal of 02.07.2012 upheld the decision. Resolution of the Court of Appeal of 27.06.2012 upheld the decision of the Court of First Instance. Supreme Court decision of 29.08.12 judicial acts on the case were cancelled, the case was submitted for a new trial in the court of first instance. The proceedings were suspended.

Execution of such a judicial act may materially affect the financial performance of the issuer.

PROPERTY MANAGEMENT

SDCs

Currently, IDGC of the South, JSC is the founder of six companies and owns 100% of the voting shares in each of them.

PROFILE ACTIVITIES

Subsidiary name	Subsidiary location	Subsidiary main activity	Company interest in Subsidiary capital, %	Subsidiary earning, thousand rubles	Subsidiary financial result, thousand rubles
Astrakhanelectrosetremont, JSC (liquidated on 31.01.2013)	204, Kramatorskaya St., Astrakhan, Russian Federation	The activities of capital and current repairs of equipment, transmission equipment, buildings and structures, re-equipment and reconstruction, and operation and maintenance of electrical grids	100	8,311	-37
Volgogradsetremont, JSC	1A, Granovitaya St., Volgograd, Russian Federation	The activities on operation of electrical grids, capital and current repairs of equipment, transmission equipment, buildings and structures, re-equipment and reconstruction	100	5,626	-653
Energoservice of the South, JSC	49, Bolshaya Sadovaya St., 344002, Rostov-on-Don, Russian Federation	Technical testing, research and certification, analysis of mechanical and electrical characteristics of the finished product, performance of design and construction works of power metering units, hot and cold water supply, the activities on ensuring of the efficiency of electrical and heat grids	100	10,545	2,718

Non-core activities

(more details are given in Appendix 8)

- PSKh named after A. A. Grechko, JSC.
- PSKh Sokolovskoye, JSC.
- “Energetik” Recreation Camp, JSC.

Corporate management of the subsidiary of IDGC of the South is performed through its representatives in the management bodies of subsidiaries and affiliates, guided by the laws of the Russian Federation, the Charter of IDGC of the South, JSC and the subsidiaries and the Procedure of the interaction of IDGC of the South, JSC with companies, stocks (shares) are owned by IDGC of the South, JSC (order) approved by the Board of Directors (minutes dated 10.03.2009 No. 24/2009).

In accordance with the Order, the Board of Directors of IDGC of the South, JSC determines the Company position on the agendas of general shareholders’ meetings and meetings of the Board of Directors of SDCs (including giving Company representatives the task of taking or not taking part in voting on agenda questions,

and to vote on resolutions “for”, “against”, or “abstain”), and also on questions about approval of business plan (adjusted business plan) of SDCs, SDCs business plan performance reports, distribution of profits and losses on the results of financial year, on recommendations on the amount of dividends on shares and its payment procedure.

150 matters were reviewed on the sessions of the Board of Directors of the SDCs in 2012.

In order to minimize risks of non-compliance of SDCs with the requirements of the current legislation of the Russian Federation in the area of disclosure of information, the constant control of SDCs by monitoring of public sources of information is carried out by the Company.

Land plots

26,863 land plots of total area of **2,215 hectares** are in use of IDGC of the South, JSC, of which:

- 249 land plots with an area of 61 hectares are owned;
- 7,639 land plots with an area of 1,468 hectares are owned on a leasehold basis;
- 12,834 land plots with an area of 624 hectares are in constant (unlimited) use;
- the right is not defined on 6,141 land plots with an area of 62 hectares.



3. Corporate report

Item No.	Type of a land parcel	Total number and the area of land parcels		among them:			
				purchased as at reporting date		taken on lease (sublease) as at reporting date	
		number	ha	number	ha	number	ha
1	land parcel allocated for electric power plants objects	1	3.5947			1	3.5947
2	land parcels allocated for boiler houses objects	1	0			1	0
3	land parcel allocated for electrical substations objects	1,500	482	140	47	1,018	306
	including:						
	substation 220 kV and more	4	13			3	9
	substation 110 kV	662	372	88	39	378	232
	substation 35 kV and less	834	97	52	9	637	65
4	OHTL 220 kV and more	22	5			11	3
5	OHTL 110kV and less	24,898	1,310	81	1	6,331	924
	including:						
	OHTL 110 kV	5,924	637			1,140	579
	OHTL 35 kV	15,280	136			3,791	72
	OHTL 0,4/6/10 kV	3,694	537	81	1	1,400	274
6	land parcels allocated for objects of heat distribution grids						
7	land parcels allocated for other objects	441	413	28	13	277	230
	TOTAL:	26,863	2,215	249	61	7,639	1,468

among them:				State Cadastral Registration				Exclusion zones	
right of permanent (perpetual) use as at reporting date		right is not defined as at reporting date		State cadastral registration as at reporting date		rights are registered as at reporting date			
number	ha	number	ha	number	ha	number	ha	number	km
				1	3.5947				
				1	0				
335	126	7	3	1,484	3,432	292	92.18		
1	3			4	13				
191	99	5	3	653	367	139	60.41		
143	24	2	0	827	3,052	153	31.77		
11	2			22	5				
12,398	334	6,088		18,034	1,123	128	0.49	101	1,981.06
3,502	45	1,282	13	4,619	621	4	0.10	8	282.98
6,800	41	4,689	23	10,520	123	9	0.30	48	744.66
2,096	247	117		2,895	379	115	0.09	45	953.42
90	162	46	8	390	392	108	48.56		
12,834	624	6,141	62	19,932	4,956	528	141.72	101	1,981.1

3. Corporate report

INFORMATION ABOUT THE STRUCTURE OF THE PROPERTY COMPLEX OF IDGC OF THE SOUTH, JSC AND ITS CHANGES over the period from 01.01.2012 to 31.12.2012

Item No.	Name	Physical values: as to OHTLs and cable systems — circuit length, km; as to Substations and other assets — quantity, pcs	book remaining value as of 01/01/2012, thousand rubles	Profit for the period of 01/01/2012 — 31/12/2012, thousand rubles)	Loss for the period of 01/01/2012 — 31/12/2012, thousand rubles	Accumulated depreciation for the period of 01/01/2012 — 31/12/2012, thousand rubles	Book remaining value as of 31/12/2012, thousand rubles
I	II	III	IV	VI	VII	V	VIII
1	Assets attributed to power grid facilities, including:	87,543.00	20,551,031.00	3,696,056.90	1,582,224.40	1,765,090.30	20,899,773.20
1.1	OHTL 220 kV and more	456.50	106,413.00	0.00	0.00	40,248.00	66,165.00
1.2	OHTL 110 kV	18,020.90	3,999,882.00	551,365.50	9,612.70	199,132.60	4,342,502.20
1.3	OHTL 35 kV	11,933.30	1,552,320.00	13,029.60	113,409.00	80,441.00	1,371,499.60
1.4	OHTL 10 kV and less	128,508.83	6,207,317.00	1,465,819.00	471,700.70	649,301.80	6,552,133.50
1.5	Substation 220 kV and more	4.00	13,387.00	0.00	0.00	4,855.00	8,532.00
1.6	Substation 110 kV	654.00	3,804,716.00	828,987.70	225,415.40	387,477.40	4,020,810.90
1.7	Substation 35 kV	565.00	680,391.00	81,056.80	25,355.40	71,537.20	664,555.20
1.8	Substation 10 kV and less	29,643.00	979,742.00	128,916.40	92,136.40	104,630.80	911,891.20
1.9	Cabling (all voltage classes)	1,640.23	1,510,873.00	366,337.90	535,154.80	164,381.50	1,177,674.60
1.10	Other assets intended for providing electrical connections	1,325.00	1,695,990.00	260,544.00	109,440.00	63,085.00	1,784,009.00
2	Non-core assets entered in the "Register of non-core assets"	1,530.00	184,719.00	161.00	1,050.50	7,274.18	176,555.32
3	Other assets (p.3 = p.4 – p.2 – p.1)	19,041.00	4,736,579.00	1,565,738.50	194,833.30	646,756.42	5,460,727.78
3.1	owned land parcels	110.00	2,037.00	9,996.00	0.00	0.00	12,033.00
4	"Fixed assets" (the line of the Balance sheet)	74,964.00	25,472,329.00	5,261,956.40	1,778,108.20	2,419,120.90	26,537,056.30
5	Leased assets considered as power grid facilities, including:	365.62	220,378.00	14,439.00	9,766.00	0.00	225,051.00
5.1	OHTL 220 kV and more	0.00	0.00	0.00	0.00	0.00	0.00
5.2	OHTL 110 kV	0.00	0.00	0.00	0.00	0.00	0.00
5.3	OHTL 35 kV	0.00	0.00	0.00	0.00	0.00	0.00
5.4	OHTL 10 kV and less	185.17	34,453.00	787.00	6,468.00	0.00	28,772.00
5.5	Substation 220 kV and more	0.00	0.00	0.00	0.00	0.00	0.00
5.6	Substation 110 kV	0.00	0.00	0.00	0.00	0.00	0.00

Item No.	Name	Physical values: as to OHTLs and cable systems — circuit length, km; as to Substations and other assets — quantity, pcs	book remaining value as of 01/01/2012, thousand rubles	Profit for the period of 01/01/2012 — 31/12/2012, thousand rubles)	Loss for the period of 01/01/2012 — 31/12/2012, thousand rubles	Accumulated depreciation for the period of 01/01/2012 — 31/12/2012, thousand rubles	Book remaining value as of 31/12/2012, thousand rubles
I	II	III	IV	VI	VII	V	VIII
5.7	Substation 35 kV	0.00	0.00	0.00	0.00	0.00	0.00
5.8	Substation 10 kV and less	104.00	23,601.00	995.00	2,549.00	0.00	22,047.00
5.9	Cabling (all voltage classes)	72.22	24,045.00	8,868.00	0.00	0.00	32,913.00
5.10	Other leased assets intended for providing electrical connections	300.00	138,279.00	3,789.00	749.00	0.00	141,319.00
6	Other leased assets	2,403.00	4,508,118.00	1,265,214.10	881,227.30	0.00	4,892,104.80
6.1	land parcels	2,422.00	4,315,804.00	555,649.00	268,001.00	0.00	4,603,452.00
7	Assets used under lease agreements and considered as power grid facilities, including:	0.00	65,369.00	0.00	0.00	0.00	65,369.00
7.1	OHTL 220 kV and more	0.00	0.00	0.00	0.00	0.00	0.00
7.2	OHTL 110 kV	0.00	0.00	0.00	0.00	0.00	0.00
7.3	OHTL 35 kV	0.00	0.00	0.00	0.00	0.00	0.00
7.4	OHTL 10 kV and less	0.00	0.00	0.00	0.00	0.00	0.00
7.5	Substation 220 kV and more	0.00	0.00	0.00	0.00	0.00	0.00
7.6	Substation 110 kV	0.00	65,369.00	0.00	0.00	0.00	65,369.00
7.8	Substation 35 kV	0.00	0.00	0.00	0.00	0.00	0.00
7.9	Substation 10 kV and less	0.00	0.00	0.00	0.00	0.00	0.00
7.10	Cabling (all voltage classes)	0.00	0.00	0.00	0.00	0.00	0.00
8	Other assets used under lease agreements and intended for providing electrical connections	0.00	0.00	0.00	0.00	0.00	0.00
9	Other assets used under lease agreements	4.00	107,147.00	0.00	5,903.00	0.00	101,244.00
10	Leased assets including those under leasing agreements, TOTAL	2,918.62	4,901,012.00	1,279,653.10	896,896.30	0.00	5,283,768.80
	(p.10 = p.5+p.6+p.7+p.8+p.9)			0.00	0.00	0.00	0.00
11	TOTAL (p.11 = p.4+p.10)	77,862.62	30,373,341.00	6,541,609.50	2,675,004.50	2,419,120.90	31,820,825.10





SHARE CAPITAL AND SECURITIES MARKET

Thanks to IDGC of the South, JSC
4 regions of the Russian Federation
receive electric power

4

SHARE CAPITAL AND SECURITIES MARKET

SHARE CAPITAL

Share capital history

As of 28 June 2007 (the date of state registration of IDGC of the South, JSC), the Company's authorized capital amounted to 10 mln. rubles and was divided into 100 mln. registered ordinary shares with a nominal value of 10 kopecks each.

On 31 March 2008, due to the reorganization of the Company in the form of accession of Astrakhanenergo, JSC; Volgogradenergo, JSC; Kalmenergo, JSC and Rostovenergo, JSC to it, the number of shares increased to 49,811,096,064 shares due to the conversion of shares of the merged companies.

As of 31 January 2012, the Company's share capital amounts to **RUB 4,981,109,606.40** and is divided into **49,811,096,064 registered ordinary shares** with a nominal value of 10 kopecks each. Preferred shares were not issued by the Company.

Number of the stated shares: **31,078,103,936**.

The owners of ordinary shares stated by the Company for placement are entitled to the rights provided for by p. 6.2 art. 6 of the Charter of JSC IDGC of the South.

COMPANY SHARE ISSUES

No.	State Registration Number of the Issue	Amount, RUB	Share Category	Quantity, shares	Nominal value, RUB
First Share Issue					
1	1-01-34956-E on 20.09.2007	10,000,000	Ordinary	100,000,000	0.1
Additional Share Issues					
2	1-01-34956-E-001D on 20.03.2008	228,296,779.1	Ordinary	2,282,967,791	0.1
3	1-01-34956-E-002D on 20.03.2008	1,620,347,283.7	Ordinary	16,203,472,837	0.1
4	1-01-34956-E-003D on 20.03.2008	439,059,322.3	Ordinary	4,390,593,223	0.1
5	1-01-34956-E-004D on 20.03.2008	2,029,712,678.4	Ordinary	20,297,126,784	0.1
6	1-01-34956-E-005D on 20.03.2008	192,111,155	Ordinary	1,921,111,550	0.1
7	1-01-34956-E-006D on 20.03.2008	461,582,387.9	Ordinary	4,615,823,879	0.1
	TOTAL			49,811,096,064	

Note: In accordance with the notification of the Federal Financial Markets Service of Russia dated 12.08.2008 No. 08-EK-03/17099, annulment of individual umbers (codes) of additional shares issues was carried out; the united issue was assigned the state registration dated 20.09.2007 No. 1-01-34956-E.

Share Capital Structure

As of 28 June 2007, 100% of the Company shares belonged to the sole founder of the Company — RAO UES of Russia, JSC.

On 31 March 2008, as a result of the reorganization of the Company in the form of a merger of Astrakhanenergo, JSC; Volgogradenergo, JSC; Kalmenergo, JSC and Rostovenergo, JSC to the Company, the shareholders of shares in the merged companies became owners of Company shares if they did not use their right to sell back their shares to the Company under the reorganization of the merged companies.

Starting from 01 July 2008 as a result of the reorganization of RAO UES of Russia, JSC, IDGC Holding, JCS became the owner of this company's shares in the Company.

No changes took place in share capital among owners who own more than 5% of the Company's authorized capital in 2012.

As of 31.12.2012 the total number of persons registered in the Company's shareholder register equals **9,232**.

SHARE CAPITAL STRUCTURE AS OF 31 DECEMBER, 2012

Type of Registered Person	Number of Company Shareholders	Number of shares	Share in Authorized Capital, %
Natural Persons	9,140	1,451,552,682	2.91
including non-residents	41	10,743,415	0.02
Legal entities	81	64,237,046	0.13
including non-residents	9	14,679,869	0.03
State	2	70,456,639	0.14
Nominal holders	9	48,224,849,697	96.82
TOTAL	9,232	49,811,096,064	100

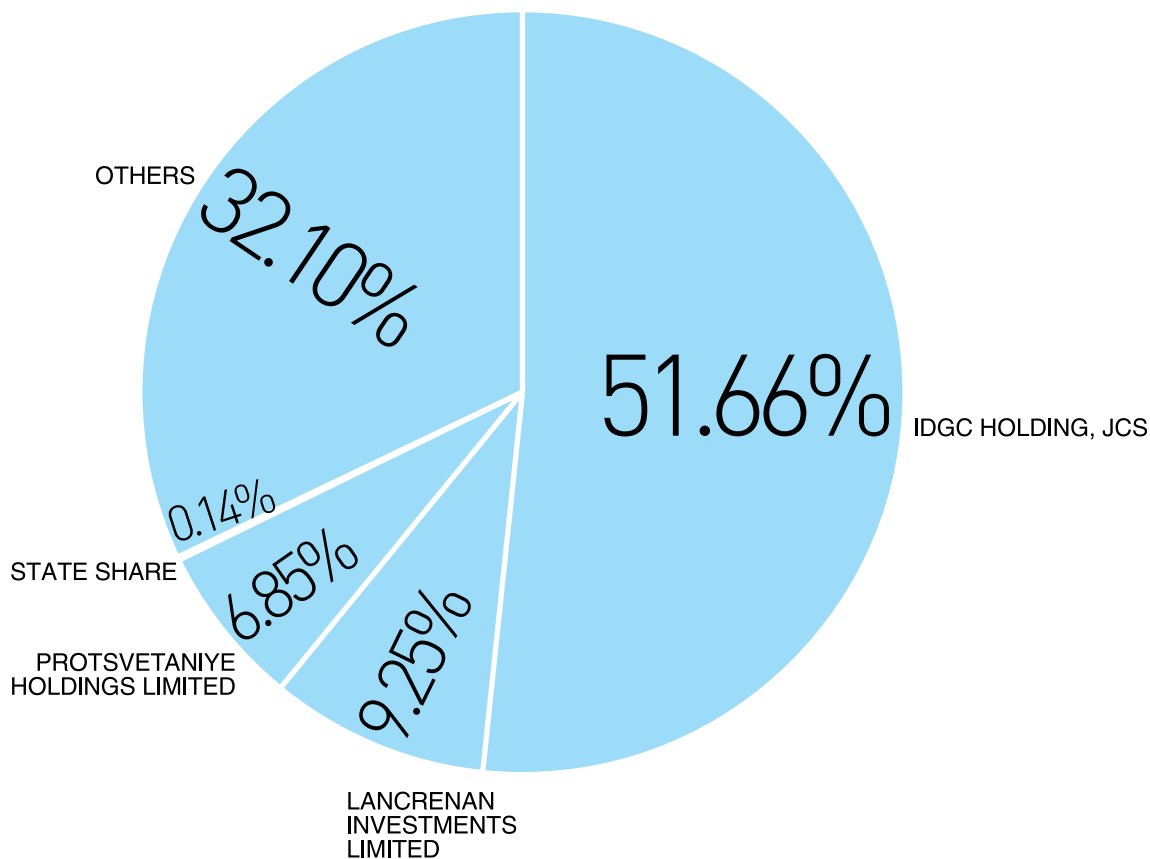
SHARE CAPITAL STRUCTURE AS OF 05 JULY, 2012

(date of drawing up of the list of persons entitled to participate in the Annual General Meeting of Shareholders)

Type of Registered Person	Number of Company Shareholders	Number of shares	Share in Authorized Capital, %
Natural Persons	11,931	4,945,022,379	9.93
including non-residents	48	12,771,416	0.03
Legal entities	268	43,082,347,231	86.49
including non-residents	104	17,051,233,272	34.23
State	2	70,456,639	0.14
Nominal holders	4	209,922	0.00
Asset managers	47	1,710,154,905	3.43
Charge holders	0	0	0.00
Shares of unidentified persons	2	2,904,988	0.01
TOTAL	12,254	49,811,096,064	100

4. Share capital and securities market

SHARE CAPITAL STRUCTURE AS OF 05 JULY, 2012
(last date before closing the Company
shareholder register)



There are no Company shares held in cross ownership.

CIRCULATION OF SHARES ON THE STOCK MARKET

From 03 July 2008 the Company shares have been admitted to trading by the following trade organizers on the stock market:

- MICEX Exchange, CJSC — 16 July 2010 Company shares were transferred from the list of off-listed securities to the “B” quotation list (ticker — up to 20 November 2012 inclusive —

MRKA, from 21 November 2012 — MRKY), ISIN code: RU000A0JPPG8;

- RTS, JSC — share trading was carried out until 19 December 2012 (date of the reorganization of RTS, JSC), without listing in two modes — “T+0” (ticker — MRKYG) and “RTS Classica” (ticker — MRKY).

4. Share capital and securities market

Market-Makers

In order to improve the liquidity of the Company shares, on 24 December 2009, contract was signed for providing market-maker services on MICEX Exchange, CJSC with Unicom Partner, LLC, acting in the reporting year.

Information about the market-maker

Full name	Universal Investment Company Partner, LLC
Shortened name	Unicom Partner, LLC
License for fulfilling dealer activity	dated 19.04.2002 No. 166-05957-010000, without a limit on the term of validity, given by the Federal Commission for the Securities Market
Location	78a, Krasnoarmeyskaya St., Yekaterinburg, Russian Federation
Postal address	78a, Krasnoarmeyskaya St., Yekaterinburg, Russian Federation
Telephone	(343) 379-41-65
Fax	(343) 379-41-66
Website	http://www.unicompartner.ru

Parameters of support for two-sided quotations:

- spread of the two-sided quotation (factual spread) as a percentage, not more than **3%**;
- minimal acceptable volume of offers, no less than **RUB 300,000**;
- total sum of transactions reached with securities as part of fulfilling the market maker's obligations over the course of one trading day in main trading, at which point the market maker has the right to support only one-sided trading for buying or selling securities, no less than **RUB 2,100,000**.

Starting from the date of the start of the contract, the market maker provides securities trading services by presenting and constantly supporting the market-maker offer.

This reporting year, the turnover of shares of IDGC of the South, JSC was 10% of the total number of outstanding shares.

IDGC of the South, JSC shares completely fulfill the requirements made by the organizer of trade for support in the "B" quotation list of MICEX Exchange, CJSC.

QUOTATIONS AND TRADING VOLUMES IN 2012

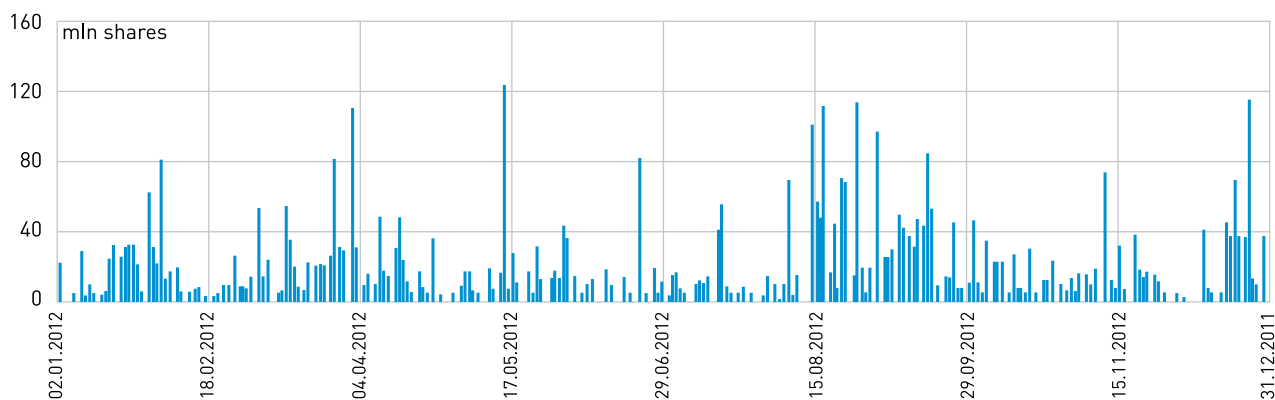
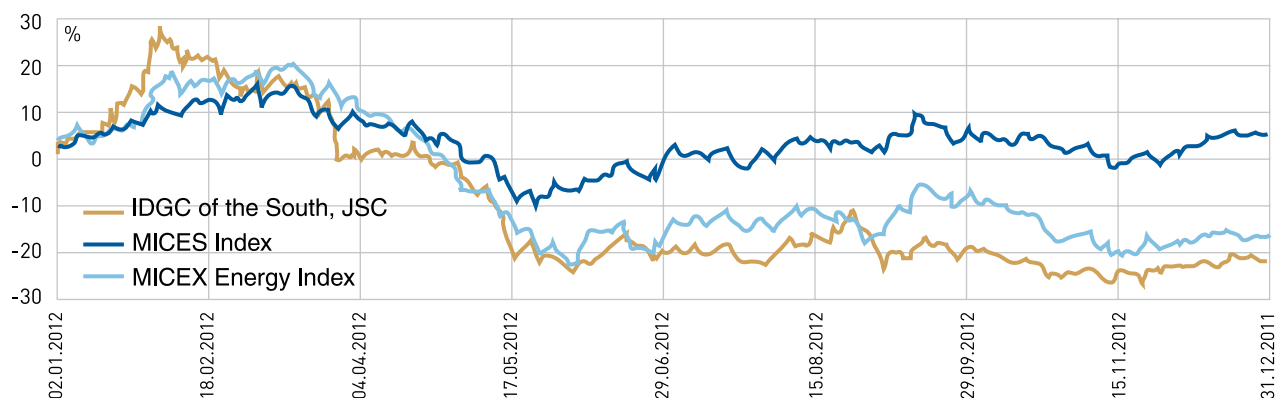
(Data given for the period from 1 January 2011 to 31 December, 2012)

Trade Organizer	Volume, mln. shares (market and address transactions)	Volume RUB (market and address transactions)	Number of Market and Address Transactions, units	Transaction Prices			
				First	Maximum	Minimum	Last
MICEX	5,291.45	314.64	31,355	0.07315	0.0975	0.0424	0.05191

The total volume of Company share transactions on the MICEX Exchange, CJSC amounted to **314.64 mln.** in 2012. The peak values of trading volume were reached in August, 2012 and equaled **46.66 mln.**, thanks to the release of positive statements under RAS for the 1st half 2012.

The difference between the highest demand price (maximum Bid) and the lowest asked price (minimum Ask) in the reporting year amounted to less than 3%.

CHANGE IN PRICE OF IDGC OF THE SOUTH, JSC SHARES, THE MICEX INDEX, AND THE MICEX ENERGY INDEX IN 2012 (according to data of the MICEX Exchange, CJSC)



According to data from the MICEX Exchange, the market capitalization as of 31 December 2012 amounted to **RUB 2,591,173,217.24**.

The change in the Company market capitalization at the end of the reporting year as compared to the year before showed a decrease; according to the MICEX Exchange, CJSC this decrease amounted to **21%**.

This decrease in market capitalization of IDGC of the South, JSC occurred against the backdrop of a significant decrease of the MICEX Energy index (by **17%**) and was due to the government policy aimed at curbing the growth of tariffs for electricity transmission.

Shares of IDGC of the South, JSC were included in the portfolio of the ERAX stock index on 31.10.2012 in the group of leaders of the rating of fundamental efficiency.





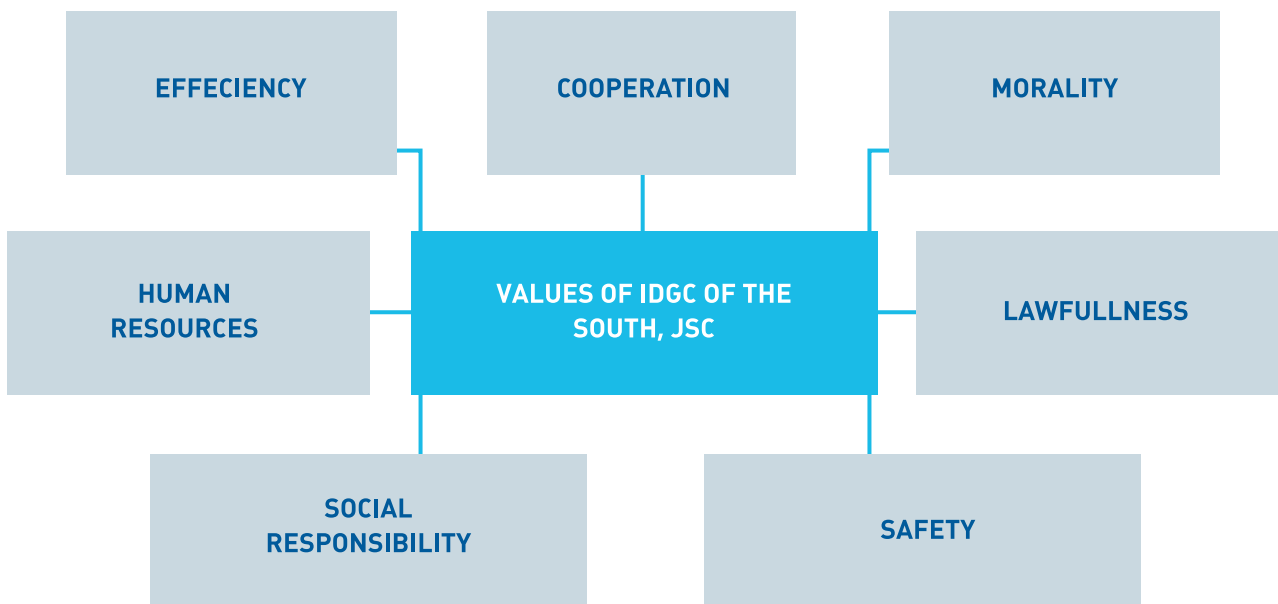
SUSTAINABLE DEVELOPMENT REPORT

June 28, 2012 was the **5** year
anniversary of the establishment
of IDGC of the South, JSC

5

SUSTAINABLE DEVELOPMENT REPORT

Corporate values of IDGC of the South, JSC



The Company's business is based on constant interaction with a large number of stakeholders, and is carried out not only in order to meet the requirements of the current legislation, but also to prevent and minimize risks for sustainable development.

The Company has been using the disclosure of corporate social reports containing information on personnel and environmental policy, Customer Service, shareholders and investors, as well as other information about the Company's activities in the area of social responsibility as a tool for dialogue with interested parties starting from 2009.

Social reports for 2009–2010 were included by the All-Russian Association of Employers, "the Russian Union of Industrialists and Entrepreneurs" in the National Register of corporate non-financial reporting, which is a data bank of voluntary non-financial reports of organizations operating in the territory of the Russian Federation,

which represents a register of companies, preparing non-financial reports in the field of sustainable development, social reports and environmental reports, as well as a library of non-financial reporting.

Interested parties of IDGC of the South, JSC are as follows:

- personnel;
- customers;
- shareholders, investors;
- state agencies and local governments, local communities of the operations areas;
- business partners;
- mass media, non-governmental organizations (NGOs);
- educational institutions.

PERSONNEL POLICY OF THE COMPANY

The personnel policy of IDGC of the South, JSC represents a set of fundamental principles that are implemented by the heads and HR departments in the workforce of the Company.

The main objective of the personnel policy of IDGC of the South, JSC is to achieve a certain quality level of personnel able to provide competitive and strategic development of the Company.

Work with personnel in IDGC of the South, JSC includes the following tasks:

- to achieve full both quantitative and qualitative compliance of professional and qualification structure of personnel with job structure and employment of the Company, taking into account the full range of requirements for the quality of personnel in the energy sector;
- to ensure the continuity of traditions and the Company's corporate values in the recruitment and training of specialists;
- to ensure a high level of motivation to achieve the goals and objectives of the Company;
- to ensure a sufficient level of personnel satisfaction with working conditions in the company.

The main directions of the Company's personnel policy include:

1. optimization of the process of creating organizational systems, rationalization of labor;
2. workforce planning (determination of staffing needs (the ratio of quantity and quality));
3. definition of a special category of employees whose retention is crucial to the Company;
4. development and implementation of measures to rejuvenate the personnel in the Company, particularly personnel of production units (workers, engineers and technicians);

5. cooperation with leading Russian institutions of higher secondary and additional vocational education with an emphasis on specialized energy educational institutions and departments;
6. organization of continuous training, retraining and advanced training of staff aimed at maintaining an appropriate level of staff training to ensure the competitiveness of the Company;
7. formation and development of personnel reserve of the Company, development of individual programs for personnel capacity development, staff career planning, organization of mentorship in the Company;
8. development and implementation of tangible and intangible motivations in the Company based on the results of individual work and efficiency in order to attract, retain and encourage personnel;
9. implementation of programs of non-state pension provision in order to improve social protection of Company employees, provision of targeted social benefits and guarantees for Company employees;
10. implementation of measures aimed at preserving the life and health of Company employees, through preliminary and periodic medical examinations, as well as the implementation of a voluntary health insurance program;
11. formation and maintenance of the Company's corporate culture;
12. system of psycho-physiological safety of the labor activity of operational personnel.

According to the support and development program of IDGC of the South, JSC personnel potential approved by the Board of Directors of IDGC of the South, JSC (Minutes of 30 July 2010 No. 51/2010), a number of activities for the conservation, replenishment and development of the Company's personnel were implemented in 2012.

The number and structure of the Company's personnel

IDGC of the South, JSC carried out its activities as an operating company, including an executive staff and five branches: Astrakhanenergo, Volgogradenergo, Kalmenergo, Kubanenergo, and Rostovenergo, in 2012.

The Kubanenergo branch of IDGC of the South, JSC did not carry out operational activities in 2010–2012.

The average number of employees of IDGC of the South, JSC in 2012 was 14,035 people. The overall decline in the number of personnel in 2012 compared to 2010 of 4.5% was due to optimization of organizational structure and a reduced headcount in connection with the implementation of the program for financial recovery of IDGC of the South, JSC, developed for the period 2011–2014.

No.	Item	Average number of employees, people			Growth rate, %	Growth rate, %
		2010	2011	2012	2012/2011	2011/2010
	IDGC of the South, JSC	15,124	14,435	14,035	97	95

The Company's supply of personnel has been high over the years, and was high again in the reporting year, at more than 94%, with active turnover of about 7%.

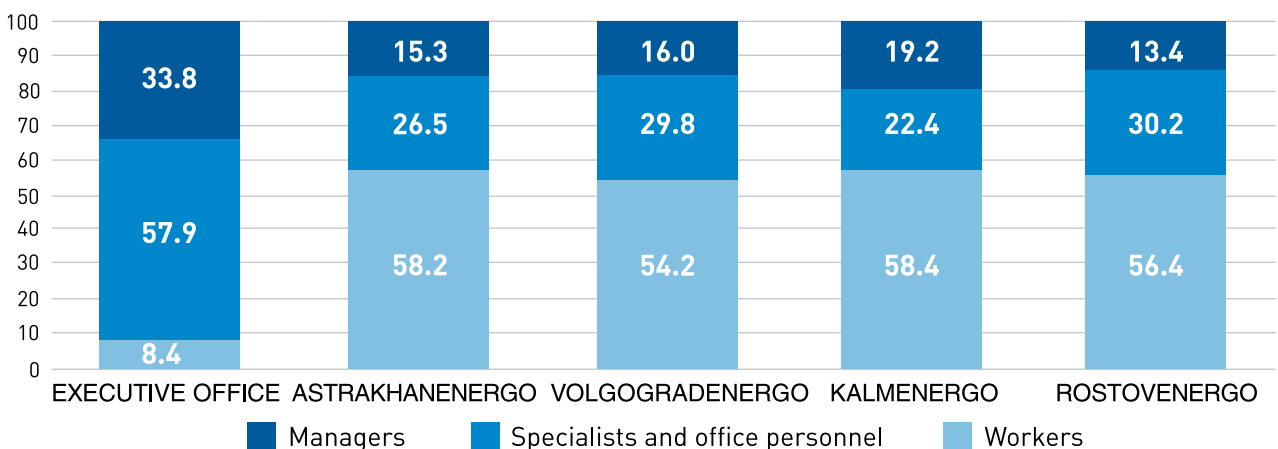
An analysis of the Company's employees by personnel categories reveals that the main category of employees, just as in previous years, was blue-collar workers. The decrease in the

share of managers in the total headcount by 1.62% as compared to 2010 is explained by the Company's efforts to optimize its organizational structure.

The structure of the Company personnel by category (managers, specialists and office workers, blue-collar workers) in terms of change in 2010–2012 is given in the table:

Personnel category / year	2010		2011		2012	
	People	%	People	%	People	%
Total for the Company	15,306	100	14,541	100	14,209	100
including:						
Managers	2,630	17.2	2,265	15.6	2,209	15.5
Specialists, office workers	3,898	25.5	4,115	28.3	4,201	29.6
Blue-collar workers	8,778	57.4	8,161	56.1	7,799	54.9

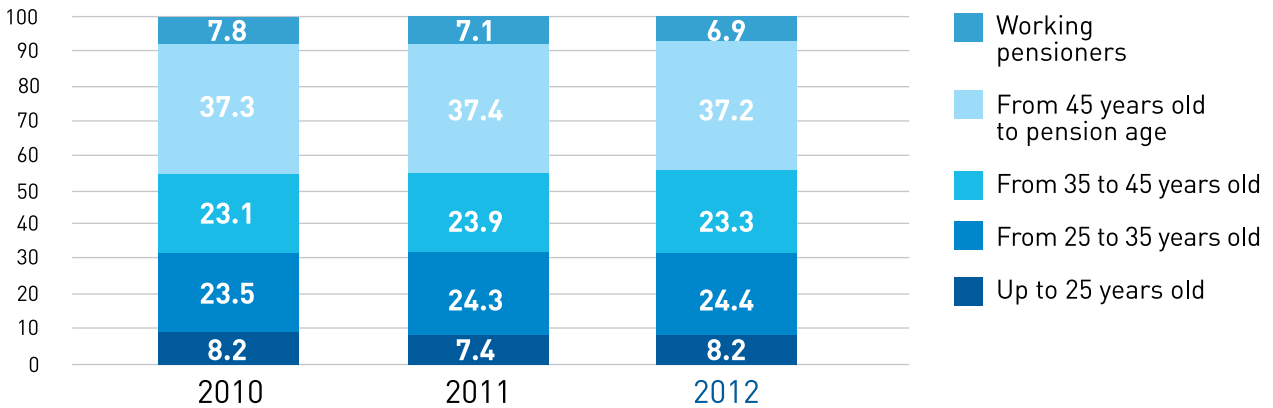
STRUCTURE OF EMPLOYEES OF IDGC OF THE SOUTH, JSC BY PERSONNEL CATEGORY as of 31.12.2012



An analysis of the Company's age structure reveals that the basis of labor (human) capacity of IDGC of the South in 2012 consists of employees aged between 25 and 45 years. Such employees accounted for 47.7% of the total staff. The share of employees under the age of 35 years old in 2012 remained at the level of 2011,

namely 24.4% of the total headcount of the Company. It's also noteworthy that there was a decline in the number of pensioners by 0.2 percentage points from the level of 2011. Such dynamics are due to the implementation of the program for maintenance and development of human resources of IDGC of the South, JSC.

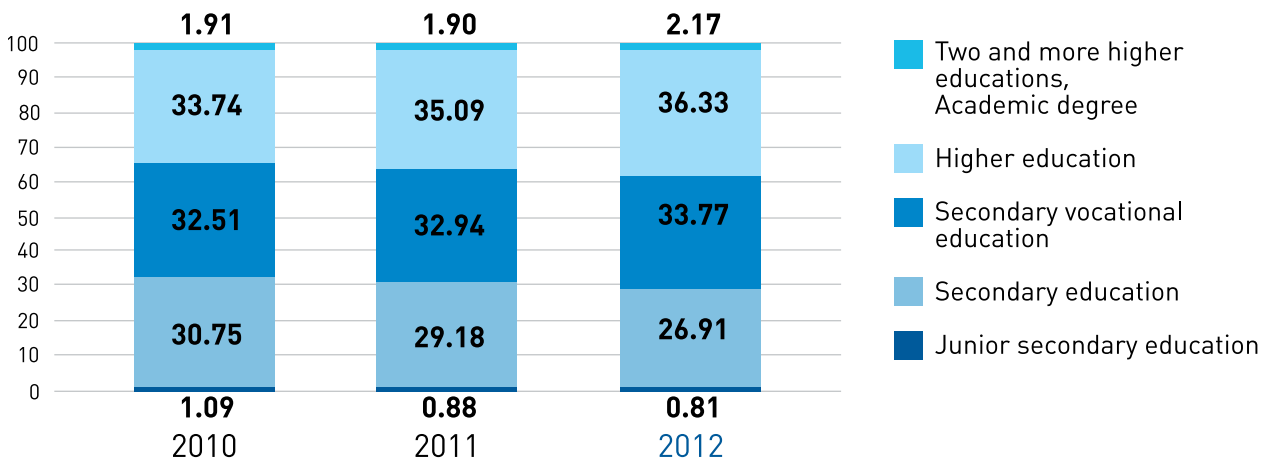
AGE STRUCTURE OF IDGC OF THE SOUTH, JSC PERSONNEL IN DYNAMICS for 2010–2012



An analysis of the qualification structure of IDGC of the South, JSC personnel shows that the proportion of employees with incomplete secondary and secondary education has a tendency to decrease. This trend is due to the implementation of policies

to attract young qualified specialists in the Company and to introduce a system of continuous learning aimed at maintaining an appropriate level of staff training of the Company.

QUALIFICATION STRUCTURE OF IDGC OF THE SOUTH, JSC EMPLOYEES IN DYNAMICS of 2010–2012



Personnel Training and Development

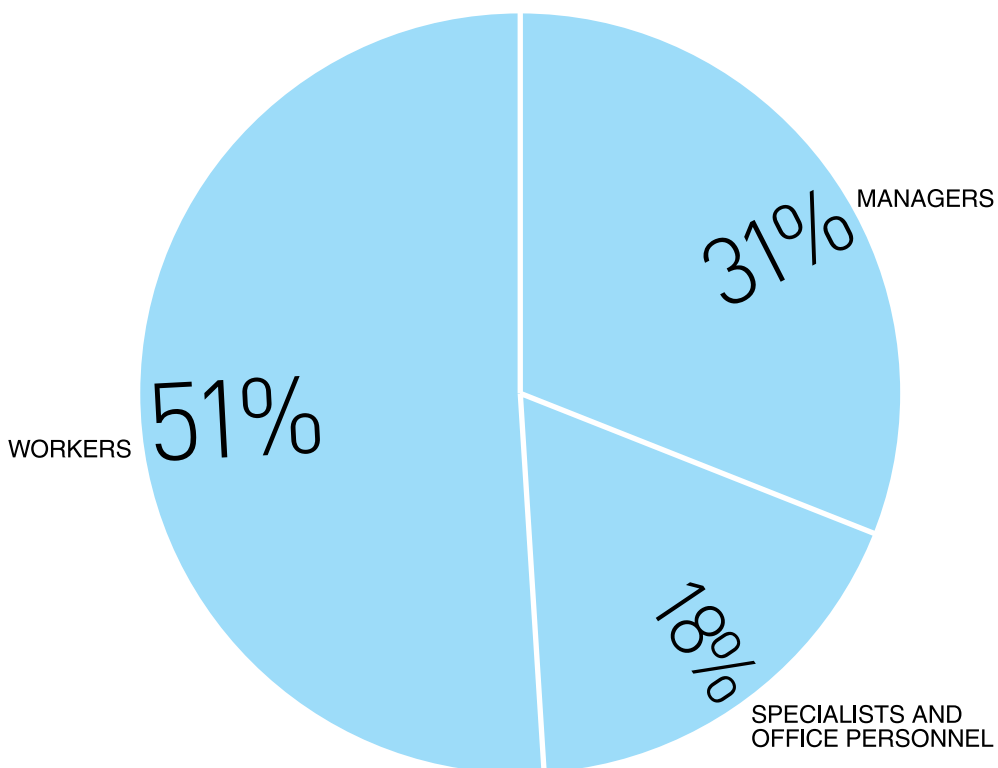
One of the most important activities in the area of the Company's personnel policy is the development of personnel capacity. The main role in this direction is assigned to a system, planned, and — most importantly — continuing professional training of personnel.

The development of personnel training and development is aimed at ensuring full compliance of employees with the structure

of posts and jobs, taking into account the full range of requirements for the quality of personnel in the energy sector.

Training in IDGC of the South, JSC is held for all categories of employees. Training events were attended in 2012 by 5,721 employees, or 44 % of the Company's employees.

PERCENTAGE OF EMPLOYEES TRAINED BY CATEGORY



The main form of personnel training is compulsory training of electricians, engineers, and technicians carried out in accordance with Rules of personnel work in the power sector on the basis of their own training centers: Non-State Educational Establishment (NOU) "Training Center Energetik" (Rostov-on-Don) and Non-State Educational Establishment (NOU) "Astrakhan Training Center" (Astrakhan). Training centers are equipped with the necessary equipment, including simulators, teaching materials and literature. Centers have military training grounds at their disposal where practical training of workers and specialists takes place.

Compulsory training in 2012 on the basis of the Company's own training centers was passed by 1,559 employees.

In addition to its own centers, the Company also provides its employees with training, retraining and professional development in educational institutions that have the necessary licenses and state accreditation, and which have a good reputation. These include the Corporate Power University (Moscow); the Non-State Educational Establishment (NOU) "Center for Energy Training" (St. Petersburg); the Institute for Improving the Qualifications of Civil Servants (Moscow), the Federal State educational

establishment “St. Petersburg Power Engineering Institute of Professional Development”.

A total of 4,162 Company employees were sent to the above-mentioned educational institutions altogether in 2012.

In order to implement programs to reduce the injury risk of employees of IDGC of the South, JSC for 2012–2013, measures were taken to test the managers of PO and RES of IDGC of the South, JSC at the Federal State Educational Institution “Educational and methodical study” of the Federal Service for Ecological, Technological and Nuclear Supervision.

Much attention was paid in 2012 to training of specialists in the field of capital construction and equipment repair, and the construction, reconstruction and repair of electrical networks. Training activities were conducted, including through distance learning.

IDGC of the South, JSC regularly monitors the need for educational programs that make it possible to design and implement new training courses adapted to the company's needs.

Attracting young specialists to work in the Company is one of the strategic objectives in the Company's personnel policy. In this regard, cooperation with leading educational institutions of higher and secondary vocational education on the territory of presence of IDGC of the South, JSC was continued in 2012. Agreements on cooperation and strategic partnership were concluded with the Volgograd State Agricultural Academy, Volgograd State University, Kalmyk State University, Astrakhan State Technical University, Volgograd State Agricultural Academy, and South Russian State Technical University (Novocherkassk Polytechnic Institute).

Students of educational institutions are allocated for practical training for the purpose of motivating and reinforcing the obtained knowledge. Students who intern are assigned highly qualified specialists-teachers who help them acquire the necessary practical experience to master professional knowledge and skills. This interaction allows us to estimate the personal and business potential of future power engineers, and to create motivation for further work in the Company. After graduation, graduates are provided jobs in line with their profession and qualifications.

An important part of activities to attract young people is to increase the prestige of working in the power sector. Open Days for students of specialized universities, technical colleges and vocational schools, and high schools are held regularly. Field trips to energy museums, network management centers, RESes, and substations were conducted. Students got the opportunity to talk to experienced professionals acquainted with the history of branches, learned about the work of dispatching service, substations, and career opportunities within the company at the meetings. The purpose of such events is the professional orientation of high school graduates, attracting the attention of young professionals for careers that are in demand in the branches of the Company.

One of the main tasks of IDGC of the South, JSC in the field of personnel management is the formation and training of personnel reserves.

The Company has implemented work on the formation and development of a managerial personnel reserve and personnel reserve of young professionals. The managerial talent pool is formed in order to ensure prompt and high quality needs of the Company in employees trained to work in senior positions in IDGC of the South, JSC. The formation of a personnel reserve is carried out in the positions of:

- top managers;
- middle managers (from the level of Head of Department);
- management positions of production units and distribution zones, as well as the positions of operational managers.

Each candidate was recommended to the personnel reserve by a direct supervisor. The main criteria for inclusion of an employee in the managerial personnel reserve are: high production results, presence of strong leadership potential, trainability, mobility (willingness of the candidate to move to another location).

The managerial personnel reserve enrolled 1,764 employees in 2012. All of these employees have high growth potential, professional-business qualities, and work experience necessary for being holding a target managerial position.

As part of the training of reservists for key posts for IDGC of the South, JSC, approved by the “Program of maintaining and developing the human resources of IDGC of the South, JSC”, specialized vocational retraining programs were developed and implemented on the basis of the regional education center. In 2012, as part of the long-term training program “Chief Engineer School”, 22 staff members were trained in the Non-State Educational Establishment (NOU) “Training Center Energetik”.

A total of 662 employees from the managerial personnel reserve were assigned to target and higher positions during 2012. These employees showed good results in their work, and a high degree of responsibility.

The Company carried out work on the development of personnel reserves of young professionals in 2012 in order to involve young workers in solving urgent problems of power grid facilities, to enhance their professional competence, and to assist in their career. The youth personnel reserve was widened with young professionals under 35 with higher education. The most promising employees with significant potential for development were chosen.

The formation of youth personnel reserve was held at two levels — in branches and in the Company. All the candidates passed evaluation procedures (document analysis, expert assessment of competence). Workers who showed the best results were enrolled in the youth personnel reserves of the branches and the Company.

Target positions were determined for reservists and mentors were selectors from among highly qualified employees of the Company

that could help reservists in the development of knowledge and skills required at their target position.

A plan of individual professional development and management skills needed to engage in the target position is made for each reservist. Most of the planned activities are focused on the development of reservists' required knowledge and skills in the production process — in the workplace or in project work.

As of December 31, 2012, the number of personnel reserve of young specialists of the branches was 118 employees, and the talent pool of young professionals of the Company was 35 people.

Working with young professionals reached a new level in the Company thanks to getting the status of a permanent and evolving project.

In order to promote innovation and creativity of employees, dissemination and implementation of best practices, productivity improvement, and identification of the most promising employees, IDGC of the South, JSC held its annual contest "Best in Profession" in 2012, which was attended by staff of all subsidiaries of the Company. In order to motivate the use of non-standard forms and methods of organization of the production process, cash prizes were awarded to the winners in 19 categories.

Young Specialists Counsels operate in the branches and the executive office of the Company in order to increase participation of young professionals in the development of professional activities, promote their qualification and cultural growth.

Social Responsibility

The basic principles of social policy of IDGC of the South, JSC are the creation of comfortable labor and rest conditions of employees, an increase in their social security and improvement of labor and social relations in the team.

When forming the motivation of employees and increasing their commitment to production activities, IDGC of the South, JSC pays special attention to social support of employees. Societal benefits and warranties, social programs and employee assistance programs enable attracting and retaining the most valuable personnel, strengthening a loyal attitude of employees to the joint-stock company, and promoting the company objectives.

The basis for IDGC of the South, JSC's social policy is the sector tariff agreement (STA) in the power sector of the Russian Federation for 2009–2011, the agreement on amendments and additions to the STA in the power sector of the Russian Federation for 2009–2011, and its prolongation to 2012. The Company branches have collective agreements concluded in the framework of interaction between social partners.

Fulfilling obligations towards Company workers, adopted by the employer under the collective bargaining regulation, is an essential activity of IDGC of the South, JSC.

KEY DOCUMENTS IN THE SPHERE OF SOCIAL POLICY

Title of the local normative act (LNA)	Approved
The sectoral tariff agreement in the power sector of the Russian Federation in 2009–2011. The agreement on amendments and additions to the STA in the power sector of the Russian Federation for 2009–2011, and its prolongation to 2012	The sectoral tariff agreement was prolonged for the period of 2012. The Supplementary Agreement was signed on 2.11.2011 by Oleg V. Kulikov, General Director of the All-Russia Trade Association of Employers in the Power Industry (the RaEI Association) and Valery N. Vakhrushkin, Chairman of the Public Association All Russian Elektroprofsoyuz
The collective agreement between the employer and the employees of IDGC of the South, JSC — Astrakhanenergo for 2007–2009	The collective agreement was prolonged up to 30.06.2012. The Supplementary Agreement was signed on 21.12.2011 by Pavel V. Goncharov, Deputy General Director — Director of the branch of Astrakhanenergo, and N. I. Kochetkova, Chairman of Primary Trade Union Organization Astrakhanenergo
The collective agreement of IDGC of the South, JSC — Astrakhanenergo for 2012–2013	The collective agreement is valid from 01.07.2012 to 30.06.2013, and was signed on 29.06.2012 by S. A. Arkhipov, General Director of IDGC of the South, JSC, and N. I. Kochetkova, Chairman of Primary Trade Union Organization Astrakhanenergo
The collective agreement between the branch of IDGC of the South, JSC — Volgogradenergo and the Bureau of the Volgograd regional organization of the All-Russian Elektroprofsoyuz for 2007–2008	The collective agreement was prolonged up to 30.06.2012. The Supplementary Agreement was signed on 18.11.2011 by Yegor V. Kalenyuk, Deputy General Director — Director of the branch of Volgogradenergo, and the representative of employees represented by Yu. M. Vyazmin, Chairman of the Presidium of the Volgograd Regional Organization Elektroprofsoyuz
The collective agreement of IDGC of the South, JSC — Volgogradenergo for 2012–2013	The collective agreement is valid from 01.07.2012 to 30.06.2013, and was signed by S. A. Arkhipov, General Director of IDGC of the South, JSC, and Yu. M. Vyazmin, Chairman of the Presidium of the primary trade union organizations of the branch
The collective agreement of IDGC of the South, JSC — Kalmenergo for 2007–2008	The collective agreement was prolonged up to 30.06.2012. The Supplementary Agreement was signed on 18.11.2011 by Timur U. Alayev, Deputy General Director — Director of the branch of Kalmenergo and the representative of employees represented by G. P. Lidzhi-Garyaev, Chairman of the Kalmyk Republic Trade Union Organization Kalmenergo
The collective agreement of IDGC of the South, JSC — Kalmenergo for 2012–2013	The collective agreement is valid from 01.07.2012 to 30.06.2013, and was signed on 29.06.2012 by S. A. Arkhipov, General Director of IDGC of the South, JSC, and the representative of employees represented by G. P. Lidzhi-Garyaev, Chairman of the Kalmyk Republic Trade Union Organization Kalmenergo
The collective agreement of IDGC of the South, JSC Rostovenergo for 2009–2011	The collective agreement was prolonged up to 30.06.2012. The Supplementary Agreement was signed on 27.12.2011 by Nikolay V. Fyodorov, Deputy General Director — Director of the Rostovenergo Branch, and Yu. A. Kulish, Chairman of the Rostov Regional Committee Elektroprofsoyuz
The collective agreement of IDGC of the South, JSC Rostovenergo for 2012–2013	The collective agreement is valid from 01.07.2012 to 30.06.2013, and was signed on 19.07.2012 by S. A. Arkhipov, General Director of IDGC of the South, JSC, and S. A. Fileeva, Chairman of SPPPO Rostovenergo
Regulations on additional benefits, guarantees and compensations for employees of the executive office of IDGC of the South, JSC	Order of IDGC of the South, JSC of 29.09.2011 No. 589 "On Approval and Enactment of the Regulations on Additional Benefits, Guarantees and Compensations for Employees of the Executive Office of IDGC of the South, JSC"

Implementation of collective agreements in the branches of IDGC of the South, JSC in 2012

In order to improve working conditions and living standards of employees of IDGC of the South, JSC the Company provides employees with additional social benefits and guarantees, in excess of the legislation. As part of social package, Company employees are provided with financial aid: in cases of emergency, in connection with childbirth, marriage, burial of close relatives, in case of death of the employee, at retirement, and other benefits envisaged by collective agreements.

AMOUNT OF FUNDS AIMED AT PROVIDING FINANCIAL ASSISTANCE IN 2012 (RUB thou)

Branch name	2012
Astrakhanenergo	2,839.40
Volgogradenergo	4,337.64
Kalmenergo	1,373.36
Rostovenergo	13,960.48
Executive office	1,042.33
Total for IDGC of the South, JSC	23,553.21

In order to develop the corporate solidarity of employees, their sense of commitment to the Company, pride for its achievements, as well as spiritual and physical development in IDGC of the South, JSC, corporate events are held every year.

IDGC of the South, JSC pays great attention to promoting health and the development of sports and recreation activities. In order to develop and maintain a healthy lifestyle, IDGC of the South, JSC conducts health and fitness activities and promotes mass sports among the Company employees.

Sports in IDGC of the South, JSC and its branches are available to everyone, and every employee may participate in systematic sport activities, as well as in competitions that are held in the power system. Available sports facilities and playgrounds as well as rented gyms are used for exercises.

The Fifth Power Industry Athletic Games of IDGC of the South, JSC were held in August 2012, on the basis of the educational institution of additional education of children "Specialized Children's Sports School of Olympic Reserve No. 9" (Azov, Rostov region). Over 120 athletes of the Company took part in competitions in six sports: volleyball, indoor soccer, weight lifting, table tennis, chess and track and field and swimming. As a result of the Athletic Games, teams of IDGC of the South, JSC were formed to participate in the All-Russian Power industry Athletic Games of the distribution grid complex. Teams of IDGC of the South, JSC won second and third team places overall in the winter and summer Athletic Games of IDGC Holding, JSC.

The Company is working to attract staff with sports achievements in various sports to assist them in developing their athletic potential and their involvement in the sports movement of the Company. The branches regularly conduct competitions devoted to significant and memorable days of sports which are not part of the set-off Games.

Efforts are being made to unite the community in order to create comfortable conditions for work and rest of workers, improve their social security, and improve labor and social relations in the Company. In 2012, such cultural events were held as Day of Energy, Children's Day, Day of the Defender of the Fatherland, International Women's Day, a Christmas party, etc. The Company's branches held fun starts, contests, quizzes, competitions, and arranged visits for workers and their children to zoos, parks, the circus, and musical theaters. Children from sponsored orphanages also took part in these events.

The Company organizes an annual contest among children of Company employees entitled "Children Draw Electric Power" in order to attract children of employees of IDGC of the South, JSC to promoting energy sector jobs. More than 200 children took part in the competition. Winners and prize-winners were awarded with valuable prizes and gifts.

To celebrate the 67th anniversary of Victory in Great Patriotic War, the historical and memorial campaign "Relay Race of the Victory Banner" was started in 2012. The event was attended by representatives of the Council of Young Professionals, the Veterans

Council, the primary trade union organizations, employees and managers of the Company, and veterans of the Great Patriotic War, and representatives of the administrations.

Being a socially responsible company, IDGC of the South, JSC takes care of veterans and pensioners of the Company. World War II veterans are invited to celebrations to mark the celebration of Victory Day. Veterans take part in the "Victory Banner" relay, laying flowers at the Eternal Flame, and ceremonial meetings with the Company leadership and unions, at which concerts of singers of war songs, the presentation of flowers, St. George ribbons and commemorative postcards are organized.

IDGC of the South, JSC provides social support to veterans and retired employees of the Company. The Commission on Social Benefits of the Company branches consider individual requests for

help from pensioners (former employees) and staff on a monthly basis, and regularly provide targeted assistance.

A Veterans Council operates in IDGC of the South, JSC in order to maintain and develop effective cooperation with the veteran community, attracting veterans to participate in patriotic education of youth, training young employees, mentoring young people and transferring knowledge and expertise of former employees of the distribution grid complex.

As part of corporate cooperation and support of workers to improve their living conditions, retain skilled personnel and provide social security of employees, the Company provides corporate support to improve employees' living conditions through the provision of financial assistance to employees who take mortgages and when repaying part of the interest on the loan.

Labor safety

The policy of IDGC of the South, JSC in the field of labor aims at providing a safe and healthy working conditions, and a constant reduction and elimination of occupational accidents and occupational diseases.

The main principles and goals of IDGC of the South, JSC in the field of labor safety in the long-term perspective are:

- the absolute priority of protecting workers' safety above other results of production activities;
- the safety and health of workers, preventing exposure of workers to factors that lead to injury or illness;
- fulfilling the requirements of legislation in the field of occupational safety, rules and regulations adopted by the programs and collective agreements;
- improving the functioning of the worker safety management system, improving the culture of safety of production.

Significant events in the field of labor safety in 2012:

- workplaces were certified for working conditions in the branches of Astrakhanenergo, Volgogradenergo (first stage) and Rostovenergo;

- measures were approved and put in place to prevent injury to third parties at power facilities.

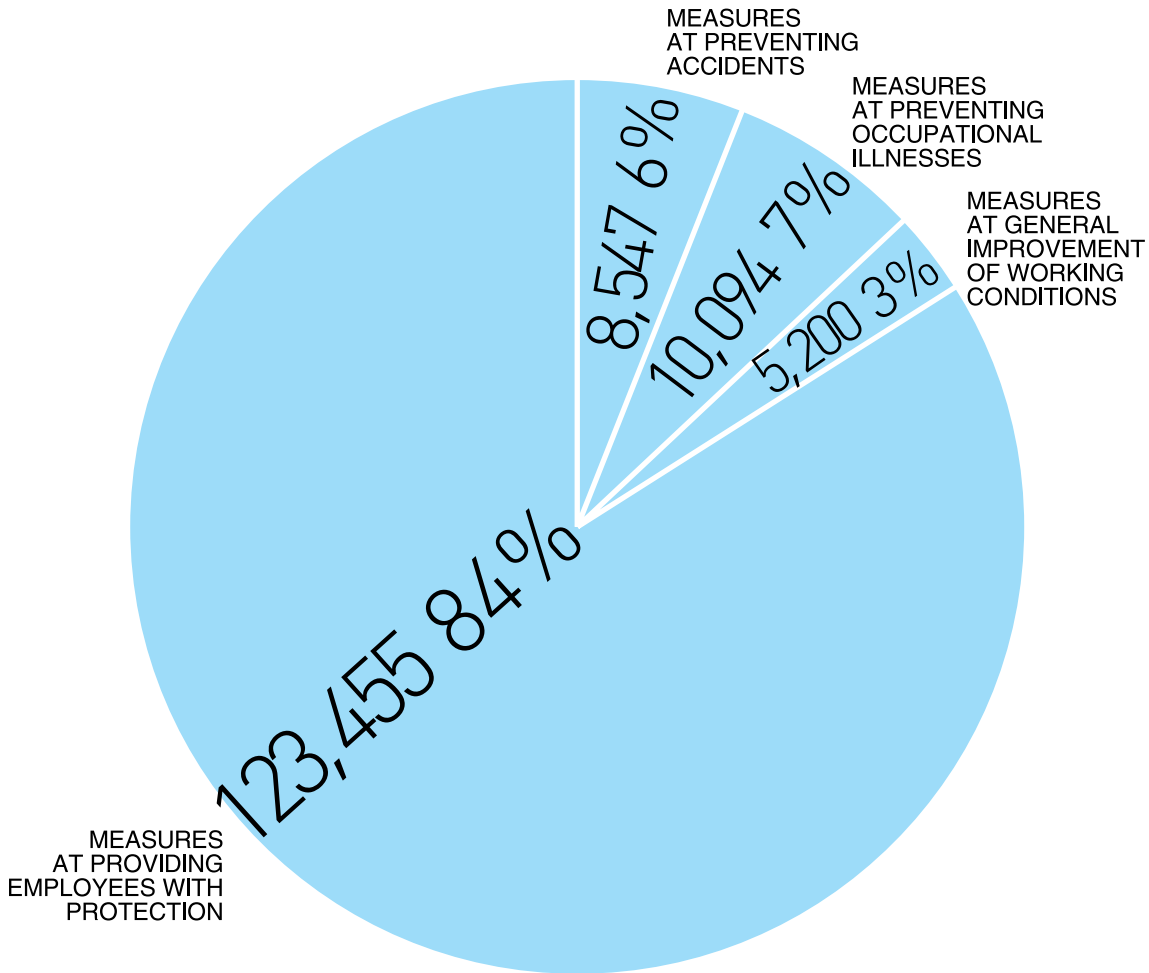
A number of areas of work in the field of occupational safety and health (medical examinations, certification of workplaces for working conditions, the issuance of special clothing and special footwear and other personal protective equipment, cleaning and detoxifying drugs) were implemented in 2012 under new standards and regulations approved by the Ministry of Health and social development of the Russian Federation in 2009–2012.

Employees of IDGC of the South, JSC are provided with protective facilities, special clothes, special footwear and other personal protective equipment, as well as tools and devices necessary for safe maintenance of electrical installations.

IDGC of the South, JSC had costs for measures at labor safety in 2012 totaling **147,296 thousand rubles**, including:

- preventing accidents — 8,547 thousand rubles;
- preventing occupational illnesses — 10,094 thousand rubles;
- general improvement of working conditions — 5,200 thousand rubles;
- providing employees with protection — 123,455 thousand rubles.

**BREAKDOWN OF COMPANY COSTS FOR LABOR SAFETY
in 2012, RUB thousand**



The reduction in costs for implementing measures for labor safety was 7.6% (12,130 thousand rubles in 2012), and was due to lower costs for providing workers with special clothes, special footwear and other personal protective equipment, the cost of which decreased by 13.8% (19,849 thousand rubles).

Reasons for the decrease:

- downsizing of the number of employees for secondary and main professions;
- issuing protective equipment for use under the principle “new equipment in exchange for the old”, stimulating thrift and responsibility of the staff.

In addition to preventing occupational injuries, IDGC of the South, JSC is working on preventing injuries to third persons. This work is regulated by the “Program of measures to reduce the risk of injury to third persons for 2010–2012”, approved by the Board of Directors of IDGC of the South, JSC.

The program has the following measures:

- work with government bodies, regulatory authorities, law enforcement and security agencies;
- prevention of electricity accidents among children and adolescents;
- prevention of electricity accidents among employees of third-parties and contractors conducting work in the immediate vicinity of the power facilities;
- prevention of theft of equipment and materials from power facilities;
- prevention of electricity accidents due to unauthorized connection to the grid;
- prevention of electricity accidents among persons fishing;
- evaluation of electrical installations and making them safe.

All the planned activities of the Program (41) were accomplished in 2012, which largely reduced the accident rate by third parties persons at power facilities more than 2-fold compared to 2011.

Charitable Campaigns

The staff of the Executive Office and branches of the Company held a charity event in July–August 2012 to raise funds to help the flood victims in the Crimean region of the Krasnodar Territory. The funds collected were transferred to the Russian Red Cross to assist the affected. Targeted assistance was provided to the families of employees of Kubanenergo who were affected by the floods.

ECOLOGICAL POLICY

Implementation of the main objectives of the Company in 2012 in the field of environmental protection

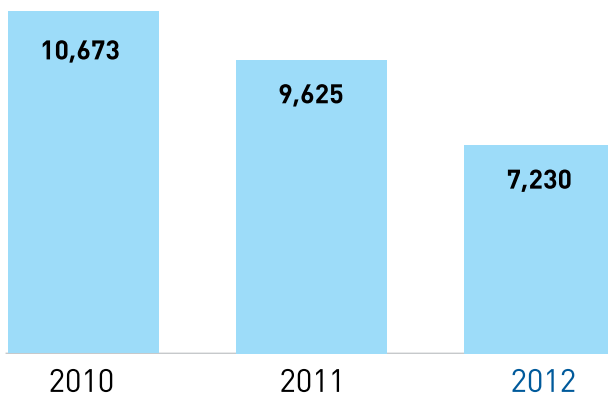
In order to implement the environmental policy of IDGC of the South, JSC in 2012, a program aimed at compliance with the legislation of the Russian Federation in the field of environmental protection and rational use of natural resources and solutions for reducing negative environmental impact of production activities was developed.

To achieve the set goals and objectives, practical measures were developed for the air protection, as well as protection and rational use of land and water resources, and wildlife protection.

Under the program for implementing the Company's environmental policy in 2012, norms were developed and approved in state authorized bodies for the main factors: volumes of waste disposal, as well as emissions of pollutants into the air. The necessary permits were obtained as a result of approval.

The introduction of norms conducted in 2012 for regulating the negative impact on the environment allowed the Company to reduce its environmental payments by 24.9%. In 2011, the money paid to the state budget amounted to 9,625 thousand rubles. At the end of 2012 it amounted 7,230.64 rubles.

TOTAL COSTS FOR NEGATIVE IMPACT ON THE ENVIRONMENT, RUB thousand



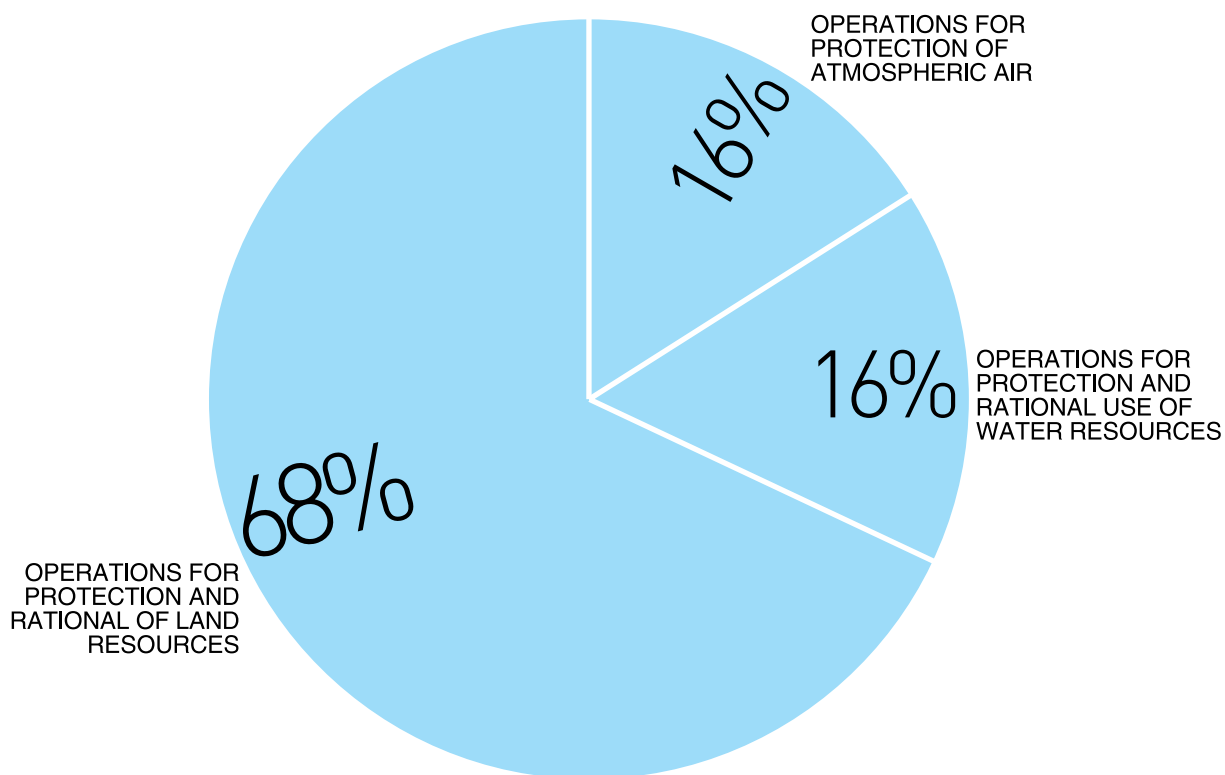
Protection of water resources by IDGC of the South, JSC in 2012 was carried out under license agreements for the use of mineral resources. In order to comply with these conditions, mandatory monitoring of groundwater was done, including control measurements of the debit of operated drilling, stationary hydrogeological observations, measurement of the level and temperature of underground water, and bacteriological and chemical analysis of water quality.

Furthermore, the Company implemented a number of technical and promising interventions aimed at reducing the negative impact on the environment in 2012:

- improving operational performance and maintenance of production technology;
- introduction of the GLONASS satellite monitoring system in three branches. As a result of implementation of the system, the Company plans to reduce vehicle mileage, reducing the amount of fuel consumed, and therefore, making a reduction of emissions from mobile sources;
- use of certified fuel and obligatory control of carbon monoxide in exhaust gases of vehicles and timely repair of motor vehicles;
- equipping 6–10 kV overhead lines currently under construction with bird protection devices, as well as repair and maintenance of previously established lines;
- decommissioning and disposal of equipment containing polychlorinated biphenyls. These activities were carried out under the framework of implementation of commitments made by the Russian Federation in 2001 under the Stockholm Convention on the withdrawal of equipment contaminating the environment with persistent organic pollution.

The total costs of IDGC of the South, JSC at the implementation of measures in the field of environmental protection in 2012 amounted to 13,460 thousand rubles. The increase in expenses in 2012 compared with 2011 (7,598 thousand rubles) and 2010 (8,303.10 thousand rubles) is due to carrying out comprehensive design documentation in the field of environmental protection and natural resources for all the branches IDGC of the South, JSC.

**THE STRUCTURE OF COSTS INCURRED
BY IDGC OF THE SOUTH, JSC IN 2012 ON MEASURES
FOR ENVIRONMENTAL PROTECTION BY AREA**



**TOTAL COSTS FOR THE IMPLEMENTATION OF MEASURES UNDER THE PROGRAM
OF ENVIRONMENTAL POLICY IMPLEMENTATION**

Direction of costs	2010, RUB thou	2011, RUB thou	2012, RUB thou
atmospheric air protection	1,767.7	1,542.0	2,211.2
protection and rational use of water resources	2,791.5	3,439.8	2,111.2
protection and rational of land resources	3,743.9	2,616.6	9,137.5
Total costs:	8,303.1	7,598.4	13,460

IMPLEMENTATION COSTS ON KEY ACTIVITIES IN THE FIELD OF ENVIRONMENTAL PROTECTION IN 2012

Name of major activities	Costs, thou roubles	Achieved effect
Measures for rationing harmful effects on the environment, obtaining permits in the field of air and waste management	6,127.48	Identify safe levels of exposure to the environment in its business activities, obtaining permits
Preparation (renewal) of license to use subsoil	2,895.06	Ensuring the use of mineral resources
Disposal of industrial waste, including those containing polychlorinated biphenyl	1,322.99	Pollution prevention of waste production and consumption, the exclusion of land contamination
Total	10,345.53	

Interaction with stakeholders

In 2012, as part of the All-Russian social and economic campaign “Distribution Grid Complex — For the Protection of the Environment” and the target communication program “Save the Energy of the Forest”, IDGC of the South, JSC planted tree saplings of different species.

The works involved representatives of civil society organizations, political parties, media, pre-school institutions, and executive bodies of state and regional level:

- Ministry of Natural Resources and Environmental Protection of the Republic of Kalmykia;

- Department of RPN of the Rostov Region;
- Forestry Department of the Rostov Region;
- Forestry Department (forestry areas) of the Volgograd Region;
- Service of Natural Resources and Environmental Protection of the Astrakhan Region.

Altogether employees of IDGC of the South, JSC planted 5,064 saplings in the Krasnodar Territory, the Republic of Kalmykia, Astrakhan, Volgograd and the Rostov regions.

The main objectives of the Company in the field of Environmental Safety for 2013:

- operational management of waste management throughout the entire structure of the Company, development of a database on the movement of waste generated;
- exception of land pollution and excess accumulation of waste at production sites;
- ensuring a safe level of emissions of pollutants into the air from stationary and mobile sources;
- fulfilling duties for making timely payments for negative impact on the environment;
- ensuring the safe use of mineral resources and compliance with licensing agreements;
- informing the public in due course of the quantitative characteristics of the Company's negative impact on the environment;
- increasing the competence of the Company's employees admitted to activities to ensure environmental safety.

CUSTOMER-ORIENTED POLICY

Customers of IDGC of the South, JSC are individuals, sole proprietors and legal persons receiving services on the territory of IDGC of the South, JSC branches.

In order to provide integrated development of the centralized customer service system of the Company and making a consistent image of a reliable customer-oriented company in 2012, the Resolution of the Board of Directors of IDGC of the South, JSC No. 172 dated 06.04.2012 approved the organizational Standard of the Centralized Customer Service System in IDGC of the South, JSC — STO 80380011-IA-ISM 028-2011. The Centralized Customer Service system in IDGC of the South, JSC Standard (hereinafter referred to as “the Standard”) sets out the requirements to all parties of the Company’s interaction with customers (clients). On the basis of the Standard, the Plan of Measures for Bringing the Customer Service System in Accordance with Requirements of the Standard” has been developed. This plan defines the strategy for the development of customer service in the long term.

In 2012, as part of the development of the infrastructure of full-time service in accordance with the requirements of the Standard, the Company carried out work on the harmonization of the premises and equipment of the missing standard equipment, furniture, office equipment and communication channels of the newly formed divisions of customer service in the Company branches — groups of grid connection and customer service.

As of 31.12.2012, IDGC of the South, JSC had 10 Customer Service Centers (CSC) and 108 groups of technological connection and customer service (GTC and CS).

The total number of personnel involved in the CSC system of IDGC of the South, JSC branches amounts to 185 employees taking into account the administrative apparatus of the branches and the executive apparatus of IDGC of the South, JSC.

Customer Service Units (CSC, GTC and CS) accept applications for technological connection, reconstruction and an increase in connection power, changes in power supply reliability, and changes in the scheme of external power supply, extension, and renewal of existing specifications. To optimize and formalize the process of consideration of the quality of services provided by IDGC of the South, JSC, the Company developed and approved the Regulation “The method of consideration of customer applications for IDGC of the South, JSC services” (Order No. 353 dated 28.06.2012). This document defines in detail the interaction of the structural divisions of the company involved in the consideration of appeals, and establishes responsibilities and the maximum time allotted for consideration.

Starting from 29.06.2012, a 24-hour Call Center Service (CSC) was opened as part of the service for interaction with customers of the management of the branch of IDGC of the South, JSC — Rostovenergo. A call group service of 6 people was made, including a manager, a specialist of the second category, and 4 operators. The Call Center serves the whole territory of responsibility of IDGC of the South and can receive and handle calls to a single toll-free number 8-800-100-70-60 on technological failures and outages of power supply services.

In addition, the user can obtain or provide information about supply disruptions to business units — districts of the electricity branch (DEB). The contact phone numbers of DEB are also available on the Company’s website. All calls are free for the caller in the appropriate areas within the area of responsibility of IDGC of the South, JSC (dispatching units will inform customers of the reasons for outages and the tentative dates for fixing them).

The CSC received and processed 1,364 complaints from customers of IDGC of the South, JSC during the period from 29.06.2012 to 31.12.2012.

The corporate website of IDGC of the South, JSC (<http://www.mrsk-yuga.ru/>) launched an online service for customer services in 2012, and changed the structure of the “For Clients” section on the main page of the corporate website and on the pages of the Company branches in accordance with the requirements of the Company Standard “System of Centralized Customer Service in IDGC of the South, JSC”. The following interactive services were implemented as well:

- An Internet “Reception Room” that allows consumers to send their questions, complaints, suggestions, and leave their feedback on any areas of the company through the Internet. All customers complaints are registered in the Company by means of the Internet reception room in the electronic document management system (EDMS) and monitored by the Department of interaction with customers of the executive office of the Company. The Internet “Reception Room” section also has an “Information Kiosk” (question and answers to frequently asked questions) for consumers.
- “My Account” in which consumers have the opportunity to send a preliminary application for grid connection and to verify the required documents, and promptly remove the comments in the list of documents for the implementation of grid connection procedures in an online mode, without the need for the client to be present in Company business units.

In terms of quality control of services provided to consumers by branches of IDGC of the South, JSC, the Company carried out the following activities:

- quarterly monitoring of the quality of services provided by the Company branches;
- materials were prepared on the actual parameters of quality of services provided by branches of the Company for 2012 for consideration by the Board of Directors of the Company;
- control of the Company's subsidiaries was organized and implemented to develop proposals/activities aimed at the implementation of quality of service and maintenance,

in preparation of materials for submission to the regulatory body in the field of state regulation of tariffs.

According to the actual/planned indicators of quality of service for 2012 presented by branches of the Company to the executive body of IDGC of the South, JSC, the assessment of the achievement of planned values of the indicator of the quality of services provided to consumers of Company Branches (QC) for 2012 is within the limits of deviations from target values, which corresponds to the evaluation — “indicator reached” in all branches of the Company (QC = 0).

Main company objectives in 2013 in terms of improving client work

- implementation of a CRM system, allowing our specialists to greatly simplify and speed up the job of providing answers to customers' questions, and for consumers — to obtain all the information they need as quickly as possible, and solve issues for the implementation of grid services of IDGC of the South, JSC;
- development of the corporate call center, which will result in the possibility of providing information to customers on a free multi-channel phone in the area of responsibility of the branches of the Company on any matter relating to the main activities of IDGC of the South, JSC;
- further development of the interactive services of IDGC of the South, JSC for consumers in terms of ability to paying for Company services, applying for additional (compensatory) services, online tracking stages of review and decision on applications for grid connection, etc.;
- expanding the range of paid services that will cover all the needs of consumers in the area of the grid complex.

PREVENTING EMERGENCY SITUATIONS

Major efforts were made in 2012 at preventing disasters, accidents and complex technological disturbances (hereinafter — CTD) at facilities of the power system. These efforts were directed at carrying out a complex of measures to prevent (reduce) the scale of the consequences of disasters and increasing the efficiency of personnel and production.

Orders and other organizational and administrative documents were issued on the management of the daily operations and emergency situations of the functional subsystem of the unified state system of prevention and liquidation of emergency situations in the branches of IDGC of the South, JSC, as well as on the functioning of organizing staffs. Scheduled meetings of CSF and OPB of branches were held periodically.

In accordance with the orders issued, permanent measures were taken to ensure the stable operation of the electrical networks of branches.

A total of 123 joint exercises with the representatives of local self-government, territorial divisions of Ministry of Emergency Situations (MES) and other subjects of power were held in 2012 at organizing activities for the prevention and elimination of various emergency situations of natural and man-made disasters, accidents, and STN.

For command and control in everyday activities, control centers in management affiliates, in PO, and RES were prepared, and regulatory, reference and formal documents are developed and kept up to date.

Training is organized and conducted with the involvement of 100% of senior management and other staff of the branches in the area of prevention and liquidation of emergency situations of natural and man-made disasters.

To create a joint database with the Ministry of Emergency Situations (MES) of the system for monitoring and decision support in emergencies, details of 35–110 kV overhead lines in the zone of responsibility of the operational branches and substations, 6–10 kV overhead lines and 0.4 kV overhead lines which ensure power supplies to boiler rooms of socially important and other facilities were provided to the subjects of the Ministry of Emergency Situations.

Responsible persons have been appointed in order to respond rapidly and make coordinated decisions in the event of emergencies for constant personal involvement in the work of inter-agency co-operative staff in the subjects of the Russian Emergencies Ministry.

In order to successfully perform the tasks of daily activities in the field of emergency prevention and response, the algorithms of information interaction of the Russian Ministry of Emergency Situations and the dispatch service of Company branches were agreed on and approved.

In order to ensure reliable operation of the power grid facilities in the branches of IDGC of the South, JSC, work was done to reduce the time needed to organize and conduct rescue and

recovery operations. The Organization Standard “Organization of emergency measures in networks of IDGC of the South, JSC” was adopted, according to which:

- ranking of transmission facilities of branches by groups of circuit survivability was conducted;
- a “Passport of emergency measures” for each object of a special group of circuit survivability was developed;
- the procedure for including DES for powering social objects was determined;
- according to the standards, an emergency supply of materials and equipment is established and maintained in constant readiness for use;
- temporary power supplies have been developed for consumers in the event of accidental damage to equipment;
- emergency response drills with real action personnel during emergency and recovery operations are planned and conducted;
- operational headquarters of the territorial branches and operational headquarters of production departments have been set up and successfully run at branches;
- mobile repair unit of employees and teams of SLEP PO and RS RES have been prepared;
- comprehensive interaction with consumers, allied network organizations connected to the power grids of branches, regional bodies of MES, and contractors has been organized in the event of an emergency in the power grid of branches.

An agreement on the organization of information exchange and cooperation in the aftermath of accidents at electric power facilities with the various organs of the MES, and the subsidiary of UES FGC, JSC — RPMES and third-party contractors was prolonged in 2013.

To improve the sustainability of electrical networks in emergencies and improve the reliability of the technological equipment in the branch office, the following actions were taken:

- the nomenclature and volumes of materials included in the emergency supply of Branches was revised. The supply of emergency stock is 100%;
- the repair program has been executed by 103.6% an average;
- to meet the challenges of reliable and uninterrupted supply of electricity to customers in the branches, there are 104 mobile generators with a total capacity of 3,7971 MW.

Upon the results of the command and staff exercises conducted at preventing and eliminating emergency situations, in the course of due diligence an overall rating of “Meets the requirements” was issued.

The work conducted contributed to the fact that there were no natural disasters and man-made emergencies at the Company facilities in 2012, and all emergency outages were investigated and emergency measures were developed. All work on the restoration of power was done without violations of the regulatory deadlines.

PUBLIC RELATIONS, RELATIONS WITH PUBLIC AUTHORITIES, INTERNATIONAL COOPERATION, CONGRESS AND EXHIBITION ACTIVITIES

Public relations are a key activity of IDGC of the South, JSC for creating a positive image of the Company, as well as strengthening its corporate business reputation and increasing its public (image) capital in the structure of the Company's market value.

Formation of the concept of a single reputation policy is determined by the business strategy of IDGC Holding, taking into account the current state of its corporate business reputation.

This work was carried out in 2012 both in the direction of external audiences (customers, shareholders, investors, the pro-

fessional and expert community, public authorities, the media), and internal target groups (employees, veterans of the Company's trade union organizations).

The development, coordination and implementation of the Company's information and communication and branding strategy on the basis of a united reputation policy and single internal and external information corporate policy of IDGC Holding, JSC is the responsibility of the Department of Public Relations.

Communication with public authorities and civil society organizations

The Department of Public Relations of the Company provided informational support to working meetings and production meetings of the management team of IDGC of the South, JSC with the heads of government, as well as media coverage of the activities undertaken by these joint solutions in 2012. The Company followed common principles of reputation and the information policy of IDGC Holding, JSC when developing and implementing long-term strategies of communication with the authorities.

An example of such comes from the informational support of the interaction of IDGC of the South, JSC with the authorities of government bodies to address the critical issues of national importance, such as technological connection to the networks of the Company's facilities to the Caspian Pipeline Consortium (CPC-P) on the territory of the Republic of Kalmykia, and modernization of existing and construction of new power facilities for preparing infrastructure of Volgograd and Rostov-on-Don for the FIFA World Cup 2018.

PR-campaigns were organized and conducted to highlight a series of events involving the leadership of the Ministry of Energy of the Russian Federation; IDGC Holding, JSC; IDGC of the South, JSC and FGC UES, JSC.

An important event for IDGC of the South, JSC was the signing on April 13 in Moscow, during the course of a meeting between N. N. Shvets, the General Director of IDGC Holding, JSC, and V. Yu. Golubyev, the Governor of the Rostov Region, of an agreement between IDGC Holding, JSC and the Government of the Rostov Region to collaborate in the development, modernization and renewal of regional power grids.

Other key events of the period included the working visit of S. I. Shmatko, the Minister of Energy of the Russian Federation, to Astrakhan, and his visit to the network control center of the Astrakhanenergo branch of IDGC of the South, JSC (February 28).

Considerable interest was paid by the media to working meetings of S. A. Arhkipov, General Director of IDGC of the South, JSC, with S. A. Bozhenov, the head of the Volgograd Region,

on power development in the region (February 13); and by the acting General Director V. F. Vashkevich with the head of the Republic of Kalmykia A. M. Orlov (October 18); the Governor of the Astrakhan Region A. A. Zhilkin, the mayor of Astrakhan M. N. Stolyarov, the Minister of Industry, Transport and Natural Resources of the Astrakhan region Y. Makhoshvili (October 19); the deputy chairman of the Volga area bank Sberbank of Russia, JSC Vladimir Sitnov (November 27); with the Governor of the Volgograd Region S. A. Bozhenov on grid development in the Volgograd Region (December 14); with the Deputy Plenipotentiary Representative of the President of the Russian Federation in the Southern Federal District V. Gurba (December 21); and the Governor of the Astrakhan Region A. A. Zhilkin on further development of the electric grid complex of the Astrakhan region (28 December).

A round table was held on September 14 at the branch of IDGC of the South, JSC — Astrakhanenergo on the topic "Electric power — the profession of the future" with participation of the branch leaders, representatives of IDGC Holding, JSC, IDGC of the South, JSC, the Ministry of Education of the Astrakhan region, the All-Russian Elektroprofsoyuz, and heads of universities and secondary specialized educational institutions of the Astrakhan Region.

Round tables were held in 2012 with representatives of the regional branch of the Russian public organizations OPORA ROSSIYA, Delovaya Rossiya, and the business community in the Astrakhan, Volgograd and Rostov regions on concluding direct contracts in 2012.

PR campaigns were undertaken to prevent malicious damage to electric equipment during the hunting season in the Rostov Region: publications were made in the media, a letter was sent to the administration of the Rostov Region, and to heads of municipalities in the regional branch of the NGO "Society of Hunters and Fishermen".

Social communications

The Department of Public Relations initiated the development and implementation of a number of targeted communication programs in 2012, thereby strengthening the image of IDGC of the South, JSC as a socially oriented and responsible company.

In particular, within the PR programs for preventing injury and death to third parties on distribution facilities of IDGC of the South, JSC about 3,000 electrical safety lessons for schoolchildren and kindergarten children were initiated in 2012 in the Company's regions of responsibility. This significantly reduced the risks of child electrical injury. This campaign covered more than 1,200 schools, preschools, special educational institutions and secondary specialized educational institutions of the Southern Federal District. In addition, creative contests, themed tours and Open Door Days are held as part of this work. In the summer, the scope of this work includes children's camps. The partners of IDGC of the South, JSC at implementing programs for prevention of child electrical injury were the regional Ministry of Education and Science of the Rostov, Astrakhan and Volgograd Regions and the Republic of Kalmykia, with which the Company has agreements on cooperation.

Specialists of IDGC of the South, JSC are constantly improving methods for preventing electrical injuries to children. For example, an animated film was made for lessons in electrical safety. The communicator and coordinator of this project is the Public Relations Department of IDGC of the South, JSC. The Company also plans to implement widespread introduction of gaming formats for such lessons, including the use of on-line and group board games.

Flash-animation films showing the basic rules of electrical safety for young and middle-school ages have been established for teaching lessons in educational institutions.

The Company also implements the following target communications programs: "For honest kilowatts" — to prevent non-contractual and non-metered consumption, and combating and preventing theft of power equipment, "Dobrosvet" — for preventing electrical injuries among children and preventing injuries to third parties on electric grid facilities of IDGC of the South, JSC.

In the spring of 2012 IDGC of the South, JSC took an active part in implementing the target of the communication program of IDGC Holding, JSC — "Distribution grid complex — for the protection of the environment" ("Save the energy of the forest"). As part of the program, about five thousand trees and shrubs were planted in the Company's region of responsibility, including at the Botanical Garden of the Southern Federal University (Rostov-on-Don), the Central Square "Pagoda Seven Days" in the Park of Culture and Recreation "Friendship" (Elista). An "Aisle of Energy Workers" was planted in Astrakhan. An aisle of barberry was planted at Mamaev Kurgan in the city-hero Volgograd, next to the "Wall of the Banner".

Great public interest in the territory of the Company's responsibility was paid to activities of the Historical and Memorial campaign of IDGC Holding, JSC entitled "Relay race of the Victory Banner". The Department of Public Relation created an interactive map of the relay and prepared the final presentation on the events in the regions of responsibility, which served as the basis for forming the overall results of the campaign "Relay race of the Victory

Banner" held by IDGC Holding, JSC and preparation of a brochure about the campaign.

Over the course of 2012, the Public Relations Department conducted training and placement of materials in the media on implementing events as part of the International relay of memory and gratitude "Homeland Glory — Hero of the Motherland".

As part of the celebration of the 67th anniversary of Victory in the Great Patriotic War (May 03 — June 22), the Victory Banner Relay took place in 106 districts of distribution networks located in the regions of responsibility IDGC of the South. The event was attended by hundreds of thousands of veterans and employees and their families. In April, IDGC of the South, JSC held a competition of children's creative works entitled "The Feat of Heroes in the Eyes of Children". The aim of the competition was moral and heroic-patriotic education of the younger generation of children of employees of IDGC of the South through their creative potential. More than 450 boys and girls who are children of Company employees under the age of 14 participated in the contest. All contest entries in the form of greeting cards were awarded to veterans of the war in the Company branches.

Active work at informational support of the Veterans Council of IDGC of the South, JSC was done during the reporting period.

A number of Company initiatives, in particular the implementation of the Historical and memorial campaign "Relay Victory Banner" were used by IDGC Holding, JSC to be broadcast as a positive experience to other IDGCs.

The Department of Communications initiated, co-organized, and participated in many events held within the framework of the implementation of the youth policy of IDGC of the South, JSC. Among them was participation of the South team of power workers in the Second All-Russian "KVN" games for power engineers.

IDGC of the South, JSC developed a target-oriented communication program of information activities in May for the Council of Young Professionals of IDGC of the South, JSC for 2012–2013 "Youth energy — the energy of the future". The program was developed in order to create a unified reputation policy of the Company, integration of activities of young specialists in the Councils in the system of image communications of the Company, as well as maintaining the image of IDGC of the South, JSC as an open and socially responsible company.

Starting from September, 2012, the Astrakhanenergo branch of IDGC of the South, JSC has been a pilot region for implementing the target communication program "Energy — the profession of the future". This program, which is based on the fact that the profession of energy worker is one of the most sought-after professions at the present time, aims to attract young, highly-skilled employees to the branch, who start their career guidance while at school, and continue it in secondary schools and universities. Subsequently, young people who choose the energy sector for their future are provided with "career lifts" and measures for employees to return to energy companies after serving in the army. To implement this program, the media are to propagandize the prestige of power grid companies. "Open lessons" will be offered in schools,

and excursions will be taken to grid facilities. Specialized energy classes are offered in pilot schools and colleges. The project involves 12 research and educational institutions, and serves as a consultant to the regional project office non-profit partnership "Energy of the Future".

The Public Relations Department also initiated and implemented local regulations on the organization of advertising activities.

The Public Relations Department has been one of the developers of the new version of the Code of Corporate Ethics.

In view of the cultural and spiritual development of the collective of IDGC of the South, JSC, as well as in the framework of implementation of the Agreement on cooperation of IDGC Holding, JSC with the Russian Orthodox Church in 2012, work continued on interaction with regional offices of Russian Orthodox Church in the territory of responsibility of IDGC of the South, JSC (for example, electricity safety lessons were held in the Sunday School in Astrakhan, trees were planted as part of the environmental campaign "Save the energy of the forest" on the school yard at the Sunday School of the church of the Kazan Mother of God in Astrakhan).

IDGC of the South, JSC continued to participate in charity events in its area of responsibility. The most large-scale campaign, which included all branches of the Company, was the collection of voluntary funds for the families of employees of Kubanenergo who were victims of the floods in Krymsk in the Krasnodar Region.

In May the Council of Young Professionals of IDGC of the South, JSC in conjunction with the Autonomous non-commercial organization of social and charitable programs "Blue Bird" held a charity campaign "Pass the Good around the circle" in support of low-income families and children with disabilities.

Over the course of 2012, employees of IDGC of the South, JSC provided voluntary assistance to a number of sponsored educational institutions, in particular the pupils of the Astrakhan Special (Correctional) Boarding School number 2 for orphans and children left without parental care with disabilities (thanks to charity donations from employees). A charity Christmas Fair was held to help the pupils of the same school.

In the Astrakhan Region, employees of the Astrakhan branch of IDGC of the South, JSC took part in 2012 in the regional charity "First Grader" to help first-graders from low-income families, as well as in the charity of the First Channel "Good Light" (support for seriously ill children), and organized the collection of donations for the victims of the explosion at a residential building in Astrakhan in February, 2012.

In the Volgograd Region, specialists of IDGC of the South, JSC gave volunteer assistance to the Volga Orthodox orphanage "House of Mercy", which is home to more than 30 children and teenagers. On the initiative of power workers, the children in the shelter go twice a month to visit the pool of the Volgograd Energy College for swimming at no charge. Thanks to voluntary funds collected for two teenagers from the orphanage, a pilgrimage was organized to the Holy Trinity Seraphim Diveevsky monastery in the Nizhny Novgorod region. Children of the shelter are given gifts thanks to the charity funds raised for holidays (New Year's, Easter, International Children's Day, etc.).

In the capital of the Republic of Kalmykia, Elista, power workers of IDGC of the South, JSC assisted in carrying out activities for children of the Elista orphanage dedicated to the New Year and Children's Day in 2012. Volunteers gave help to the Elista nursing home, and the "Family" social center in Elista.

Communications with the mass media

The Company organized close interaction with the leading regional and industry media during the reporting period in order to implement a common information policy, increase brand awareness, and form a positive reputation and image information of a transparent company, as well as increase the audience of the information influence of IDGC of the South, JSC.

According to data of operational monitoring of the media by "Integrum" a total of 11,935 publications of news reports on the Company's activities were organized in 2012 in the media. Furthermore, about 80% of the posts in regional publications were made free of charge. This was achieved thanks to the improved efficiency of the PR divisions of IDGC of the South, JSC.

The PR departments of the Company were able to raise the number of positive news reports on the activities of IDGC of the South, JSC by 36% on average compared to 2011.

The largest segment of news reports on the activities of IDGC of the South, JSC for the period was online media (44%). There was also quite a high proportion of central news agencies (12%).

Much of the informational materials on IDGC of the South, JSC cover the following topics: "performance" (35%), "investment activity" (29%), "social and personnel policy" (19%).

IDGC of the South, JSC organized and held three press conferences (March, July and December) with the participation of the Company's top management of at the sites of leading news agencies and federal publications (Interfax-South). These public media events featuring the company General Director focused on creating a positive and coherent image of the Company, as well as strengthening the goodwill and public capital of the Company in the structure of its market value. The personal involvement of the General Director in the above-mentioned activities also contributed to the formation of loyal positions in public opinion about the Company.

In order to provide informational coverage of the All-Russian competition of professional skills among service teams for isolation from surges in the electrical distribution grid complex of IDGC Holding, JSC (the federal stage of All-Russian Competition of Excellence "Best in Profession" in the nomination "The Best Electrician"), which took place from September 9 to 15 in Astrakhan, extensive work on providing information about the competition was organized and conducted. In particular, in collaboration with the profile departments of IDGC Holding, JSC, a brand-book for the competition was developed; cooperation of the Department of Public Relations of IDGC of the South, JSC with the PR-divisions of IDGCs/DGCs was planned, an official website of the All-Russian competition was developed and put into operation, and specifications for the uniform of teams participating in the competition were developed, along with a program of accompanying events.

A round table was organized and conducted as part of the competition on the basis of the Astrakhanenergo branch on the implementation of the targeted communication program "Energy of the Future" with the participation of universities in Astrakhan, The Astrakhan Region Ministry of Education, and representatives of IDGC Holding and IDGC of the South.

As part of the competition, a temporary press center was organized, which consisted of members of the Public Relations Department of IDGC of the South, JSC, specialists of the press services of IDGC/DGC which competed in the contest, journalists of accredited media and media partners of the event. The objectives of the press center included the development and rapid updating of content of the official competition website (including regulatory documents, presentations, news, photos, interviews, results of competition stages, etc.), providing live video to the competition program at the range of events, and on the official website of the competition, and interaction and publication in the regional and national media.

The result of implementation of communications activities for the All-Russian competitions was the preparation and publication of about 250 press releases in the media, news reports, interviews and opinions. More than 550 photographs were published on the competition website in the photo gallery. During the competition, there were three television crews working at the site (GTRK Lotus (Astrakhan Region), TV Moscow (Moscow Region), TV ANT (IDGC Holding, JSC)), which provided video content for a video diary of the competition. Six news reports were aired on federal and regional TV channels in the Astrakhan Region. A total of 15 materials were printed in the federal and regional print media.

As a result, nearly 2,270 posts were published in the Internet from September 6 to September 17. There were more than 60,800 views of the official competition website during the reporting period.

The corporate website was renovated during the reporting period. A single information flow was formed, resulting in a 35% increase in citations of published materials. These materials are added almost every day to the website of IDGC Holding, JSC.

Altogether in 2012, 359 files were placed on the website, along with 384 news articles. The corporate website of IDGC of the South, JSC recorded 176,916 visits in 2012 and 740,708 page views, with an average depth of 4.2 pages, and an average visit length of 4.5 minutes.

The new visual solution, as well as the technical modernization of the site, is thanks to the Company's desire to comply with the quality standards of mandatory and voluntary disclosure of information in real time to ensure maximum transparency of the Company.

Starting from the beginning of 2012, corporate website integration has been established with social networks (Facebook and Twitter): official accounts have been created with automatic cross-posting of press releases, and buttons have been added on the News page that make it possible to share the news in one's personal accounts on social networks.

In order to improve the efficiency of internal communications, the Company published 5 issues of the corporate edition of IDGC of the South, JSC newspaper "The Energy of the South" in 2012, with a total circulation of 25,000 copies. The newspaper published

more than 100 information materials about the most pressing issues of the Company. Among the key publications in 2012 in the corporate newspaper were an interview with the winner of the contest "Energy of the Future" Sergei Nekhayev (January), an information kit to the fifth anniversary of the Company (July), thematic pages on business meetings of the acting Company General Director V. F. Vashkevich with senior regional leaders of the Company's territory of responsibility (December), and results for 2012 from the heads of the branches of IDGC of the South, JSC (December).

Congress and exhibition activities

The Company took part in congress and exhibition events in order to create favorable conditions for strengthening the image of IDGC of the South, JSC on the international and domestic energy markets.

Specialists of the technical unit of IDGC of the South, JSC participated in the annual All-Russian conference "Ways to improve the reliability, efficiency, and security of energy production" (Krasnodar Territory, Divnomorskoe village).

Company employees visited several conferences on annual corporate reports in 2012. They took part in the VI annual conference — VI annual competition of corporate websites and annual reports (October, St. Petersburg), and in the IX annual conference "Annual Reports: The Experience of Leaders and New Standards" (October, Moscow).

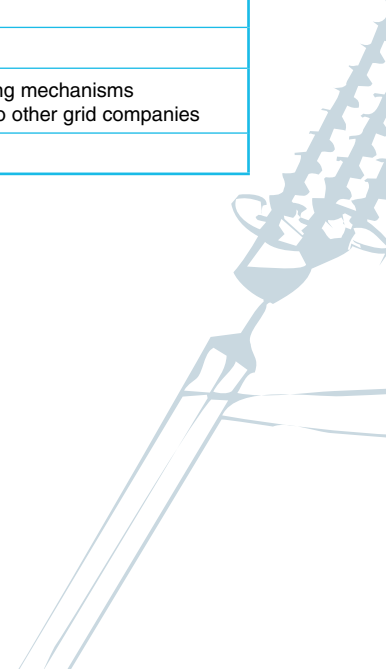


GLOSSARY

Terms, abbreviation	Definition
AR	Accounting regulations
ASTU	Automated technological management system
Boiler tariffs for electricity transmission	Uniform tariffs for electricity transmission in RF entities for electricity consumers (except for network companies), regardless of which network company they are connected to. The uniform tariffs are different for different voltage levels
CIP TC	Corporate integrated program "Technological connection"
CISRM	Corporate informational system for resource management
CL	Cable line for electric power transmission
CSC	Client servicing center
DPC	Data processing center
DSW	Design and survey work
EBITDA	Earnings before interest, taxes, depreciation, and amortization
EDMS	Electronic document management system
EMERCOM	Ministry of the Russian Federation for Civil Defense, Emergency Management and Natural Disasters Response
ES	Emergency situation
ETL	Electricity transmission lines
Extra (commercial) losses of electric energy	Difference between factual and standard losses of electric energy; it is fully paid by the grid company the networks of which suffered from extra losses of electric energy
FA	Fixed assets
Factual (reported) losses of electric energy	Difference between the volume of electric energy transmitted to the electric network from other networks or from electricity producers and the volume of electric energy consumed by electric devices connected to this network and/or transmitted to other network organisations
Federal Energy Committee (in Russian, FEK)	Federal Energy Committee
Federal Grid Company/JES Federal Network Company (in Russian, FSK)	Federal Grid Company
FFMS	Federal Financial Markets Service
FTS	Federal Tariff Service
FWP	Fall-winter period
GCC	Grids control center
HF channels	High-frequency channels

Terms, abbreviation	Definition
HV	High voltage (from 110 kW)
IDGC	Interregional distribution grid company
IFRS	International financial reporting standards
ISC	Isolator and short-circuiter
IT	Information technologies
ITT	Information technologies and telecommunications
KPI	Key performance indicators
kV	Kilovolt. A voltage measurement unit
kWh	Kilowatt hour. A unit for electric energy measurement
Last mile	Connection channel between a communication provider and a subscriber
Losses of energy	Difference between output to grids and useful power output
LV	Low voltage (0.4 kV and lower)
ME	Municipal entity
MM	Mass media
MRO	Maintenance repairs and operating
MUC	Municipal unitary company
MVA	Megavolt-ampere, an electric power measurement unit
MV 1	Middle voltage 1 (35 kV)
MV 2	Middle voltage 2 (20-1 kV)
MW	Megawatt, an electric power measurement unit
Network company, grid company/GC	Company that provides services in electricity transmission with the use of grid facilities not connected with the UNPG, and, in cases set out in the legislation of the Russian Federation, with the use of grid facilities included in the UNPG
OL	Overhead electricity transmission line
Output to the grid	The volume of electricity supplied to the electric power grid of the distribution company from different grids or from electricity producers
Publicity capital	Qualitative and quantitative set of all known information about the public object, measured in a money equivalent; the concept "Publicity capital" is close to the concept "intangible assets of the enterprise"
PD	Production division
PDEA	Potential dangerous economic asset
PGIO	Power grid infrastructure objects

Terms, abbreviation	Definition
Power sales company	Company that sells electric power to other companies as its main type of business
PRA	Protective relaying and automation
REG	Region of electric grids
Regulated activities	Activities regulated under federal law On state regulation of tariffs for electric and thermal energy in the Russian Federation
ROE	ROE (return on equity) measures the rate of return on the ownership interest (shareholders' equity) of the common stock owners. It measures a firm's efficiency at generating profits from every dollar of shareholders' equity (also known as net assets or assets minus liabilities). It shows how well a company uses investment money to generate earnings growth. ROE is equal to a fiscal year's net income (after preferred stock dividends but before common stock dividends) divided by total equity (excluding preferred shares), expressed as a percentage
ROTA	Return on total assets
RRL	Radio-relay lines
RTS	Regional tariff service
R&D	Research and development
SCTI	System for collecting and transferring information
SS	Software system
SS	Substation
SSIW	Self-supporting insulated wire
Substation	Subsidiary station of an electricity generation, transmission and distribution system where voltage is transformed from high to low or the reverse using transformers
TC	Technological connection of clients to the electric networks of a company that renders services in electricity transmission
Technological connection	Technological connection of energy receiving devices (electric installations) owned by natural and legal persons to the electric networks of a company that renders services in electricity transmission
TR&R	Technical reconstruction and re-equipment of fixed assets
TS	An electric substation for increasing and reducing voltage in the alternating current network and for electric energy distribution
TS	Technical specifications
UES	United Energy System
UNPG	United National (All-Russia) Power Grid
Useful output from grids	The amount of electric energy consumed by the energy-accepting mechanisms of the Consumer, connected to this grid, as well as transferred to other grid companies
YIIP	Yearly integrated purchasing program





APPENDICES

Appendix 1

INFORMATION ON ELECTRICITY TRANSMISSION SERVICES BY IDGC OF THE SOUTH, JSC

Tariffs for electricity transmission for IDGC of the South, JSC branches for the period from January 1, 2012 till June 30, 2012

Singular ("boiler") tariffs for electricity transmission services for the period from 01.01.2012 till 30.06.2012					
No., date of the tariff decree, group of customers	Two-part tariff			One-part tariff, RUB/MWh	
	Rate for maintaining electric grids, RUB/MW/month	Rate for paying for technological losses in electric grids, RUB/MWh			
IDGC of South, JSC					
Astrakhanenergo, JSC					
1	Decree of the Tariff Service of the Astrakhan Region dated 16.12.2011 No.511 (as amended by Decree dated 31.01.2012 No.1) (Collection of Laws and Regulatory Legal Acts of the Astrakhan Region dated 20.12.2011 No.56)	HV	169,907.85	367.39	612.72
		MV1	214,715.52	355.21	795.52
		MV2	439,876.85	283.34	1,280.48
		LV	648,279.78	560.68	1,813.43
		Population	—	—	1,200.65
Volgogradenergo, JSC					
2	Decree of the Directorate of the Regional Tariffs of the Volgograd Region dated 23.12.2011 No. 54/1 (Volgogradskaya Pravda dated 30.12.2011 No.247)	Other consumers			
		HV	621,320.470	65.390	884.600
		MV1	733,572.020	113.000	1,268.960
		MV2	986,679.760	239.270	1,992.120
		LV	987,190.610	793.650	2,944.850
Population	—	—	650.730		
Kalmenergo, JSC					
3	Decree of the Regional Tariff Service of the Republic of Kalmykia dated 31.05.2012 No. 65-п/э (Khal'mg Ynn dated 02.06.2012 No.93-94)	Other consumers			
		HV	750,127.12	102.75	1,747.34
		MV1	973,486.29	203.05	2,337.34
		MV2	1,106,092.16	324.37	2,477.34
		LV	1,356,471.06	519.64	3,187.34
Population	—	—	1,233.60		
Rostovenergo, JSC					
4	Decree of the Regional Tariff Service of the Rostov Region dated 28.12.2011 No.31/1 (Nashe Vremya dated 30.12.2011 No.650-658)	Other consumers			
		HV	492,674.90	628.34	1,499.28
		MV1	519,587.90	691.14	1,647.74
		MV2	758,423.50	722.32	1,659.53
		LV	982,521.80	729.12	2,099.16
		Population			
		Urban with gas stoves			
		HV	—	—	1,559.59
		MV1	—	—	1,559.59
		MV2	—	—	1,559.59
		LV	—	—	1,559.59
		Urban with electric stoves			
		HV	—	—	771.45
		MV1	—	—	771.45
		MV2	—	—	771.45
LV	—	—	771.45		
Rural					
HV	—	—	771.45		
MV1	—	—	771.45		
MV2	—	—	771.45		
LV	—	—	771.45		

Tariffs for electricity transmission for IDGC of the South, JSC branches for the period from July 1, 2012 till December 31, 2012

Singular ("boiler") tariffs for electricity transmission services for the period from 01.07.2012 till 31.12.2012					
No., date of the tariff decree, group of customers		Two-part tariff		One-part tariff, RUB/MWh	
		Rate for maintaining electric grids, RUB/MW/month	Rate for paying for technological losses in electric grids, RUB/MWh		
IDGC of South, JSC					
Astrakhanenergo, JSC					
1	Decree of the Tariff Service of the Astrakhan Region dated 30.05.2012 No.71 (Collection of Laws and Regulatory Legal Acts of the Astrakhan Region dated 07.06.2012 No.25)	HV	188,597.22	407.80	680.12
		MV1	246,590.80	394.28	883.03
		MV2	524,698.54	314.51	1,421.33
		LV	787,027.09	622.35	2,012.91
		Population	—	—	1,272.69
Volgogradenergo, JSC					
2	Decreets of the Ministry of Fuel, Energy, Regional Development and Tariff Regulation of the Volgograd Region dated 18.07.2012 No.3/1 (Volgogradskaya Pravda dated 25.07.2012 No.132); dated 28.11.2012 No.27/1 (Volgogradskaya Pravda dated 05.12.2012 No.229)	Other consumers			
		HV	640,042.55	63.58	923.58
		MV1	780,482.06	112.25	1,285.14
		MV2	1,055,370.15	244.90	2,123.52
		LV	1,062,712.66	802.94	3,235.28
		Population	—	—	975.87
		Consumers equivalent to the population	—	—	975.87
		Population, rural	—	—	297.90
		Population, urban with electric stoves	—	—	297.90
Kalmenergo, JSC					
3	Decree of the Regional Tariff Service of the Republic of Kalmykia dated 31.05.2012 No.65-n/a (Khal'mg Ynn dated 02.06.2012 No.93-94)	Other consumers			
		HV	724,412.67	114.05	1,939.54
		MV1	940,114.61	225.39	2,594.44
		MV2	1,138,214.10	360.05	2,749.84
		LV	1,391,618.35	576.80	3,537.94
Population	—	—	1,287.64		
Rostovenergo, JSC					
4	Decree of the Regional Tariff Service of the Rostov Region dated 31.05.2012 No.14/8 (Nashe Vremya dated 21.06.2012 No.319-322), Decree of the Regional Tariff Service of the Rostov Region dated 09.10.2012 No.38/3 (Nashe Vremya dated 16.10.2012 No.581-589)	Other consumers			
		HV	546,869.10	697.46	1,664.20
		MV1	576,742.60	767.17	1,828.99
		MV2	841,850.10	801.78	1,842.08
		LV	1,090,599.20	809.32	2,330.07
Population	—	—	1,348.54		

Appendix 1

Individual tariffs for electric power transmission for mutual settlement between Regional Transmission Companies and related network companies for the period from January 1, 2012 till June 30, 2012

No.	Date of adoption of the tariff decree	Company name	Two-part tariff		Single-part tariff
			Rate for maintaining electric grids	Rate for paying for technological losses in electric grids	
			RUB/MW/month	RUB/MWh	
IDGC of South, JSC					
Volgogradenergo, JSC					
1	Decree of the Directorate of the Regional Tariffs of the Volgograd Region dated 23.12.2011 No. 54/4 (published in Volgogradskaya Pravda dated 30.12.2011 No. 247)	Volgogradoblektro, JSC	10,772.18	138.60	162.01
		Municipal Unitary Enterprise Volgograd Interregional Electricity Networks	169,628.78	60.41	494.90
		Municipal Government Enterprise Volga Interregional Power Networks	88,867.80	228.63	381.97
Kalmenergo, JSC					
2	Decree of the Regional Tariff Service of the Republic of Kalmykia dated 31.05.2012 No. 65-п/э (Khal'mg Ynn dated 02.06.2012 No. 93-94)	KalmEnergoKom, JSC	418,915.393	260.199	1,199.075
		Interregional Public Organization October Transenergo	329,348.386	232.724	1,019.879
		Municipal Unitary Enterprise MPOKH Iki-Burulsky CMO RK	346,217.571	344.805	1,182.067
		Gazpromenergo, LLC	832,548.285	321.418	2,272.830
		RZD, JSC	460,132.955	289.652	1,285.492
Rostovenergo, JSC					
3	Decree of the Regional Tariff Service of the Rostov Region dated 28.12.2011 No. 31/2	Donenergo, JSC	93,182.518	0.194	186.727

Individual tariffs for electric power transmission for mutual settlement between Regional Transmission Companies and related network companies for the period from 01.07.2012 till 31.12.2012

No.	Date of adoption of the tariff decree	Company name	Two-part tariff		Single-part tariff
			Rate for maintaining electric grids	Rate for paying for technological losses in electric grids	
			RUB/MW/month	RUB/MWh	
IDGC of South, JSC					
Volgogradenergo, JSC					
1	Decree of the Directorate of the Regional Tariffs of the Volgograd Region dated 31.05.2012 No. 21/4 (Volgogradskaya Pravda dated 20.06.2012 No. 107); dated 28.11.2012 No. 27/1	Volgogradoblektro, JSC	0.00	99.79	99.79
		Municipal Unitary Enterprise Volgograd Interregional Electricity Networks	202,368.19	183.45	703.11
		Municipal Government Enterprise Volga Interregional Power Networks	121,883.43	334.82	541.61
		Oboronenergo, JSC	838,850.26	563.59	2,474.51
		VgAZ branch of SUAL, JSC	840,898.70	59.37	1393.93
Kalmenergo, JSC					
2	Decree of the Regional Tariff Service of the Republic of Kalmykia dated 31.05.2012 No. 65-n/э (Khal'mg Ynn dated 02.06.2012 No. 93-94)	KalmEnergoKom, JSC	412,909.847	274.260	1,213.449
		Interregional Public Organization October Transenergo	357,310.309	258.710	1,116.428
		Municipal Unitary Enterprise MPOKH Iki-Burulsky CMO RK	299,619.424	382.892	1,107.465
		Gazpromenergo LLC	978,237.120	357.826	2,506.745
		RZD, JSC	471,437.918	313.123	1,336.557
Rostovenergo, JSC					
3	Decree of the Regional Tariff Service of the Rostov Region dated 31.05.2012 No. 14/9	Donenergo, JSC (from 01.07.2012 till 09.10.2012)	69,793.770	0.231	144.434
4	Decree of the Regional Tariff Service of the Rostov Region dated 09.10.2012 No. 38/4 (Nashe Vremya dated 16.10.2012 No. 581-589)	Donenergo, JSC (from 10.10.2012 till 31.12.2012)	1,209.060	0.239	12.738

Appendix 2

INFORMATION ON TARIFFS AND VOLUMES OF DEMAND FOR TECHNOLOGICAL CONNECTION

VOLUMES AND TARIFFS FOR TECHNOLOGICAL CONNECTION SUBMITTED TO THE BODY FOR TARIFF REGULATION FOR THE CURRENT YEAR AND THE NEXT YEAR AND TARIFFS FOR TECHNOLOGICAL CONNECTION SET BY THE REGULATORY BODY

Tariffs for technological connection set by the authorised body of the executive power in the field of State regulation of tariffs

Connection categories	Rates of payment for technological connection approved by the Regional Energy Commission as of 31.12.2011, excluding VAT, RUB/kW			
	Voltage level, kV			
	0.4		6–20	
	Assurance factor			
	2	3	2	3
IDGC of the South, JSC branch — Astrakhanenergo, JSC				
Up to 15 kW, total	Standardized rates	Standardized rates	Standardized rates	Standardized rates
including individual persons	466	466	466	466
From 15 to 100 kW, total	Standardized rates	Standardized rates	Standardized rates	Standardized rates
including the applicants who have taken advantage of installment plan				
From 100 to 670 kW	Standardized rates	Standardized rates	Standardized rates	Standardized rates
670 kW and more	Standardized rates	Standardized rates	Standardized rates	Standardized rates
TOTAL				
IDGC of the South, JSC branch — Volgogradenergo, JSC				
Up to 15 kW, total		466.1		466.1
including individual persons		466.1		466.1
From 15 to 100 kW, total		382.66 / 7743.19		382.66 / 7743.19
including the applicants who have taken advantage of installment plan		382.66 / 7743.20		382.66 / 7743.20
From 100 to 670 kW		72.92 / 8161.59		72.92 / 8161.59
670 kW and more		72.92 / 8161.59		72.92 / 8161.59
TOTAL				
IDGC of the South, JSC branch — Kalmenergo, JSC				
Up to 15 kW, total	466.1	466.1	466.1	466.1
including individual persons	466.1	466.1	466.1	466.1
From 15 to 100 kW, total	Standardized rates	3636.3 / Standardized rates	Standardized rates	3636.3 / Standardized rates
including the applicants who have taken advantage of installment plan				
From 100 to 670 kW	Standardized rates	3636.3 / Standardized rates	Standardized rates	3636.3 / Standardized rates
670 kW and more				
TOTAL				
IDGC of the South, JSC branch — Rostovenergo, JSC				
Up to 15 kW, total	466.1	466.1	466.1	466.1
including individual persons				
From 15 to 100 kW, total	Standardized rates	Standardized rates	Standardized rates	Standardized rates
including the applicants who have taken advantage of installment plan				
From 100 to 670 kW	Standardized rates	Standardized rates	Standardized rates	Standardized rates
670 kW and more	Standardized rates	Standardized rates	Standardized rates	Standardized rates
TOTAL				

Rates approval date (day, month, year), decree number (No. xx)	Rates of payment for technological connection approved by the Regional Energy Commission as of 31.12.2012, excluding VAT, RUB/kW				Rates approval date (day, month, year), decree number (No. xx)
	Voltage level, kV				
	0.4		6–20		
	Assurance factor				
	2	3	2	3	
IDGC of the South, JSC branch — Astrakhanenergo, JSC					
Decree dated 07.04.2011 No. 26 (amendments introduced by Decree dated 22.06.2011 No. 72)	Standardized rates	613.52 / Standardized rates	Standardized rates	613.52 / Standardized rates	Decree dated 19.06.2012 No. 77
		466		466	
	Standardized rates	112.52 / Standardized rates	Standardized rates	97.24 / Standardized rates	
	Standardized rates	22.03 / Standardized rates	Standardized rates	19.61 / Standardized rates	
	Standardized rates	8.93 / Standardized rates	Standardized rates	8.93 / Standardized rates	
IDGC of the South, JSC branch — Volgogradenergo, JSC					
Decree dated 17.12.2010 No. 34/3		466.1		466.1	Decree of the Directorate of the Regional Tariffs of the Volgograd Region dated 23.05.2012 No. 19/2
		466.1		466.1	
		337.21 / 9068.87		337.21 / 9068.87	
		337.21 / 9068.87		337.21 / 9068.87	
		87.88 / 9068.87		87.88 / 9068.87	
		87.88 / 9068.87		87.88 / 9068.87	
IDGC of the South, JSC branch — Kalmenergo, JSC					
Decree dated 18.05.2011 No. 57-п/э Decree dated 18.05.2011 No. 56-п/э		466.1		466.1	Decree dated 23.01.2012 No. 11-п/э Decree dated 19.11.2012 No. 112- п/э
	Standardized rates	7349.62 / Standardized rates	Standardized rates	7349.62 / Standardized rates	
	Standardized rates	7349.62 / Standardized rates	Standardized rates	7349.62 / Standardized rates	
IDGC of the South, JSC branch — Rostovenergo, JSC					
Decree dated 28.12.2010 No. 20/13 (as amended on 28.02.2011)		466.1		466.1	Decree dated 17.12.2011 No. 30/10
	Standardized rates	Standardized rates	Standardized rates	Standardized rates	
	Standardized rates	Standardized rates	Standardized rates	Standardized rates	
	Standardized rates	Standardized rates	Standardized rates	Standardized rates	

Appendix 2

REPORT ON THE VOLUME OF DEMAND FOR TECHNOLOGICAL CONNECTIONS AND SATISFACTION OF THIS DEMAND

Branch and technological connection categories name	Valid contracts at 01.01.2012		Quantity of applications for TC in the reporting period		Contracts reached for TC in the reporting period (total)		
	pcs	kW	pcs	kW	pcs	kW	
IDGC of the South, JSC branch — Astrakhanenergo, JSC							
Up to 15 kW, total	4,354	26,918	6,507	45,440	5,277	37,199	
including individual persons	3,570	21,900	5,547	38,530	4,547	31,809	
From 15 to 100 kW, total	374	17,252	525	25,026	250	11,636	
including the applicants who have taken advantage of installment plan	0	0	0	0	0	0	
From 100 to 670 kW	184	43,807	248	57,717	139	31,715	
670 kW and more	40	98,194	56	152,428	8	8,268	
TOTAL	4,952	186,171	7,336	280,611	5,674	88,818	
IDGC of the South, JSC branch — Volgogradenergo, JSC							
Up to 15 kW, total	3,165	23,894	3,337	30,102	2,888	26,010	
including individual persons	2,240	17,204	2,413	24,712	2,119	21,635	
From 15 to 100 kW, total	232	9,772	225	10,890	110	5,398	
including the applicants who have taken advantage of installment plan	3	193	3	171	2	159	
From 100 to 670 kW	113	29,715	150	46,764	80	23,767	
670 kW and more	79	103,369	162	246,196	70	64,655	
TOTAL	3,589	166,750	3,874	333,952	3,148	119,830	
IDGC of the South, JSC branch — Kalmenergo, JSC							
Up to 15 kW, total	209	1,245	325	1,983	271	1,633	
including individual persons	44	202	197	1,022	177	936	
From 15 to 100 kW, total	26	958	23	823	16	544	
including the applicants who have taken advantage of installment plan	2	68	3	102	3	102	
From 100 to 670 kW	12	1,864	6	3,108	4	1,848	
670 kW and more	3	59,220	1	721	0	0	
TOTAL	250	63,287	355	6,635	291	4,025	
IDGC of the South, JSC branch — Rostovenergo, JSC							
Up to 15 kW, total	5,217	41,606	10,166	96,590	6,668	63,681	
including individual persons	2,723	23,765	4,993	50,106	4,515	44,799	
From 15 to 100 kW, total	327	14,212	683	32,391	242	11,300	
including the applicants who have taken advantage of installment plan	5	301	4	272	3	173	
From 100 to 670 kW	254	67,455	706	156,454	158	37,997	
670 kW and more	115	368,977	837	1,299,799	254	140,151	
TOTAL	5,913	492,251	12,392	1,585,233	7,322	253,129	
IDGC of the South, JSC							
Up to 15 kW, total	12,945	93,663	20,335	174,114	15,104	128,524	
including individual persons	8,577	63,070	13,150	114,371	11,358	99,179	
From 15 to 100 kW, total	959	42,195	1,456	69,130	618	28,877	
including the applicants who have taken advantage of installment plan	10	562	10	545	8	434	
From 100 to 670 kW	563	142,841	1,110	264,043	381	95,327	
670 kW and more	237	629,760	1,056	1,699,144	332	213,074	
TOTAL	14,704	908,459	23,957	2,206,431	16,435	465,802	

- Without including power generating infrastructure

Terminated contracts for TC in the reporting period		Applications not accounted for in the reporting period		Number of contracts performed (signed TC acts)		Valid TC contracts at 31.12.2012	
pcs	kW	pcs	kW	pcs	kW	pcs	kW
IDGC of the South, JSC branch — Astrakhanenergo, JSC							
90	616	724	4,671	4,677	30,327	4,864	33,175
49	347	597	3,959	3,956	25,261	4,112	28,101
29	1,570	195	9,448	246	12,137	349	15,182
0	0	0	0	0	0	0	0
20	5,712	85	20,357	104	24,276	199	45,533
2	2,966	35	101,094	20	31,814	26	71,682
141	10,863	1,039	135,570	5,047	98,554	5,438	165,572
IDGC of the South, JSC branch — Volgogradenergo, JSC							
216	1,502	315	2,700	3,190	23,491	2,647	24,911
98	830	216	2,214	2,252	17,496	2,009	20,513
16	1,213	86	4,120	100	4,873	226	9,084
0	0	0	0	0	0	5	352
3	650	46	15,506	67	19,121	123	33,711
4	3,452	41	95,985	50	20,433	95	144,139
239	6,817	488	118,311	3,407	67,918	3,091	211,845
IDGC of the South, JSC branch — Kalmenergo, JSC							
17	107	29	169	275	1,562	188	1,208
2	14	12	58	150	753	69	371
2	110	5	210	21	819	19	573
0	0	0	0	2	120	3	50
0	0	2	1,260	6	1,553	10	2,159
0	0	0	0	0	0	3	59,220
19	217	36	1,639	302	3,934	220	63,160
IDGC of the South, JSC branch — Rostovenergo, JSC							
169	1,371	3,238	30,144	6,696	58,163	5,020	45,753
114	990	311	3,422	3,909	36,065	3,215	31,510
12	595	381	17,480	194	8,659	363	16,259
0	0	1	99	1	50	7	424
7	2,763	464	103,371	149	36,453	256	66,236
16	108,627	416	875,189	131	105,871	222	294,630
204	113,356	4,499	1,026,184	7,170	209,147	5,861	422,878
IDGC of the South, JSC							
492	3,596	4,306	37,683	14,838	113,543	12,719	105,047
263	2,179	1,136	9,652	10,267	79,575	9,405	80,495
59	3,488	667	31,257	561	26,488	957	41,098
0	0	1	99	3	170	15	826
30	9,125	597	140,494	326	81,404	588	147,639
22	115,045	492	1,072,268	201	158,118	346	569,671
603	131,254	6,062	1,281,703	15,926	379,553	14,610	863,455

Appendix 3

REPORTING FINANCIAL INFORMATION BY RUSSIAN STANDARDS

BALANCE SHEET as of December 31, 2012

	Codes	
	Form under OKUD	0710001
	Date (date, month, year)	31/12/2012
Organization: IDGC of South, JSC	under OKPO	80380011
Taxpayer's identification number	INN	6164266561
Type of economic activity: power transmission	under OKVED	40.10.2
Legal form of incorporation / form of ownership: Open Joint-Stock Company / private property	under OKOPF/OKFS	47/16
Measuring unit: thousand rubles	under OKEI	384
Location (address): 49 Bolshaya Sadovaya St., 344002, Rostov-on-Don		

Clarifications	Factor Name	Line Code	As of December 31, 2012	As of December 31, 2011	As of December 31, 2010
ASSET					
I. NON-CURRENT ASSETS					
5.1.1–5.2.2	Intangible assets	1110	14	18	20
5.2.2	including incomplete operations on intangible assets purchase	1111	—	—	—
5.2.1–5.2.2	Research and development results	1120	54,414	26,133	3,304
5.2.2	including incomplete research and development costs	1121	43,346	21,267	—
	Intangible development assets	1130	—	—	—
	Tangible development assets	1140	—	—	—
5.3.1–5.3.6	Fixed assets	1150	31,301,830	28,927,577	26,680,503
	land plots and nature facilities	1151	12,033	2,037	1,230
	buildings, machines and equipment, constructions	1152	26,170,491	25,260,976	24,675,943
	other types of fixed assets	1153	354,532	209,318	189,719
5.3.5	Construction in progress	1154	4,622,132	3,136,531	1,706,538
5.3.6	advance notes issued for capital construction and fixed assets purchase	1155	142,642	318,715	107,073
	raw materials and materials used for creation of fixed assets	1156	—	—	—
5.3.1	Interest-bearing investments into material valuables	1160	—	—	—
	property for leasing	1161	—	—	—
	property provided under lease contract	1162	—	—	—
5.4.1–5.4.3	Financial investments	1170	245,396	418,950	461,702
	investments into subsidiaries	1171	236,513	350,451	401,849
	investments into affiliates	1172	—	—	—
	investments into other organizations	1173	8,883	20,236	11,590
	loans issued to organizations for the term exceeding 12 months	1174	—	—	—
	financial investments	1175	—	48,263	48,263
5.7.2	Deferred tax assets	1180	196,368	160,929	367,050
	Other non-current assets	1190	598,105	745,779	459,513
TOTAL for section I		1100	32,396,127	30,279,386	27,972,092

Clarifications	Factor Name	Line Code	As of December 31, 2012	As of December 31, 2011	As of December 31, 2010
II. CURRENT ASSETS					
5.5.1–5.5.2	Stores	1210	1,160,532	1,064,327	786,594
	raw materials, materials and other equal valuables	1211	1,119,042	1,021,057	778,919
	incomplete production costs	1212	—	—	—
	ready products and goods for resale	1213	41,490	43,270	7,675
	shipped goods	1214	—	—	—
	other stores and costs	1215	—	—	—
	Value added tax for purchased valuables	1220	254,061	63,758	17,751
5.6.1–5.6.4	Accounts receivable	1230	8,262,868	7,943,613	7,715,016
	Payments whereon are expected later than 12 months after reporting date	1231	351,114	465,589	593,181
	purchasers and customers	123101	14,519	31,542	33,875
	bills receivable	123102	—	—	—
	issued advance notes	123103	16,368	853	12,990
	other accounts receivable	123104	320,227	433,194	546,316
	Payments whereon are expected within 12 months after reporting date	1232	7,911,754	7,478,024	7,121,835
	purchasers and customers	123201	6,307,790	5,605,610	5,786,217
	bills receivable	123202	—	—	—
	dividends arrears of subsidiaries and affiliates	123203	—	—	—
	participants' (founders') arrears of dues to authorized capital	123204	—	—	—
	issued advance notes	123205	117,932	700,407	140,103
	other accounts receivable	123206	1,486,032	1,172,007	1,195,515
5.4.1–5.4.3	Financial investments (excluding money equivalent)	1240	—	4,000	20,000
	loans issued to organizations for the term less than 12 months	1241	—	—	—
	other short-term financial investments	1242	—	4,000	20,000
F. 4	Monetary assets and money equivalent	1250	1,738,812	1,404,180	338,132
	cash	1251	169	152	114
	settlement accounts	1252	1,713,441	1,402,090	321,148
	foreign currency accounts	1253	—	—	—
	other monetary assets	1254	25,202	1,938	16,870
	Other current assets	1260	30,760	102,353	170,531
TOTAL for section II		1200	11,447,033	10,582,231	9,048,024
BALANCE		1600	43,843,160	40,861,617	37,020,116
LIABILITIES					
III. CAPITAL AND BACKLOG					
3.1	Authorized capital (reserve capital, charter fund, partners' investments)	1310	4,981,110	4,981,110	4,981,110
3.1	Own shares reacquired from shareholders	1320	—	—	—
3.1	Revaluation of non-current assets	1340	14,744,980	14,757,652	14,829,755
3.1	Additional capital (without revaluation)	1350	—	—	—
3.1	Reserve capital	1360	148,736	142,867	142,867

Appendix 3

Clarifications	Factor Name	Line Code	As of December 31, 2012	As of December 31, 2011	As of December 31, 2010
3.1	Retained profit (uncovered loss)	1370	(7,878,410)	(4,582,265)	(4,735,187)
	for past years	1371	(4,575,462)	(4,582,265)	(4,735,187)
	for the reporting period	1372	(3,302,948)	—	—
TOTAL for section III		1300	11,996,416	15,299,364	15,218,545
IV. FIXED LIABILITIES					
5.6.7–5.6.8	Borrowed funds	1410	16,500,000	13,750,000	3,212,900
	bank loans to be reimbursed more than in 12 months after the reporting date	1411	11,942,322	9,192,322	2,900,000
	loans to be reimbursed more than in 12 months after the reporting date	1412	4,557,678	4,557,678	312,900
5.7.2	Deferred tax liabilities	1420	299,443	297,677	287,070
5.7.1	Estimated liabilities	1430	—	—	—
5.6.5–5.6.6	Other liabilities	1450	—	2,728,379	18,862
TOTAL for section IV		1400	16,799,443	16,776,056	3,518,832
V. CURRENT LIABILITIES					
5.6.7–5.6.8	Borrowed funds	1510	2,841,890	2,839,120	10,953,836
	bank loans to be reimbursed within 12 months after the reporting date	1511	2,402,548	2,401,801	4,600,000
	loans to be reimbursed within 12 months after the reporting date	1512	439,342	437,319	6,353,836
5.6.5–5.6.6	Notes receivable	1520	10,462,059	5,407,937	6,753,422
	suppliers and contractors	1521	5,092,305	2,967,061	5,313,674
	bills payable	1522	2,966,675	—	—
	wages payable to personnel	1523	10,888	188,665	144,119
	arrears to state extra-budgetary funds	1524	106,084	84,023	66,507
	taxes and duties payable	1525	37,530	90,351	60,645
	received advance notes	1526	1,752,790	1,801,147	927,029
	arrears participants (founders) of profit payment	1527	—	—	1,894
	other notes receivable	1528	495,787	276,690	239,554
	Deferred income	1530	61,495	68,874	76,496
5.7.1	Estimated liabilities	1540	1,681,857	470,266	498,985
	Other liabilities	1550	—	—	—
TOTAL for section V		1500	15,047,301	8,786,197	18,282,739
BALANCE		1700	43,843,160	40,861,617	37,020,116

STATEMENT OF FINANCIAL RESULTS for 12 months 2012

	Codes	
	Form under OKUD	0710002
	Date (date, month, year)	31/12/2012
Organization: IDGC of South, JSC	under OKPO	80380011
Taxpayer's identification number	INN	6164266561
Type of economic activity: power transmission	under OKVED	40.10.2
Legal form of incorporation / form of ownership: Open Joint-Stock Company / private property	under OKOPF/OKFS	47/16
Measuring unit: thousand rubles	under OKEI	384
Location (address): 49 Bolshaya Sadovaya St., 344002, Rostov-on-Don		

Clarifications	Factor Name	Code	For 2012	For 2011
1	2	3	4	5
	Proceeds, including	2110	23,464,348	24,356,303
	proceeds from power transmission	2111	21,362,644	22,688,104
	proceeds from technical connection	2112	1,953,622	1,463,940
	proceeds from organization of operation and development of UES of Russia in part of distributive electric grid facilities	2113	—	—
	proceeds from electric energy and power resale	2114	—	—
	income from participation in other organizations	2115	—	—
	income from leasing	2116	38,572	51,376
	proceeds from sale of other products, goods, works, services of an industrial nature	2117	81,813	120,878
	proceeds from sale of other products, goods, works, services of a non-industrial nature	2118	27,697	32,005
2.1	Cost of sales, including	2120	(21,056,317)	(20,068,056)
	net cost of power transmission	2121	(20,424,550)	(19,760,114)
	net cost of technical connection	2122	(508,784)	(181,127)
	net cost of organization of operation and development of UES of Russia in part of distributive electric grid facilities	2123	—	—
	net cost of electric energy and power resale	2124	—	—
	net cost of participation in other organizations	2125	—	—
	net cost of leasing services	2126	(13,799)	(16,677)
	proceeds from sale of other products, goods, works, services of an industrial nature	2127	(57,561)	(81,672)
	proceeds from sale of other products, goods, works, services of a non-industrial nature	2128	(51,623)	(28,466)
	Total profit (loss)	2100	2,408,031	4,288,247

Appendix 3

Clarifications	Factor Name	Code	For 2012	For 2011
1	2	3	4	5
2.1	Business expenses	2210	—	—
2.1	Administrative expenses	2220	(876,014)	(751,449)
	Sale profit (loss)	2200	1,532,017	3,536,798
	Income from participation in other organizations	2310	63,692	31
	Interests receivable	2320	18,418	13,681
	Interests payable	2330	(1,622,183)	(1,493,282)
5.11	Other income	2340	1,302,436	1,056,541
5.11	Other expenses	2350	(4,755,727)	(2,684,446)
	Before-tax income (loss)	2300	(3,461,347)	429,323
2.3	Current tax on income	2410	—	(340,145)
2.3	including permanent tax liabilities (assets)	2421	647,400	442,495
2.3	Adjustment of deferred tax liabilities	2430	(1,996)	(10,644)
2.3	Adjustment of deferred tax assets	2450	46,865	(177,571)
	Other	2460	113,530	179,856
	Net profit (loss)	2400	(3,302,948)	80,819

Clarifications	Factor Name	Code	For 2012	For 2011
FOR REFERENCE				
5.1.1–5.3.1	Result from revaluation of non-current assets which is not included into the period net profit (loss)	2510	—	—
3.2	Result from other operations which is not included into the period net profit (loss)	2520	—	—
	Period aggregate financial result	2500	(3,302,948)	80,819
2.2	Basic earnings (loss) per share	2900	(0.0663)	0.0016
2.2	Diluted earnings (loss) per share	2910	(0.0663)	0.0016

CAPITAL CHANGE REPORT for 2012

	Codes
Form under OKUD	0710003
Date (date, month, year)	31/12/2012
Organization: IDGC of South, JSC	under OKPO
Taxpayer's identification number	80380011
Type of economic activity: power transmission	INN
Legal form of incorporation / form of ownership: Open Joint-Stock Company / private property	6 164 266 561
Measuring unit: thousand rubles	under OKVED
Location (address): 49, Bolshaya Sadovaya St., Rostov-on-Don, 344002	40.10.2
	under OKOPF/OKFS
	47/16
	under OKEI
	384

Capital flow

Factor Name	Code	Authorized capital	Own shares reacquired from shareholders	Additional capital	Reserve capital	Retained profit (uncovered loss)	Total
Capital value as of 31 December 2010	3100	4,981,110	—	14,829,755	142,867	(4,735,187)	15,218,545
for 2011							
Capital growth — total:	3210	—	—	—	—	80,819	80,819
including: net profit	3211	×	×	×	×	80,819	80,819
revaluation of assets	3212	×	×	—	×	—	—
income related directly to capital growth	3213	×	×	—	×	—	—
additional share issue	3214	—	—	—	×	×	—
growth of share denomination	3215	—	×	×	×	—	×
legal entity reorganization	3216	—	—	—	—	—	—
Capital reduction — total:	3220	—	—	—	—	—	—
including: loss	3221	×	×	×	×	—	—
revaluation of assets	3222	×	×	—	×	—	—
expenses related directly to capital reduction	3223	×	×	—	×	—	—
reduction of share denomination	3224	—	—	×	×	—	—
reduction of number of shares	3225	—	—	×	×	—	—
legal entity reorganization	3226	—	—	—	—	—	—
dividends	3227	×	×	×	×	—	—
Change of additional capital	3230	×	×	(72,103)	×	72,103	×
Change of reserve capital	3240	×	×	×	—	—	×
Capital value as of 31 December 2011	3200	4,981,110	—	14,757,652	142,867	(4,582,265)	15,299,364
as of 2012							
Capital growth — total:	3310	—	—	—	—	—	—
including: net profit	3311	×	×	×	×	—	—
revaluation of assets	3312	×	×	—	×	—	—
income related directly to capital growth	3313	×	×	—	×	—	—
additional share issue	3314	—	—	—	×	×	—
growth of share denomination	3315	—	×	×	×	—	×
legal entity reorganization	3316	—	—	—	—	—	—

Appendix 3

Factor Name	Code	Authorized capital	Own shares reacquired from shareholders	Additional capital	Reserve capital	Retained profit (uncovered loss)	Total
Capital reduction — total:	3320	—	—	—	—	(3,302,948)	(3,302,948)
including: loss	3321	×	×	×	×	(3,302,948)	(3,302,948)
revaluation of assets	3322	×	×	—	×	—	—
expenses related directly to capital reduction	3323	×	×	—	×	—	—
reduction of share denomination	3324	—	×	×	×	—	—
reduction of number of shares	3325	—	—	×	×	—	—
legal entity reorganization	3326	—	—	—	—	—	—
dividends	3327	×	×	×	×	—	—
Change of additional capital	3330	×	×	(12,672)	×	12,672	×
Change of reserve capital	3340	×	×	×	5,869	(5,869)	×
Capital value as of 31 December 2012	3300	4,981,110	—	14,744,980	148,736	(7,878,410)	11,996,416

Adjustments related to change of accounting policies and errors correction

Factor Name	Code	As of December 31, 2010	Change of capital for 2011		As of December 31, 2011
			owing to net profit (loss)	owing to other factors	
Capital — total					
prior to adjustments	3400	16,442,772	117,388	—	16,560,160
adjustment related to: change of accounting policies	3410	—	—	—	—
errors correction	3420	(1,224,227)	(36,569)	—	(1,260,796)
after adjustments	3500	15,218,545	80,819	—	15,299,364
including: retained profit (uncovered loss) prior to adjustments	3401	(3,510,960)	117,388	72,103	(3,321,469)
adjustment related to: change of accounting policies	3411	—	—	—	—
errors correction	3421	(1,224,227)	(36,569)	—	(1,260,796)
after adjustments	3501	(4,735,187)	80,819	72,103	(4,582,265)
other adjusted capital items: (under items) prior to adjustments	3402	19,953,732	—	(72,103)	19,881,629
Authorized capital		4,981,110	—	—	4,981,110
Own shares reacquired from shareholders		—	—	—	—
Additional capital		14,829,755	—	(72,103)	14,757,652
Reserve capital		142,867	—	—	142,867
adjustment related to: change of accounting policies	3412	—	—	—	—
errors correction	3422	—	—	—	—
after adjustments	3502	19,953,732	—	(72,103)	19,881,629

Net assets, thousand rubles

Factor Name	Code	As of December 31, 2012	As of December 31, 2011	As of December 31, 2010
Net assets	3600	12,057,911	15,368,238	15,295,041

STATEMENT OF CASH FLOWS for 12 months 2012

	Codes
Form under OKUD	0710004
Date (date, month, year)	31/12/2012
Organization: IDGC of South, JSC	under OKPO
Taxpayer's identification number	80380011
Type of economic activity: power transmission	INN
Legal form of incorporation / form of ownership: Open Joint-Stock Company / private property	6164266561
Measuring unit: thousand rubles	under OKVED
Location (address): 49, Bolshaya Sadovaya St., Rostov-on-Don, 344002	40.10.2
	under OKOPF/OKFS
	47/16
	under OKEI
	384

Factor Name	Code	For 2012	For 2011
1	2	3	4
Cash flows from current transactions			
Inpayments — total	4110	21,458,258	24,302,205
including from selling products, goods, works and services	4111	20,795,396	23,723,424
including from selling products, goods, works and services to parent companies, subsidiaries and affiliates	411101	226,168	314,608
from rental payments, license payments, royalty, payment of fees and other equal payments	4112	24,075	44,476
including from rental payments, license payments, royalty, payment of fees and other equal payments received from parent companies, subsidiaries and affiliates	411201	2,488	6,945
from resale of financial investments	4113	—	—
including from resale of financial investments by parent companies, subsidiaries and affiliates	411301	—	—
other inpayments	4119	638,787	534,305
including other inpayments from parent companies, subsidiaries and affiliates	411901	4,535	—
Payments — total	4120	(19,516,639)	(21,798,664)
including to suppliers (contractors) for raw material, materials, works, services	4121	(10,760,431)	(13,719,961)
including to suppliers (contractors) for raw material, materials, works, services of parent companies, subsidiaries and affiliates	412101	(175,546)	(459,360)
in connection with wages of employees	4122	(4,267,995)	(3,577,019)
interests on debenture	4123	(1,383,715)	(1,717,772)
including interests on debenture to parent companies, subsidiaries and affiliates	412301	—	—
tax on organizations income	4124	(564,494)	(81,110)
other payments	4129	(2,540,004)	(2,702,802)
including other payments to parent companies, subsidiaries and affiliates	412901	(2,500)	—
Balance of cash flows from current transactions	4100	1,941,619	2,503,541
Cash flows from investment transactions			
Inpayments — total	4210	8,249	8,695
including from sale of non-current assets (excluding financial investments)	4211	3,013	7,907
including from sale of non-current assets (excluding financial investments) to parent companies, subsidiaries and affiliates	421101	293	—
from sale of other organizations stocks (shares)	4212	—	—
including from sale other organizations stocks (shares) to parent companies, subsidiaries and affiliates	421201	—	—
from reimbursement of issued loans, from sale of debt securities (claims of monetary funds to other persons)	4213	—	—
including from reimbursement of issued loans, from sale of debt securities (claims of monetary funds to other persons) of parent companies, subsidiaries and affiliates	421301	—	—
dividends, interests on debt financial investments and equal inpayments from share interest in other organizations	4214	10	788
including dividends, interests on debt financial investments and equal inpayments from share interest in other organizations from parent companies, subsidiaries and affiliates	421401	—	—
other inpayments	4219	5,226	—
including other inpayments from parent companies, subsidiaries and affiliates	421901	5,226	—

Appendix 3

Factor Name	Code	For 2012	For 2011
1	2	3	4
Payments — total	4220	(4,324,956)	(4,038,590)
including in connection with purchase, creation, modernization, reconstruction and preparation to use of non-current assets	4221	(4,271,583)	(4,019,517)
including payments to parent companies, subsidiaries and affiliates in connection with purchase, creation, modernization, reconstruction and preparation to use of non-current assets	422101	(999)	—
in connection with purchase of stocks of other organizations (shares)	4222	—	(2,500)
including payments to parent companies, subsidiaries and affiliates in connection with purchase of stocks of other organizations (shares)	422201	—	(2,500)
in connection with purchase of debt securities (claims of monetary funds to other persons), issuing loans to other persons	4223	—	—
including payments to parent companies, subsidiaries and affiliates in connection with purchase of debt securities (claims of monetary funds to other persons), issuing loans to other persons	422301	—	—
interests on debenture included into the value of investment asset	4224	(43,373)	(16,573)
including interests on debenture included into the value of investment asset to parent companies, subsidiaries and affiliates	422401	—	—
other payments	4229	(10,000)	—
including other payments to parent companies, subsidiaries and affiliates	422901	(10,000)	—
Balance of cash flows from investment transactions	4200	(4,316,707)	(4,029,895)
Cash flows from financial transactions			
Inpayments — total	4310	5,207,711	14,362,010
including procurement of loans and credits	4311	5,207,678	13,694,527
including procurement of loans and credits from parent companies, subsidiaries and affiliates	431101	—	—
monetary contributions of owners (participants)	4312	—	—
including monetary contributions of owners (participants) from parent companies, subsidiaries and affiliates	431201	—	—
from share issue, increase of shares	4313	—	—
including from share issue, increase of shares of parent companies, subsidiaries and affiliates	431301	—	—
from issue of bonds, bills of exchange and other debt securities, etc.	4314	—	666,983
including from issue of bonds, bills of exchange and other debt securities, etc. of parent companies, subsidiaries and affiliates	431401	—	—
other inpayments	4319	33	500
including other inpayments from parent companies, subsidiaries and affiliates	431901	—	—

Factor Name	Code	For 2012	For 2011
1	2	3	4
Payments — total	4320	(2,497,979)	(11,769,620)
including to owners (participants) in connection with repurchase of stock (shares) of the organization or their leaving of participants list	4321	—	—
including to owners (participants) in connection with repurchase of stock (shares) of the organization or their leaving of participants list of parent companies, subsidiaries and affiliates	432101	—	—
for payment of dividends and other payments on distribution of profit in favour of the owners (participants)	4322	—	(8)
including for payment of dividends and other payments on distribution of profit in favour of the owners (participants) of parent companies, subsidiaries and affiliates	432201	—	—
in connection with payments (repurchase) of bills and other debt securities, reimbursement of loans and credits	4323	(2,457,678)	(11,714,794)
in connection with payments (repurchase) of bills and other debt securities, reimbursement of loans and credits to parent companies, subsidiaries and affiliates	432301	—	—
other payments	4329	(40,301)	(54,818)
including other payments to parent companies, subsidiaries and affiliates	432901	—	—
Balance of cash flows from financial transactions	4300	2,709,732	2,592,390
Cash flows balance for the reporting period	4400	334,644	1,066,036
Demand balance and balance of money equivalents as of the beginning of the reporting period	4450	1,404,168	338,132
Demand balance and balance of money equivalents as of the end of the reporting period	4500	1,738,812	1,404,168
Index of influence of change of currency rate of exchange with regard to Russian rouble	4490		

AUDITEE REPORTING FINANCIAL INFORMATION BY INTERNATIONAL STANDARDS

JSC INTERREGIONAL DISTRIBUTION GRID COMPANY OF SOUTH CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2012

AUDITORS' REPORT

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To the Shareholders and Board of Directors JSC Interregional Distribution Grid Company of South

We have audited the accompanying consolidated financial statements of JSC Interregional Distribution Grid Company of South (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2012, and the consolidated statements of comprehensive income, changes in equity and cash flows for 2012, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the fair presentation of these consolidated financial statements based on our audit. We conducted our audit in accordance with Russian Federal Auditing Standards and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness

of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to express a qualified opinion on the fair presentation of these consolidated financial statements.

Basis for Qualified Opinion

We did not observe the counting of inventories with a carrying amount of RUB 809,701 thousand as at 31 December 2010 because we were engaged as auditors of the Group only after that date. We were unable to satisfy ourselves as to those inventory quantities by alternative means. As a result, we were unable to determine whether adjustments might have been found necessary in respect of the elements making up the consolidated statements of comprehensive income, changes in equity and cash flows for the year ended 31 December 2011. Our opinion on the consolidated financial statements as at and for the year ended 31 December 2011 dated 14 May 2012 was modified accordingly. Our opinion on the current year's consolidated financial statements is also modified because of the possible effects of this matter on the comparability of the current year's figures and the corresponding figures.

Qualified Opinion

In our opinion, except for the possible effects on the corresponding figures as at and for the year ended 31 December 2011 and the possible effects on the comparability of the current year's figures of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2012, and its financial performance and its cash flows for 2012 in accordance with International Financial Reporting Standards.

Deputy Director CJSC KPMG
(power of attorney dated 28 October 2011 No. 50/11)
12 April 2013
Moscow, Russian Federation

T. E. Titova

Appendix 4

JSC IDGC OF SOUTH CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ended 31 December 2012 *

(in thousands of Russian rubles, unless otherwise stated)

	Notes	Year ended 31 December 2012	Year ended 31 December 2011
Revenue and government subsidies	7	24,286,292	23,193,767
Operating expenses	8	(21,810,816)	(24,676,827)
Other operating income	9	310,630	403,082
Results from operating activities		2,786,106	(1,079,978)
Finance income	11	24,897	26,650
Finance costs	11	(1,499,189)	(1,436,241)
Net finance costs		(1,474,292)	(1,409,591)
Profit (loss) before income tax		1,311,814	(2,489,569)
Income tax (expense) benefit	12	(320,400)	359,581
Profit (loss) for the year		991,414	(2,129,988)
Other comprehensive (loss) income			
Net change in fair value of available-for-sale financial assets		(14,444)	10,035
Income tax on other comprehensive income	16	2,271	(1,729)
Other comprehensive (loss) income for the year, net of income tax		(12,173)	8,306
Total comprehensive income (loss) for the year		979,241	(2,121,682)
Total comprehensive income (loss) attributable to:			
Shareholders of the Company		979,241	(2,121,682)
Earnings (loss) per share — basic and diluted (in Russian rubles)	21	0.020	(0.043)

These consolidated statements were approved by management on 12 April 2013.

* The consolidated statement of comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 198 to 235.

	Notes	31 December 2012	31 December 2011
ASSETS			
Non current assets			
Property, plant and equipment	13	24,688,519	22,344,478
Intangible assets	14	534,141	607,221
Non-current accounts receivable and prepayments	18	348,401	789,562
Investments and financial assets	15	62,855	77,189
Deferred tax assets	16	13,954	400,041
Total non current assets		25,647,870	24,218,491
Current assets			
Inventories	17	1,206,861	1,077,204
Income tax receivable		371,096	11,822
Current accounts receivable and prepayments	18	6,234,435	4,488,172
Cash and cash equivalents	19	1,749,396	1,421,286
Total current assets		9,561,788	6,998,484
TOTAL ASSETS		35,209,658	31,216,975
EQUITY AND LIABILITIES			
Equity			
Share capital	20	4,981,110	4,981,110
Available-for-sale investments revaluation reserve		5,196	17,369
Retained earnings (losses)		(408,586)	(1,400,000)
Total equity		4,577,720	3,598,479
Non-current liabilities			
Loans and borrowings	22	16,500,000	16,473,217
Trade and other accounts payable	25	91,436	128,025
Employee benefits	24	316,002	764,851
Financial lease liabilities	23	7,334	35,947
Deferred tax liabilities	16	85,455	2,811
Total non-current liabilities		17,000,227	17,404,851
Current liabilities			
Loans and borrowings	22	5,808,565	2,840,650
Trade and other accounts payable	25	7,439,451	6,379,351
Financial lease liabilities	23	6,652	7,308
Provisions	26	376,927	964,318
Income tax payable		116	22,018
Total current liabilities		13,631,711	10,213,645
Total liabilities		30,631,938	27,618,496
TOTAL EQUITY AND LIABILITIES		35,209,658	31,216,975

Appendix 4

	Notes	Year ended 31 December 2012	Year ended 31 December 2011
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit (loss) before income tax		1,311,814	(2,489,569)
Adjustments for:			
Depreciation and amortization	8	2,597,632	2,561,259
(Reversal) allowance for impairment of trade and other receivables	8	(3,420)	1,766,077
Finance costs	11	1,499,189	1,436,241
Finance income	11	(24,897)	(26,650)
Impairment of property, plant and equipment	8	90,012	86,400
Loss on disposal of property, plant and equipment	8	21,356	24,343
(Reversal) accrual of provisions for legal claims	8	(512,991)	749,504
Other non-cash items		(67,931)	118,122
Operating profit before changes in working capital		4,910,764	4,225,727
Change in accounts receivable and prepayments		(1,515,710)	(401,973)
Change in finance assets related to employee benefits fund		3,059	64,499
Change in inventories		(77,394)	(258,402)
Change in trade and other accounts payable		1,165,916	(1,240,554)
Change in provisions		(74,400)	(313,111)
Change in employee benefits		(448,849)	166,265
Cash flows from operations before income tax paid		3,963,386	2,242,451
Income tax (paid) returned		(469,643)	108,659
Net cash flows from operating activities		3,493,743	2,351,110
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisition of property, plant and equipment		(4,461,043)	(4,496,613)
Acquisition of intangible assets		(22,988)	(379,435)
Proceeds from disposal of property, plant and equipment		17,235	7,907
Interest received		18,693	13,681
Net cash flows used in investing activities		(4,448,103)	(4,854,460)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from loans and borrowings		5,207,678	17,088,458
Repayment of loans and borrowings		(2,458,761)	(11,714,794)
Interest paid		(1,437,177)	(1,758,496)
Dividends paid		—	(1,894)
Repayment of finance lease liabilities		(29,270)	(32,824)
Net cash flows from financing activities		1,282,470	3,580,450
Net increase in cash and cash equivalents		328,110	1,077,100
Cash and cash equivalents at the beginning of the year	19	1,421,286	344,186
Cash and cash equivalents at the end of the year	19	1,749,396	1,421,286

	Attributable to shareholders of the Company			
	Share capital	Available-for-sale investments revaluation reserve	Retained earnings (losses)	Total equity
Balance at 1 January 2011	4,981,110	9,063	729,988	5,720,161
Loss for the year	—	—	(2,129,988)	(2,129,988)
Net change in fair value of available-for-sale financial assets	—	10,035	—	10,035
Income tax on other comprehensive income	—	(1,729)	—	(1,729)
Total comprehensive loss for the year	—	8,306	(2,129,988)	(2,121,682)
Balance at 31 December 2011	4,981,110	17,369	(1,400,000)	3,598,479
Balance at 1 January 2012	4,981,110	17,369	(1,400,000)	3,598,479
Profit for the year	—	—	991,414	991,414
Net change in fair value of available-for-sale financial assets	—	(14,444)	—	(14,444)
Income tax on other comprehensive income	—	2,271	—	2,271
Total comprehensive income for the year	—	(12,173)	991,414	979,241
Balance at 31 December 2012	4,981,110	5,196	(408,586)	4,577,720

JSC IDGC OF SOUTH NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ended 31 December 2012

1. The group and its operations

Background

Joint-Stock Company "Interregional Distribution Grid Company of South" (hereinafter referred to as JSC "IDGC of South" or the "Company") was set up on 28 June 2007 on the basis of Resolution No. 192p of the Russian Open Joint-Stock Company RAO "United Energy Systems of Russia" (hereafter, "RAO UES") dated 22 June 2007.

The Company's registered office is located at 49, Bolshaya Sadovaya St., Rostov-on-Don, Russia, 344002.

The Company's postal address is located at 327, Severnaya St., Krasnodar, Russia, 350015.

As part of the reform process, a merger of the Company with the entities listed below was effected on 31 March 2008 in accordance with the Resolution No. 266 of the Board of Directors of RAO UES dated 30 November 2007 and Resolution No. 1795np/b of the Board of Administration of RAO UES dated 25 December 2007: Astrakhanenergo, JSC; Kalmenergo, JSC; Rostovenergo, JSC; Volgogradenergo, JSC. The merger was effected through conversion of shares issued by the Company in exchange for shares in the merged entities. As a result of the merger, the above-mentioned entities ceased to exist as separate legal entities and the Company became their legal successor.

The subsidiaries of the Company are disclosed in Note 4.

The Company's and its subsidiaries' (together referred to as the "Group") principal activity is the transmission of electricity and the connection of customers to the electricity grids. The Group's business is a national monopoly which is under the pressure and support of the Russian government. The Govern-

ment of the Russian Federation influences the Group's operations through setting transmission tariffs. The Group's tariffs are controlled by the Federal Service on Tariffs and the Regional Energy Commissions.

On 1 July 2008 RAO UES ceased to exist as a separate legal entity and transferred the shares in the Company to JSC Interregional Distribution Grid Company Holding (hereinafter — JSC IDGC Holding), a newly formed state-controlled entity.

As at 31 December 2012, the Government of the Russian Federation owned 56.58% of the voting shares and 7.01% of the preference shares of JSC IDGC Holding (31 December 2011: 55.95% of the voting ordinary shares and 7.01% of the preference shares), which in turn owned 51.66% of the Company (31 December 2011: 51.66%).

Business environment

The Group's operations are located in the Russian Federation. Consequently, the Group is exposed to the economic and financial markets of the Russian Federation which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the Russian Federation. The consolidated financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

2. Basis of preparation

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

Basis of measurement

The consolidated financial statements are prepared on the historical cost basis except for investments available-for-sale that are stated at fair value; and property, plant and equipment that are measured at carrying amounts included in the consolidated IFRS financial statements of IDGC Holding as considered as deemed cost as part of adoption of IFRSs as at 1 January 2010.

Functional and presentation currency

The national currency of the Russian Federation is the Russian Rouble ("RUB"), which is the Company's functional currency and the currency in which these consolidated financial statements are presented. All financial information presented in RUB has been rounded to the nearest thousand.

Going concern

These consolidated financial statements have been prepared on a going concern basis.

As at 31 December 2012 the Group had a net working capital deficit of RUB 4,069,923 thousand (as at 31 December 2011: RUB 3,215,162 thousand) primarily attributable to trade and other payables and current loans and borrowings.

The Group monitors the level of liquidity on a regular basis. Management monitors maturities of the estimated cash flows from

operating and financing activities and manages current liquidity using open credit lines. As at 31 December 2012 the Group had no unused credit lines. During 2013 the Group plans to obtain long term bank loans amounted to RUB 5,550 million including RUB 3,350 million of credit lines in the first half of 2013. In April 2013 the loan in the amount of RUB 1,900 million obtained from OJSC Nordea Bank will be directed for restructuring. Currently the Group is negotiating the prospective restructuring of promissory notes payable to OJCS Federal Grid Company in the amount of RUB 2,723 million with IDGC Holding and OJCS Federal Grid Company of United energy system.

In May 2012 the Federal Tariff Service confirmed long-term parameters of RAB-tariffs in three of the Company's branches: Astrakhanenergo, Kalmenergo and Rostovenergo. These decisions are targeted at the following: preservation of the invested capital level which was considered under the transition to RAB, optimization of the profitability level and approval of the capital investment program to develop and ensure the regular supply of electricity to customers.

In order to increase the efficiency of working capital management the Group is focused on an increased collection of trade receivables, including reducing doubtful receivables. The Group approved a plan of measures to reduce outstanding receivables for electricity transmission and for the settlement of disputes with customers. The issues regarding collection of receivables are considered by the Management Board on a quarterly basis.

Management anticipates that any repayments of loans and borrowings and settlement of trade and other payables required will be met out of operating or financing cash flows. Therefore, management believes that there is no significant uncertainty regarding Group's ability to continue as going concern.

Use of estimates and judgements

The preparation of consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate are revised and in any future periods affected.

Information about critical judgments in applying accounting

policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in Note 27 — allowance for impairment of trade and other receivables.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is included in the following notes:

- Note 13 — property, plant and equipment;
- Note 24 — employee benefits;
- Note 26 — provisions;
- Note 29 — contingencies.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements. The accounting policies have been applied consistently by Group entities.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

(ii) Acquisitions from entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls

the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; for this purpose comparatives are revised. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the financial statements of the acquired entities. The components of equity are added to the same components within Group entity, except that any share capital of the acquired entities is recognised as part of retained earnings. Any cash or other consideration paid for the acquisition is recognised directly in equity.

(iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(b) Financial instruments

(i) Non-derivative financial assets

Non-derivative financial assets comprise investments in equity, trade and other receivables, promissory notes and cash and cash equivalents.

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets are recognised initially on the date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial assets into the following categories: loans and receivables and available-for-sale financial assets.

Loans and receivables

Loans and receivables are a category of financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Loans and receivables category comprises the following classes of financial assets: trade and other receivables, promissory notes and cash and cash equivalents.

Cash and cash equivalents comprise cash balances, call deposits and highly liquid investments with maturities of three months or less from the acquisition date that are subject to insignificant risk of changes in their fair value.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in the previous category. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see Note 3(h)

(i)), are recognised in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognised or impaired, the cumulative gain or loss in other comprehensive income is transferred to profit or loss.

(ii) Non-derivative financial liabilities

The Group initially recognises debt securities issued on the date that they are originated. All other financial liabilities are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise loans and borrowings and trade and other payables.

(c) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing of assets and restoring the site on which they are located, and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or and loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and is recognised net within “other operating income” or “operating expenses” in profit or loss.

(ii) Subsequent costs

The cost of replacing part of a component of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use. Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

Type of property, plant and equipment	Useful lives, years
Production buildings	5–60
Transmission network	4–70
Equipment for electricity transmission	5–40
Other	1–50

Depreciation methods, useful lives and residual values are reviewed at each financial year and adjusted if appropriate.

(e) Intangible assets

(i) Initial recognition

Intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

(iii) Amortisation

Amortisation is calculated over the cost of the asset, or other amount substituted for cost, less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use since this most closely reflects the expected pattern of consumption of future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are as follows:

Type of intangible assets	Useful lives, years
Software	3–15
Licenses and certificates	3–5

Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

(f) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as financial leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised in the consolidated statement of financial position.

(g) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is determined on the weighted average cost method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(h) Impairment

(i) Non-derivative financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is an objective evidence of impairment.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference

between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

Any subsequent recovery in the fair value of impaired available-for-sale equity security is recognised in other comprehensive income.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset, or CGU, is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU.

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated to reduce the carrying amount of other assets in the CGU on a pro rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(i) Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans, including Russia's State pension fund, are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(ii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and any unrecognised past services and unrecognised actuarial gains and losses are deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in profit or loss.

The Group recognises all actuarial gains and losses in profit or loss for the reporting period under the 10% corridor of the post-employment benefit obligation.

The Group recognises gains and losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in the present value of defined benefit obligation and any related actuarial gains and losses and past service cost that had not previously been recognised.

(iii) Other long-term employee benefits

The Group's net obligation in respect of long term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed using the projected unit credit method. Any actuarial gains or losses are recognised in profit or loss in the period in which they arise.

(iv) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(j) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(k) Revenue

(i) Electricity transmission

Revenue from electricity transmission recognised in profit or loss when the services are rendered based on the acts confirming the volume of electric energy distributed in accordance with agreements signed with customers. The act is compiled on the basis of a monthly report of electricity consumed (in terms of physical volumes) for each customer. The tariffs for energy transmission are approved by the Federal Tariff Agency and Regional Energy Commission of each region of the Group's operation.

(ii) Connection services

Revenue from connection services represents a non-refundable fee for connecting the customer to the electricity grid network. The terms, conditions and amounts of these fees are negotiated separately and are independent from fees generated by electricity transmission services. The tariffs for connection services are

approved by the Federal Tariff Agency and Regional Energy Commission of each region of the Group's operations.

Revenue is recognised when electricity is activated and the customer is connected to the grid network, or, for contracts where connection services are performed in stages, revenue is recognised in the proportion to the stage of completion.

(iii) Other services

Revenue from installation, repair and maintenance services and other sales is recognised when the services are provided or when the significant risks and rewards of ownership of the goods have passed to the buyer.

(l) Government subsidies

Government subsidies that compensate the Group for low electricity tariffs are recognised in profit or loss in the same periods in which the respective revenue is earned.

(m) Other expenses

(i) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under financial leases are apportioned between the financial expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(n) Finance income and costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income,

gains on the disposal of available-for-sale financial assets, discount on financial instruments. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established.

Finance costs comprise interest expense on borrowings, finance leasing, unwinding of the discount on provisions and impairment losses recognised on financial assets other than trade and other receivables. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

(o) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future;
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

In determining the amount of current and deferred tax the Group takes into account the impact of uncertain tax positions and whether additional taxes, penalties and late-payment interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact the tax expense in the period that such a determination is made.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

In accordance with the tax legislation of the Russian Federation, tax losses and current tax assets of a company in the Group may not be set off against taxable profits and current tax liabilities of other Group companies. In addition, the tax base is determined separately for each of the Group's main activities and, therefore, tax losses and taxable profits related to different activities cannot be offset.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(p) Earnings per share

The Group presents basic earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

(q) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's operating decision making body (Management Board) to make decisions about resources to be allocated to the segment and assess its performance.

Segment results that are reported to the Management Board, include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly head office revenue, assets and liabilities.

(r) Related parties

As the Group is a government-related entity it applies the exemption on disclosure of information about transactions with entities that are related parties because the Government of the Russian Federation has control, joint control or significant influence over them.

The Group discloses a share of sales to government-related entities and share of key purchases from such entities as quantitative indications of related-parties transactions.

(s) New standards and Interpretations not yet adopted

A number of new Standards, amendments to Standards and Interpretations are not yet effective as at 31 December 2012,

and have not been applied in preparing these consolidated financial statements. Of these pronouncements, potentially the following will have an impact on the Group's operations. The Group plans to adopt these pronouncements when they become effective.

The Group has not yet analysed the likely impact of the new Standards on its financial position or performance.

- IAS 19 (2011) *Employee Benefits*. The amended standard will introduce a number of significant changes to IAS 19. First, the corridor method is removed and, therefore, all changes in the present value of the defined benefit obligation and in the fair value of plan assets will be recognised immediately as they occur. Secondly, the amendment will eliminate the current ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss. Thirdly, the expected return on plan assets recognised in profit or loss will be calculated based on the rate used to discount the defined benefit obligation. The amended standard shall be applied for annual periods beginning on or after 1 January 2013 and early adoption is permitted. The amendment generally applies retrospectively.
- IFRS 9 *Financial Instruments* will be effective for annual periods beginning on or after 1 January 2015. The new standard is to be issued in phases and is intended ultimately to replace International Financial Reporting Standard IAS 39 *Financial Instruments: Recognition and Measurement*. The first phase of IFRS 9 was issued in November 2009 and relates to the classification and measurement of financial assets. The second phase regarding classification and measurement of financial liabilities was published in October 2010. The remaining parts of the standard are expected to be issued during 2013. The Group recognises that the new standard introduces many changes to the accounting for financial instruments and is likely to have a significant impact on Group's consolidated financial statements. The impact of these changes will be analysed during the course of the project as further phases of the standard are issued. The Group does not intend to adopt this standard early. The Standard has not yet been endorsed in the Russian Federation.
- IFRS 10 *Consolidated Financial Statements* will be effective for annual periods beginning on or after 1 January 2013. The new standard supersedes IAS 27 *Consolidated and Separate Financial Statements* and SIC-12 *Consolidation — Special Purpose Entities*. IFRS 10 introduces a single control model which includes entities that are currently within the scope of SIC-12 *Consolidation — Special Purpose Entities*. Under the new three-step control model, an investor controls an investee

when it is exposed, or has rights, to variable returns from its involvement with that investee, has the ability to affect those returns through its power over that investee and there is a link between power and returns. Consolidation procedures are carried forward from IAS 27 (2008). When the adoption of IFRS 10 does not result a change in the previous consolidation or non-consolidation of an investee, no adjustments to accounting are required on initial application. When the adoption results a change in the consolidation or non-consolidation of an investee, the new standard may be adopted with either full retrospective application from date that control was obtained or lost or, if not practicable, with limited retrospective application from the beginning of the earliest period for which the application is practicable, which may be the current period.

- IFRS 12 *Disclosure of Interests in Other Entities* will be effective for annual periods beginning on or after 1 January 2013. The new standard contains disclosure requirements for entities that have interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. Interests are widely defined as contractual and non-contractual involvement that exposes an entity to variability of returns from the performance of the other entity. The expanded and new disclosure requirements aim to provide information to enable the users to evaluate the nature of risks associated with an entity's interests in other entities and the effects of those interests on the entity's financial position, financial performance and cash flows.
- IFRS 13 *Fair Value Measurement* will be effective for annual periods beginning on or after 1 January 2013. The new standard replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It provides a revised definition of fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurement that currently exist in certain standards. The standard is applied prospectively with early adoption permitted. Comparative disclosure information is not required for periods before the date of initial application.
- Amendments to IAS 32 *Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities* do not introduce new rules for offsetting financial assets and liabilities; rather they clarify the offsetting criteria to address inconsistencies in their application. The Amendments

specify that an entity currently has a legally enforceable right to set-off if that right is not contingent on a future event; and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. The amendments are effective for annual periods beginning on or after 1 January 2014, and are to be applied retrospectively.

- *Various Improvements to IFRSs* have been dealt with on a standard-by-standard basis. All amendments, which result in accounting changes for presentation, recognition or measurement purposes, will come into effect for annual periods beginning after 1 January 2013. The Group has not yet analysed the likely impact of the improvements on its financial position or performance.

4. Group subsidiaries

The Group's consolidated financial statements include the following subsidiaries that are incorporated in the Russian Federation:

Subsidiary	Principal activity	Ownership, %	
		31 December 2012	31 December 2011
OJSC Volgogradsetremont	Repair service	100	100
OJSC Predpriyatie selskogo khozyaystva im. A. A. Grechko	Agriculture	100	100
OJSC Predpriyatie selskogo khozyaystva Sokolovskoye	Agriculture	100	100
OJSC Baza Otdykha Energetik	Recreation	100	100
OJSC Energoservis Yuga	Repair service	100	100
OJSC Astrakhanelektrosetremont	Repair service	—	100

In November 2012 OJSC Astrakhanelektrosetremont was closed. Net profit generated by this subsidiary in 2012 up to the date of closing amounted to RUB 2,920 thousand.

5. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value for assets and liabilities. Fair values have been determined for measurement and for disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Investments in equity securities

The fair value of available-for-sale financial assets is determined by reference to their quoted closing bid price at the reporting date.

Trade and other receivables

The fair value of non-current trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

Appendix 4

6. Operating segments

The Group has four reportable segments representing branches of the Company, as described below. These are the Group's strategic business units. The strategic business units offer similar services representing transmission of electric power and connection services, and are managed separately. For each of the strategic business units, the Management Board, the Group's operating decision making body, reviews internal management reports.

"Others" include operations of the Group's subsidiaries and the Kubanenergo. None of them meets any of the quantitative thresholds for determining reportable segments in 2012 or 2011.

Unallocated items comprise corporate balances of the Company's headquarters which do not constitute an operating segment under IFRS 8.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by the Management Board.

Segment reports are based on the information reported in the statutory accounts, which differ significantly from the consolidated financial statements prepared under IFRS. The reconciliation of items measured as reported to the Management Board with similar items in these consolidated financial statements includes those reclassifications and adjustments that are necessary for financial statements to be presented in accordance with IFRS.

Segment capital expenditures are the total cost incurred during the year to acquire property, plant and equipment.

Information about reportable segments as at and for the year ended 31 December 2012

	Transmission				Others	Total
	Astrakhanenergo	Volgogradenergo	Kalmenergo	Rostovenergo		
Electricity transmission	3,519,301	7,905,095	579,238	9,359,010	—	21,362,644
Connection services	310,887	13,563	929,567	699,605	—	1,953,622
Other	20,058	32,696	14,102	45,225	99,216	230,500
Total revenue from external customers	3,850,246	7,951,354	1,522,907	10,103,840	99,216	23,527,563
Inter-segment revenue	—	669	—	112	18,422	19,203
Total reportable segment revenue	3,850,246	7,952,023	1,522,907	10,103,952	117,638	23,546,766
Reportable segment operating profit (loss)	710,383	1,636,837	497,826	(440,960)	(26,679)	2,377,407
Finance income	—	—	—	1	275	276
Finance costs	(221,096)	(564,756)	(171,096)	(663,327)	(1,949)	(1,622,224)
Reportable segment profit (loss) before income tax	8,611	477,433	246,093	(1,743,131)	(35,255)	(1,046,249)
Depreciation and amortisation	347,418	541,806	79,651	1,398,335	16,407	2,383,617
Reportable segment assets	5,530,473	12,929,785	3,370,403	18,527,998	420,617	40,779,276
Including property, plant and equipment	4,644,508	6,963,697	2,499,019	16,856,496	323,963	31,287,683
Reportable segment liabilities	1,237,087	3,098,254	658,302	5,469,192	139,249	10,602,084
Capital expenditures	683,362	680,648	1,341,987	2,444,549	3,935	5,154,481

Information about reportable segments as at and for the year ended 31 December 2011

	Transmission				Others	Total
	Astrakhanenergo	Volgogradenergo	Kalmenergo	Rostovenergo		
Electricity transmission	3,688,036	7,709,694	596,437	10,693,937	—	22,688,104
Connection services	84,427	12,258	1,127,545	239,710	—	1,463,940
Other	21,833	77,105	12,844	53,343	115,202	280,327
Total revenue from external customers	3,794,296	7,799,057	1,736,826	10,986,990	115,202	24,432,371
Inter-segment revenue	—	938	—	—	20,551	21,489
Total reportable segment revenue	3,794,296	7,799,995	1,736,826	10,986,990	135,753	24,453,860
Reportable segment operating profit (loss)	860,446	1,518,556	975,006	920,697	(22,066)	4,252,639
Finance income	—	—	—	690	—	690
Finance costs	(232,787)	(654,353)	(147,773)	(457,061)	—	(1,491,974)
Reportable segment profit (loss) before income tax	346,757	598,476	807,186	(404,514)	(39,243)	1,308,662
Depreciation and amortisation	311,461	545,185	71,028	1,260,936	16,866	2,205,476
Reportable segment assets	5,332,796	12,918,155	2,830,877	17,645,747	495,004	39,222,579
Including property, plant and equipment	4,217,445	6,853,802	1,731,795	15,750,650	375,158	28,928,850
Reportable segment liabilities	1,097,622	2,277,907	797,990	4,172,496	152,708	8,498,723
Capital expenditures	865,625	346,278	614,359	2,437,728	37,620	4,301,610

Reconciliation of reportable segments revenue, profit (loss) before income tax, assets and liabilities

Reconciliation of reportable segment revenue is presented below:

	Year ended 31 December 2012	Year ended 31 December 2011
Total revenue for reportable segments	23,546,766	24,453,860
Inter-segment revenue elimination	(19,203)	(21,489)
Adjustment on revenue from electricity transmission	(252,905)	(786,207)
Adjustment on revenue from connection services	941,073	(540,489)
Reclassification from other income	46,857	106,080
Cut-off adjustment	—	(29,167)
Unallocated	23,704	11,179
Revenues per Consolidated Statement of Comprehensive Income	24,286,292	23,193,767

Appendix 4

Reconciliation of reportable segment (loss) profit before income tax is presented below:

	Year ended 31 December 2012	Year ended 31 December 2011
Total (loss) profit before income tax for reportable segments	(1,046,249)	1,308,662
Adjustments for financial lease	70,488	2,522
Adjustment for allowance for impairment of accounts receivable	1,746,007	(835,009)
Adjustment for depreciation of property, plant and equipment	89,733	(90,424)
Impairment losses on property, plant and equipment	(90,012)	(86,400)
Recognition of employee benefits	445,867	(259,328)
Discounting of financial instruments	2,930	(34,882)
Adjustment for accrual of provision for legal claims	1,832,310	(436,383)
Adjustment on revenue from electricity transmission	(252,905)	(786,207)
Adjustment on revenue from connection services	941,073	(540,489)
Cut-off adjustment	—	(29,167)
Reallocation of prior year income and expenses	—	139,764
Other adjustments	5,154	46,201
Unallocated	(2,432,582)	(888,429)
Profit (loss) before income tax per Consolidated Statement of Comprehensive Income	1,311,814	(2,489,569)

Reconciliation of reportable segment total assets is presented below:

	31 December 2012	31 December 2011
Total assets for reportable segments	40,779,276	39,222,579
Inter-segment balances	(130,575)	(117,646)
Elimination of cost of investments in subsidiaries	(341,432)	(350,451)
Adjustment for net book value of property, plant and equipment	(6,946,274)	(6,929,518)
Recognition of financial assets related to employee benefit fund	53,972	56,953
Adjustment for allowance for impairment of accounts receivable	476,570	(2,269,828)
Adjustment for deferred tax	(197,535)	225,259
Adjustments for finance lease	(60,863)	(102,081)
Adjustments on trade and other receivables	(2,014,514)	(1,439,636)
Provision for obsolescence of inventories	(1,901)	(54,476)
Other	138,802	(115,328)
Unallocated	3,454,132	3,091,148
Total assets per Consolidated Statement of Financial Position	35,209,658	31,216,975

Reconciliation of reportable segment total liabilities is presented below:

	31 December 2012	31 December 2011
Total liabilities for reportable segments	10,602,084	8,498,723
Inter-segment balances	(130,575)	(117,646)
Employee benefits	316,002	764,851
Accrual of bonuses and unused vacation provision	236,364	234,384
Adjustment for accrual of provision for legal claims	(1,131,140)	964,318
Adjustment on advances received for connection services	(388,925)	637,776
Adjustment for deferred tax	(213,988)	(294,866)
Financial lease liabilities	13,985	43,255
Other	(52,381)	(50,925)
Unallocated	21,380,512	16,938,626
Total liabilities per Consolidated Statement of Financial Position	30,631,938	27,618,496

Revenues from government-related entities are reported by all segments of the Group. The information is disclosed in Note 30.

For the year ended 31 December 2012 the Group had three major customers — distribution companies in three regions of the Russian Federation with individual turnover over 10% of the total Group revenues. The total amounts of revenues for these major customers for the year ended 31 December 2012 were RUB 2,838,789 thousand (Astrakhanenergo, JSC), RUB 2,949,069 thousand (Volgogradenergo, JSC) and RUB 6,083,621 thousand (Rostovenergo, JSC) (for the year ended 31 December 2011: RUB 2,826,648 thousand (Astrakhanenergo, JSC), RUB 3,106,030 thousand (Volgogradenergo, JSC) and RUB 6,698,731 thousand (Rostovenergo, JSC)).

7. Revenue and government subsidies

	Year ended 31 December 2012	Year ended 31 December 2011
Electricity transmission	21,155,611	22,011,839
Connection services	2,890,808	923,020
Rent	48,488	61,456
Repairs and maintenance	19,399	26,937
Other	171,394	169,858
Total revenue	24,285,700	23,193,110
Government subsidies	592	657
Total	24,286,292	23,193,767

In 2012 the Group did not recognise revenue for the electricity transmission services provided to distribution companies in the total amount of RUB 571,105 thousand (in 2011: RUB 680,135 thousand) due to unresolved disagreements with these customers. These disagreements are currently being considered in court.

In 2012 the Group recognised revenue for electricity transmission services provided to distribution companies in the total amount of RUB 307,154 thousand related to the prior years disagreements which were resolved in favour of the Group.

Appendix 4

8. Operating expenses

	Year ended 31 December 2012	Year ended 31 December 2011
Electricity transmission	6,981,923	6,869,356
Personnel costs (Note 10)	5,312,435	5,661,270
Purchased electricity for compensation of technological losses	4,302,783	4,218,994
Depreciation and amortization	2,597,632	2,561,259
Raw materials and supplies	906,512	906,213
Technological connection services	256,599	—
Consulting, legal and audit services	234,435	205,180
Rent	202,252	210,137
Electricity and heat power for own needs	191,688	222,857
Repairs, maintenance and installation services	175,802	165,865
Managing services	158,887	158,884
Taxes other than income tax	128,945	131,728
Insurance	123,863	104,673
Impairment of property, plant and equipment	90,012	86,400
Telecommunication and information services	77,701	74,201
Travel allowance	73,457	77,534
Security services	71,519	62,424
State duties, fines and penalties	66,536	50,761
Social expenditures and charity expenses	38,770	23,779
Trainings	25,322	42,070
Loss on disposal of property, plant and equipment	21,356	24,343
Transportation	14,780	14,570
Pollution fee	558	16,259
(Reversal) allowance for impairment of trade and other receivables	(3,420)	1,766,077
(Reversal) accrual of provision for legal claims	(512,991)	749,504
Other	273,460	272,489
	21,810,816	24,676,827

9. Other operating income

	Year ended 31 December 2012	Year ended 31 December 2011
Fines and penalties	190,402	324,536
Trade and other payables written-off	15,891	4,080
Other	104,337	74,466
	310,630	403,082

10. Personnel costs

	Year ended 31 December 2012	Year ended 31 December 2011
Wages and salaries, including change in bonus and unused vacation provisions	4,285,696	3,950,130
Payroll taxes	1,347,946	1,226,426
Expense in respect of post-employment defined benefit plan (Note 24)	(420,502)	261,289
Expense in respect of long-term service benefits provided (Note 24)	(2,997)	(1,961)
Other personnel costs	102,292	225,386
	5,312,435	5,661,270

In 2012 the average number of employees (including production and non-production employees) was 14,215 employees (2011: 14,561 employees).

11. Finance income and costs

	Year ended 31 December 2012	Year ended 31 December 2011
Finance income		
Interest income	18,693	13,681
Interest income on financial assets related to employee benefit fund	78	9,283
Effect of discounting of financial instruments	2,933	3,655
Dividend income on available-for-sale financial assets	10	31
Other	3,183	—
	24,897	26,650
Finance costs		
Interest expense on financial liabilities measured at amortised cost	1,490,075	1,375,816
Interest on finance lease liabilities	9,111	21,279
Effect of discounting of financial instruments	3	38,538
Other	—	608
	1,499,189	1,436,241

12. Income tax

	Year ended 31 December 2012	Year ended 31 December 2011
Current tax benefit (expense)		
Current year	(784)	(341,805)
Over provided in prior years	151,386	207,297
	150,602	(134,508)
Deferred tax (expense) benefit		
Origination and reversal of temporary differences	(471,002)	494,089
	(471,002)	494,089
	(320,400)	359,581

Reconciliation of effective tax rate:

	Year ended 31 December 2012	%	Year ended 31 December 2011	%
Profit/(loss) before income tax	1,311,814	100	(2,489,569)	100
Income tax at applicable tax rate	(262,363)	(20)	497,914	20
Effect of income taxed at lower rates	(3,810)	0	(5,066)	0
Non-deductible expenses	(205,613)	(16)	(340,564)	(14)
Over provided in prior years	151,386	12	207,297	8
	(320,400)	(24)	359,581	14

The Company' applicable tax rate is the income tax rate of 20% for Russian companies. However, subsidiaries in the agricultural sector are taxable at a rate of 6%.

In 2012 and 2011 income tax overprovided for prior periods mainly related to adjusted revenues for 2008–2009 in accordance with court decisions.

13. Property, plant and equipment

	Land and production buildings	Transmission network	Equipment for electricity transmission	Other	Construction in progress	Total
Cost / Deemed costs						
Balance as at 1 January 2011	2,230,350	13,656,801	7,151,498	3,034,833	1,824,356	27,897,838
Additions	117,675	189,143	184,434	471,551	3,846,983	4,809,786
Transfers	485,193	384,027	882,816	365,428	(2,117,464)	—
Disposals	(19,153)	(6,298)	(10,168)	(45,896)	(37,159)	(118,674)
Balance as at 31 December 2011	2,814,065	14,223,673	8,208,580	3,825,916	3,516,716	32,588,950
Balance as at 1 January 2012	2,814,065	14,223,673	8,208,580	3,825,916	3,516,716	32,588,950
Additions	61,647	85,259	95,158	427,470	4,304,674	4,974,208
Transfers	489,566	932,954	1,027,630	429,869	(2,880,019)	—
Disposals	(8,349)	(4,094)	(5,427)	(36,778)	(27,335)	(81,983)
Balance as at 31 December 2012	3,356,929	15,237,792	9,325,941	4,646,477	4,914,036	37,481,175
Depreciation and impairment losses						
Balance as at 1 January 2011	(521,676)	(4,131,023)	(1,926,354)	(1,091,154)	(30,668)	(7,700,875)
Charge for the year	(122,859)	(1,189,726)	(696,350)	(478,946)	—	(2,487,881)
Impairment loss	—	—	—	—	(86,400)	(86,400)
Disposals	1,366	4,515	5,553	19,250	—	30,684
Balance as at 31 December 2011	(643,169)	(5,316,234)	(2,617,151)	(1,550,850)	(117,068)	(10,244,472)
Balance as at 1 January 2012	(643,169)	(5,316,234)	(2,617,151)	(1,550,850)	(117,068)	(10,244,472)
Charge for the year	(152,667)	(1,152,681)	(682,831)	(513,385)	—	(2,501,564)
Impairment loss	(3,873)	(21,235)	(15,184)	(19)	(49,701)	(90,012)
Disposals	4,902	4,094	3,503	30,039	854	43,392
Balance as at 31 December 2012	(794,807)	(6,486,056)	(3,311,663)	(2,034,215)	(165,915)	(12,792,656)
Carrying amounts						
At 1 January 2011	1,708,674	9,525,778	5,225,144	1,943,679	1,793,688	20,196,963
At 31 December 2011	2,170,896	8,907,439	5,591,429	2,275,066	3,399,648	22,344,478
At 31 December 2012	2,562,122	8,751,736	6,014,278	2,612,262	4,748,121	24,688,519

As at 31 December 2012 construction in progress includes prepayments for property, plant and equipment of RUB 151,439 thousand (as at 31 December 2011: RUB 326,222 thousand), which are stated net of impairment provision of RUB 28,383 thousand (as at 31 December 2011: none).

As at 31 December 2012 there were no property, plant and equipment subject to a registered debenture to secure bank loans. At 31 December 2011 property, plant and equipment in a carrying amount of RUB 2,166 thousand were subject to a registered debenture to secure bank loans (Note 22).

The amount of capitalized interest for the year ended 31 December 2012 was RUB 184,242 thousand (2011: RUB 134,326 thousand). The capitalization rate for general purpose borrowings for the year ended 31 December 2012 was 8.66% (2011: 10.39%).

Leased plant and machinery

The Group leases production equipment and transport under a number of finance lease agreements.

The net book value of leased property, plant and equipment accounted for as part of the Group's property, plant and equipment was as follows:

	31 December 2012	31 December 2011
Cost of finance leased assets	114,054	153,237
Accumulated depreciation	(42,587)	(37,333)
Net book value	71,467	115,904

Determination of recoverable amount of property plant and equipment

The majority of the Group's property, plant and equipment is specialised in nature and is rarely sold on the open market other than as part of a continuing business. The market for similar property, plant and equipment is not active in the Russian Federation and does not provide a sufficient number of sales transactions for use of a market-based approach for determination of the fair value.

Therefore the value in use for property, plant and equipment as at 31 December 2012 was determined using projected cash flows. This method considers the future net cash flows expected to be generated through the usage of property, plant and equipment in the process of operating activities up to its ultimate disposal to determine the recoverable amount of the assets.

Each cash-generating unit is determined by the Group based on the geographical location of the Company's branches and

subsidiaries which is the smallest identifiable group of assets that generates cash inflows that are independent of the cash inflows from other groups of assets. The following key assumptions were used in determining the recoverable amounts:

- cash flows were projected based on actual operating results for 2012 and Company's business plan for 2013. Cash flows for the period 2014–2022 were forecast as follows:
 - distribution tariffs were estimated using a limitation of tariffs growth rate of 10% for the period from 2013 to 2017 in accordance with the level of annual growth set by the Federal Tariff Service as per Executive order of the Government of the Russian Federation No. 1178 as of 29 December 2011; distribution tariffs from 2018 (for Volgogradenergo operating segment from 2019) estimated based on the amount of gross revenue determined in accordance with RAB-methodology; the growth of distribution tariffs for 2018 for Volgogradenergo operating segment was set 6.4% in accordance with forecast of the Ministry of Economic Development and Trade;
 - forecasted transmission volumes were determined based on the Company's annual business plan for 2013 and the Company's expectations for useful supply volume in 2014 after two new pumping stations would be launched in Kalmenergo operating segment. The level of production in the future forecast periods was fixed at 2014 year level;
- operating costs were assumed to increase in line with consumer price index;
- the cash flow forecasts were discounted to their present value at the nominal pre-tax cost of capital of 15.67%;
- terminal growth rate of the net cash flows was expected at the level of 3.2% in the post-forecasted period.

As at 31 December 2012 as a result of impairment testing the Group recognised impairment losses of RUB 90,012 thousand on property, plant and equipment of Kalmenergo operating segment (Note 6).

An increase of one percentage point in the discount rate used would have caused the recognition of impairment losses of RUB 277,012 thousand (Kalmenergo operating segment).

A decrease of one percentage point in total revenue annually would have caused the recognition of impairment losses of RUB 201,620 thousand (Kalmenergo operating segment).

An increase of one percentage point in operating expenses annually would have caused the recognition of impairment losses of RUB 182,165 thousand (Kalmenergo operating segment).

14. Intangible assets

	Software	Certificates and licenses	Total
Cost			
Balance as at 1 January 2011	397,548	239,506	637,054
Additions	377,788	1,647	379,435
Balance as at 31 December 2011	775,336	241,153	1,016,489
Balance as at 1 January 2012	775,336	241,153	1,016,489
Additions	18,050	4,938	22,988
Balance as at 31 December 2012	793,386	246,091	1,039,477
Amortisation			
Balance as at 1 January 2011	(125,120)	(210,770)	(335,890)
Charge for the year	(64,893)	(8,485)	(73,378)
Balance as at 31 December 2011	(190,013)	(219,255)	(409,268)
Balance as at 1 January 2012	(190,013)	(219,255)	(409,268)
Charge for the year	(94,593)	(1,475)	(96,068)
Balance as at 31 December 2012	(284,606)	(220,730)	(505,336)
Carrying amounts			
At 1 January 2011	272,428	28,736	301,164
As at 31 December 2011	585,323	21,898	607,221
As at 31 December 2012	508,780	25,361	534,141

15. Investments and financial assets

	31 December 2012	31 December 2011
Non-current		
Available-for-sale investments	8,883	20,236
Financial assets related to employee benefit fund	53,972	56,953
	62,855	77,189

Available-for-sale investments are represented by marketable securities stated at fair value (level 1 in a fair value hierarchy).

Financial assets related to the employee benefit fund relate to the Group contributions accumulated in the solidary and employees' individual pension accounts with the Non-State Pension Fund of Electric Power Industry (employee benefit fund). Subject to certain restrictions 80% contributions to the employee benefit fund can be withdrawn at the discretion of the Group.

For more detailed information concerning the Group's exposure to credit risks to investments and financial assets refer to Note 27.

16. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities:

	Assets		Liabilities		Net	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011	31 December 2012	31 December 2011
Property, plant and equipment	564	387	(757,971)	(865,141)	(757,407)	(864,754)
Trade and other receivables and prepayments	630,521	733,411	—	—	630,521	733,411
Employee benefits	12,398	86,741	—	—	12,398	86,741
Trade and other payables and provisions	77,208	405,423	(42,811)	—	34,397	405,423
Other	18,994	48,438	(10,404)	(12,029)	8,590	36,409
Deferred tax assets (liabilities)	739,685	1,274,400	(811,186)	(877,170)	(71,501)	397,230
Set-off	(725,731)	(874,359)	725,731	874,359	—	—
Net deferred tax assets (liabilities)	13,954	400,041	(85,455)	(2,811)	(71,501)	397,230

Movements in temporary differences during the year:

	31 December 2012	Recognised in profit or loss	Recognised in other comprehensive loss	31 December 2011	Recognised in profit or loss	Recognised in other comprehensive income	1 January 2011
Property, plant and equipment	(757,407)	107,347	—	(864,754)	164,752	—	(1,029,506)
Trade and other receivables and prepayments	630,521	(102,890)	—	733,411	324,630	—	408,781
Employee benefits	12,398	(74,343)	—	86,741	33,328	—	53,413
Trade and other payables and provisions	34,397	(371,026)	—	405,423	216,101	—	189,322
Tax loss carry-forwards	—	—	—	—	(229,118)	—	229,118
Other	8,590	(30,090)	2,271	36,409	(15,604)	(1,729)	53,742
Net tax assets (liabilities)	(71,501)	(471,002)	2,271	397,230	494,089	(1,729)	(95,130)

17. Inventories

	31 December 2012	31 December 2011
Raw materials and consumables	1,135,879	1,035,747
Fuel	1,007	—
Finished goods and goods for resale	44,153	47,659
Other inventories	27,723	48,274
<i>Allowance for obsolescence of inventories</i>	(1,901)	(54,476)
	1,206,861	1,077,204

As at 31 December 2012 and 2011 no inventories were pledged under the bank loan agreements.

18. Accounts receivable and prepayments

	31 December 2012	31 December 2011
Non-current		
Trade receivables	11,968	25,899
Other receivables	2,412	3,758
Subtotal financial assets	14,380	29,657
Prepayments	334,021	759,905
	348,401	789,562
Current		
Trade receivables	7,637,795	6,465,815
<i>Trade receivables impairment allowance</i>	(2,962,555)	(3,418,562)
Other receivables	856,396	735,321
<i>Other receivables impairment allowance</i>	(721,632)	(590,832)
Promissory notes	—	3,908
Subtotal financial assets	4,810,004	3,195,650
Prepayments	239,505	490,513
Prepayments impairment allowance	(8,708)	(54,545)
VAT recoverable	265,065	82,133
VAT on advances received	227,950	427,800
VAT prepaid	295,131	14,520
Other taxes prepaid	7,919	22,597
Other current assets	397,569	309,504
	6,234,435	4,488,172

The Group's exposure to credit risk and impairment losses related to trade and other receivables are disclosed in Note 27.

Appendix 4

19. Cash and cash equivalents

	31 December 2012	31 December 2011
Cash at bank and in hand	1,749,396	1,421,108
Cash equivalents	—	178
	1,749,396	1,421,286

All cash and cash equivalents are denominated in RUB.

During 2012 the Group performed non-cash settlements offsetting of trade and other accounts receivables and payables with different counterparties for RUB 492,156 thousand (2011: RUB 826,335 thousand).

20. Equity

Share capital

As at 31 December 2012 authorised and fully paid issued share capital comprised 49,811,096,064 ordinary shares (as at 31 December 2011: 49,811,096,064). All shares have a par value of RUB 0.1.

Retained earnings and dividends

The Company's statutory financial statements form the basis for the distribution of profit and other appropriations. Due to differences between statutory accounting principles and IFRS, the

Company's profit in the statutory accounts can differ significantly from that reported in the consolidated financial statements prepared under IFRS.

In accordance with Russian legislation the Company's distributable reserves are limited to the balance of retained earnings as recorded in the Company's statutory financial statements prepared in accordance with Russian Accounting Principles.

As at 31 December 2012 and up to the date of approval of the consolidated financial statements the Group declared no dividends for 2012 and 2011.

21. Earnings (loss) per share

	Year ended 31 December 2012	Year ended 31 December 2011
Weighted average number of ordinary shares for the year ended 31 December (thousand of shares)	49,811,096	49,811,096
Profit/(loss) attributable to the shareholders of the Company	991,414	(2,129,988)
Earnings/(loss) per share — basic and diluted (in RUB)	0.020	(0.043)

22. Loans and borrowings

This note provides information about the contractual terms of the Group's loans and borrowings. For more information about the Group's exposure to interest rate and liquidity risks, refer to Note 27.

	31 December 2012	31 December 2011
Non-current debt		
Secured bank loans	—	1,083
Unsecured bank loans	14,342,322	9,192,322
Unsecured bonds issued	4,557,678	4,557,678
Promissory notes	3,035,900	3,035,900
	21,935,900	16,786,983
<i>Less current portion of non-current debt</i>	(5,435,900)	(313,766)
	16,500,000	16,473,217
Current debt		
Unsecured bank loans	2,548	2,401,801
Interest on bonds issued	126,442	124,419
Interest on promissory notes	243,675	664
<i>Current portion of non-current debt</i>	5,435,900	313,766
	5,808,565	2,840,650

Terms and conditions of outstanding loans and borrowings were as follows:

Non-current debt

Name of lender	Effective interest rate		Year of maturity	31 December 2012		31 December 2011	
	31 December 2012	31 December 2011		Face value	Carrying amount	Face value	Carrying amount
Secured bank loans							
OJSC Russian Agricultural Bank*	—	14.00%	2012	—	—	1,083	1,083
				—	—	1,083	1,083
Unsecured bank loans							
OJSC Sberbank*	8.90%	7.60%	2014	1,000,000	1,000,000	1,000,000	1,000,000
OJSC Sberbank*	8.83–8.90%	7.60–8.10%	2013–2016	7,137,622	7,137,622	6,292,322	6,292,322
OJSC Nordea Bank	9.13%	7.98%	2013	1,900,000	1,900,000	1,900,000	1,900,000
OJSC Sberbank*	9.98–11.20%	—	2015	4,304,700	4,304,700	—	—
				14,342,322	14,342,322	9,192,322	9,192,322
<i>Unsecured bonds issued</i>	8.10%	8.10–17.50%	2014	4,557,678	4,557,678	4,557,678	4,557,678
<i>Promissory notes**</i>	Interest free	Interest free	2013	312,900	312,900	312,900	312,900
Promissory notes*	8.90%	8.90%	2013	2,723,000	2,723,000	2,723,000	2,723,000
				21,935,900	21,935,900	16,786,983	16,786,983
<i>Less current portion of non-current debt</i>				(5,435,900)	(5,435,900)	(313,766)	(313,766)
				16,500,000	16,500,000	16,473,217	16,473,217

* Promissory notes and loans from government-related entities

** Promissory notes payable to the parent company

Appendix 4

Current debt and current portion of non-current debt

Name of lender	Effective interest rate		Year of maturity	31 December 2012		31 December 2011	
	31 December 2012	31 December 2011		Face value	Carrying amount	Face value	Carrying amount
Unsecured bank loans							
OJSC Sberbank*	—	7.55%	2012	—	—	2,400,000	2,400,000
				—	—	2,400,000	2,400,000
<i>Interest on bank loans</i>			2012–2013	2,548	2,548	1,801	1,801
<i>Interest on promissory notes**</i>			2012–2013	243,675	243,675	664	664
<i>Interest on bonds issued</i>	8.10%	8.10–17.50%	2012–2013	126,442	126,442	124,419	124,419
				372,665	372,665	126,884	126,884
<i>Current portion of non-current debt</i>				5,435,900	5,435,900	313,766	313,766
				5,808,565	5,808,565	2 840,650	2,840,650

* Promissory notes and loans from government-related entities

** Promissory notes payable to the parent company

All loans and borrowings of the Group are denominated in RUB.

As at 31 December 2012 there were no bank loans secured over property, plant and equipment (Note 13) (31 December 2011: bank loans with OJSC Russian Agricultural Bank for the amount of RUB 1,083 thousand were secured over property, plant and equipment).

In August 2009 the Company placed 6,000 nonconvertible interest bearing RUB 1,000 nominal value bonds in the total amount of RUB 6,000 million, due in 2014. The bonds have 10 coupon

periods of 182 days each. The coupon yield for the first period was determined upon the issuance and amounted to 17.50% per annum. The interest rate for the next coupon periods is determined by the issuer. The interest rate for the second to the fourth coupon periods was set as equal to that of the first period. In 2011, bonds in the amount of RUB 2,113 million were redeemed on the second date of the fifth coupon period in accordance with the option determined by the issuer. The interest rate for the fifth to the tenth coupon periods was set by the issuer and made public 10 days before the respective coupon period started and amounted to 8.10%.

23. Financial lease liabilities

The Group leases production equipment and transportation vehicles under a number of finance lease agreements. Finance lease liabilities are payable as follows:

	31 December 2012			31 December 2011		
	Future minimum lease payments	Interest	Present value of minimum lease payments	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	9,980	(3,328)	6,652	16,419	(9,111)	7,308
Between one and five years	7,523	(189)	7,334	39,465	(3,518)	35,947
	17,503	(3,517)	13,986	55,884	(12,629)	43,255

All leases are denominated in RUB. The Group's obligations under financial lease are secured by the lessors' title to the leased assets. The fair value of the financial lease liabilities is approximately equal to their carrying amount.

The net book value of leased property, plant and equipment is disclosed in Note 13.

24. Employee benefits

The Group has defined benefit pension and other long-term defined benefit plans that cover most full-time and retired employees. Defined post-employment benefits consist of several unfunded plans providing for lump-sum payments upon retirement, financial support for pensioners, death benefits, jubilee benefits.

Net liability of the defined benefit obligations are as follows:

	31 December 2012		31 December 2011	
	Post-employment benefits	Other long-term benefits	Post-employment benefits	Other long-term benefits
Present value of funded defined benefit obligations	455,072	20,117	1,060,301	24,432
Unrecognised actuarial losses	(72,268)	—	(47)	—
Unrecognised past service cost	(86,919)	—	(319,835)	—
	295,885	20,117	740,419	24,432

The amounts recognised in profit or loss are as follows:

	Year ended 31 December 2012		Year ended 31 December 2011	
	Post-employment benefits	Other long-term benefits	Post-employment benefits	Other long-term benefits
Current service cost	57,388	1,528	67,538	2,522
Interest expense	87,900	1,619	101,509	2,249
Recognised actuarial (gains) losses	—	(553)	24,186	(6,732)
Recognised past service cost	70,672	—	68,056	—
Curtailment	(636,462)	(5,591)	—	—
	(420,502)	(2,997)	261,289	(1,961)

The expense is recognised in the "personnel costs" as part of operating expenses.

Appendix 4

Present value of the benefit obligations are as follows:

	Year ended 31 December 2012		Year ended 31 December 2011	
	Post-employment benefits	Other long-term benefits	Post-employment benefits	Other long-term benefits
Defined benefit obligations as at 1 January	1,060,301	24,432	1,281,164	27,315
Benefits paid	(24,032)	(1,318)	(92,141)	(922)
Current service cost	57,388	1,528	67,538	2,522
Interest expense	87,900	1,619	101,509	2,249
Recognised actuarial losses (gains)	225,782	(553)	(345,746)	(6,732)
Past service cost	14,706	—	47,977	—
Curtailment	(966,973)	(5,591)	—	—
	455,072	20,117	1,060,301	24,432

In 2012 certain changes were incorporated into the local acts regulating pension plans and other long-term benefits to the employees of the Company resulting in significant reduction of the employees' benefits which gave a curtailment in the total amount of RUB 972,564 thousand.

The main changes were the following:

- according to the approved Statement on private pension plan the basic substitution ratio of a pension benefit to

monthly average employee salary decreased from 20 % to 5 %;

- the Company's branches entered into the joint Collective agreement according to which individual employee benefits will be less than it was stipulated by separate Collective agreements of branches effective at 31 December 2011.

Net benefit obligations are as follows:

	Year ended 31 December 2012		Year ended 31 December 2011	
	Post-employment benefits	Other long-term benefits	Post-employment benefits	Other long-term benefits
Net defined benefit obligations as at the beginning of the period	740,419	24,432	571,271	27,315
Net expenses for the period	(420,502)	(2,997)	261,289	(1,961)
Benefits paid	(24,032)	(1,318)	(92,141)	(922)
	295,885	20,117	740,419	24,432

Principal actuarial assumptions:

	Year ended 31 December 2012	Year ended 31 December 2011
Discount rate	7.10%	8.50%
Salary increase	5.00%	5.50%
Inflation rate	5.00%	5.50%

25. Trade and other accounts payable

	31 December 2012	31 December 2011
Non-current		
Trade payables	—	4,715
Advances received	91,436	123,310
	91,436	128,025
Current		
Trade payables	5,093,880	2,989,958
Other payables	305,822	280,213
Payables to employees	423,677	627,621
Advances received	1,276,243	2,322,274
	7,099,622	6,220,066
Taxes payable		
VAT	3,241	3,397
Property tax	24,293	21,351
Payments to social funds	106,563	85,110
Personal income tax	3,486	41,610
Other taxes payable	202,246	7,817
	339,829	159,285
	7,439,451	6,379,351

The Group's exposure to liquidity risk related to trade and other payables is disclosed in Note 27.

Payables to employees are represented as follows:

	31 December 2012	31 December 2011
Salaries and wages payable	12,641	193,588
Unused vacation provision	174,672	199,649
Annual bonus provision	236,364	234,384
	423,677	627,621

26. Provisions

	Year ended 31 December 2012	Year ended 31 December 2011
Balance at 1 January	964,318	527,925
Provisions raised during the year	81,377	749,504
Provisions reversed during the year	(594,368)	—
Provisions used during the year	(74,400)	(313,111)
Balance at 31 December	376,927	964,318

Provisions relate to the legal proceedings against the Group and unsettled disagreements with distribution companies regarding purchased electricity for compensation of technological losses.

The Group recognizes a provision for unsettled disagreements if it considers that it is probable that a related outflow will take place. For unsettled disagreements regarding purchased electricity for compensation of technological losses in the amount of RUB 1,888,961 thousand (as at 31 December 2011: RUB 2,280,345 thousand) the Group did not recognise a provi-

sion as it believes that disagreements will be settled in favour of the Group.

As at 31 December 2011 a provision of RUB 588,682 thousand was made in respect of unresolved disagreements concerning revenue recognition for electric power transmission services provided via leased "last-mile" grids. As at 31 December 2012 that provision was reversed based on management's assessment that the outflow of resources would not be probable (refer to Note 29).

27. Financial risk management

Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk,
- liquidity risk,
- market risk.

The Group does not have any significant exposure to foreign currency risk as no significant sales, purchases and borrowings are denominated in a currency other than the functional currency of Group entities, which is the RUB.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Group's risk management policies deal with identifying and analysing the risks faced by the Group, setting appropriate risk limits and controls, and monitoring risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its internal policies, aims to develop a disci-

plined and constructive control environment in which all employees understand their roles and obligations.

The Group's Audit Committee oversees how management monitors compliance with the Group's internal control procedures.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. To manage the credit risk, the Group attempts, to the extent possible, to demand prepayments from customers. As a rule, prepayment for connection services is set by contract and depends on the amount of capacity to be connected.

The Group does not require collateral in respect of trade and other receivables.

The Group establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables that relate to individually significant exposures.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Carrying amount	
	31 December 2012	31 December 2011
Trade and other receivables	4,824,384	3,225,307
Cash and cash equivalents	1,749,396	1,421,286
Financial assets related to employee benefit fund	53,972	56,953
	6,627,795	4,703,546

The maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:

	Carrying amount	
	31 December 2012	31 December 2011
Electricity transmission customers	4,484,737	2,964,182
Connection services customers	87,743	18,919
Other customers	114,728	90,051
	4,687,208	3,073,152

The Group's four most significant customers account for RUB 4,003,832 thousand of the trade receivables carrying amount at 31 December 2012 (31 December 2011: RUB 2,617,723 thousand).

Impairment losses

The table below analyses the Group's trade and other receivables into relevant groups based on the due periods:

	31 December 2012		31 December 2011	
	Gross	Impairment	Gross	Impairment
Not past due	1,198,812	(35,559)	1,020,795	(30,829)
Past due less than 90 days	1,075,937	(47,731)	1,565,280	(394,500)
Past due 90–180 days	849,508	(12,693)	755,008	(312,670)
Past due 180–365 days	1,910,477	(197,324)	976,130	(355,670)
Past due more than 1 year	3,473,837	(3,390,880)	2,917,488	(2,915,725)
	8,508,571	(3,684,187)	7,234,701	(4,009,394)

Increase of overdue trade receivables related mainly to delay in payments by the distribution company in Volgograd region. As at 31 December 2012 gross trade receivables from this customer were RUB 3,050,282 thousand (31 December 2011: RUB 2,106,028 thousand), allowance for impairment — RUB 269,804 thousand (31 December 2011: no allowance for

impairment was accrued). The delay in payments was due to existence of unresolved disagreements regarding purchased electricity for compensation of technological losses (refer to Note 26). The Group believes that the unimpaired overdue amounts are collectible and no allowance for impairment should be accrued.

Appendix 4

The movement in the allowance for impairment in respect of trade and other receivables during the year was as follows:

	Year ended 31 December 2012	Year ended 31 December 2011
Balance at 1 January	4,009,394	2,277,964
Net increase (reversal)	(3,420)	1,766,077
Amounts written off against trade receivables	(321,787)	(34,647)
Balance at 31 December	3,684,187	4,009,394

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group monitors the risk of cash shortfalls by means of current liquidity planning. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or

risking damage to the Group's reputation. This approach is used to analyse payment dates associated with financial assets, and also to forecast cash flows from operating activities.

To manage the liquidity risk, the Group has negotiated credit lines with of a highly rated commercial banks. As at 31 December 2012 the Group had no unused credit lines (as at 31 December 2011: RUB 902,978 thousand).

The contractual maturities of financial liabilities presented including estimated interest payments.

	Carrying amount	Contractual cash flows	0–1 years	1–2 years	2–3 years	3–4 years	4–5 years
Non-derivative financial liabilities as at 31 December 2012							
Loans and borrowings	14,344,870	17,716,908	3,625,236	3,597,333	5,154,288	5,340,051	—
Bond issued	4,684,120	5,293,998	368,160	4,925,838	—	—	—
Promissory notes	3,279,575	3,361,165	3,361,165	—	—	—	—
Finance lease liabilities	13,986	17,503	9,980	7,523	—	—	—
Trade and other payables	5,399,702	5,399,702	5,399,702	—	—	—	—
	27,722,253	31,789,276	12,764,243	8,530,694	5,154,288	5,340,051	—
Non-derivative financial liabilities as at 31 December 2011							
Loans and borrowings	11,595,206	14,330,387	3,366,411	3,078,848	3,078,202	376,532	4,430,394
Bond issued	4,682,097	5,662,158	368,160	368,160	4,925,838	—	—
Promissory notes	3,036,564	3,399,753	556,575	2,843,178	—	—	—
Finance lease liabilities	43,255	55,884	16,419	31,942	7,523	—	—
Trade and other payables	3,274,886	3,274,886	3,270,171	4,715	—	—	—
	22,632,008	26,723,068	7,577,736	6,326,843	8,011,563	376,532	4,430,394

Financial guarantees are disclosed in Note 29.

Market risk

Market risk is the risk that changes in market prices, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Interest rate risk

The Group's income and operating cash flows are largely independent of changes in market interest rates. The Group is exposed to interest rate risk only through market value fluctuations of loans and borrowings. The interest rates on most loans and borrowings are fixed. Changes in interest rates impact primarily loans and borrowings by changing their fair value (fixed rate debt).

Management does not have a formal policy of determining how much of the Group's exposure should be to fixed or variable rates. However, at the time of raising new loans or borrowings management uses its judgment to decide whether it believes that a fixed or variable rate would be more favourable to the Group over the expected period until maturity.

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit and loss, and the Group does not designate derivatives (interest rate swaps) as hedging

instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Fair values

Management believes that at the reporting date the fair value of the Group's financial assets and liabilities approximates their carrying amounts.

The basis for determining fair value is disclosed in Note 5.

Capital management

Management's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management monitors the return on capital, which the Group defines as net profit after tax divided by total shareholders' equity.

Management seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

There were no changes in the Group's approach to capital management during the year.

The Company and its subsidiaries are subject to external capital requirements that require that their net assets as determined in accordance with Russian Accounting Principles must exceed their charter capital at all times.

28. Operating lease

The Group leases a number of land plots owned by local governments under operating leases. In addition, the Group leases non-residential premises and vehicles.

Land leases were entered in prior periods and represented land plots on which power lines, equipment for electricity transformation and other assets are located. The land leases typically run for an initial period of 5 to 49 years, with an option to renew

the lease after that date. Lease payments are reviewed regularly to reflect market rentals.

The land title does not pass and the landlord retains control over land usage. The Group determined that substantially all the risks and rewards of the land plots are with the landlord, therefore the leases are considered as operating leases.

Non-cancellable operating lease rentals under land lease agreements are payable as follows:

	31 December 2012	31 December 2011
Less than one year	192,064	174,957
Between one year and five years	617,000	637,594
More than five years	2,715,347	1,926,578
	3,524,411	2,739,129

During the current year RUB 202,252 thousand (2011: RUB 210,137 thousand) was recognised in profit or loss in respect of operating leases.

29. Commitments and contingencies

Capital commitments

According to the capital investment program, the amount of the Group's investment commitments for the next year is RUB 5,254 million as at 31 December 2012, net of VAT and pre-payments for property, plant and equipment (as at 31 December 2011: RUB 4,973 million).

The Group has outstanding commitments under the contracts for the purchase and construction of property, plant and equipment for RUB 2,443,657 thousand as at 31 December 2012, net of VAT (as at 31 December 2011: RUB 1,056,319 thousand).

Insurance

The insurance industry in the Russian Federation is in a developing state and many forms of insurance protection common in other parts of the world are not generally available. The Group does not

have full coverage for its stations, business interruption or third party liability in respect of property or environmental damage arising from accidents on Group property or relating to Group operations. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Group's operations and financial position.

Litigation

The Group was involved in the number of court procedures (both as a plaintiff and as a defendant) arising in the course of business. In the opinion of management, there are no current legal proceedings or other claims outstanding, which could have a material adverse effect on the results of operation, financial position or cash flows of the Group and which have not been accrued or disclosed in these consolidated financial statements.

Taxation contingencies

The taxation system in the Russian Federation continues to evolve and is characterised by frequent changes in legislation, official pronouncements and court decisions which are sometimes contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive and substance-based position in their interpretation and enforcement of tax legislation.

These circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these statements, if the authorities were successful in enforcing their interpretations could be significant.

Environmental matters

The Group and its predecessors have operated in the electric power industry in the Russian Federation for many years. The enforcement of environmental regulation in the Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group entities periodically evaluate their obligations under environmental regulations.

Potential liabilities might arise as a result of changes in legislation and regulation or civil litigation. The impact of these potential changes cannot be estimated but could be material. In the cur-

rent enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage.

Guarantees

The Group issued financial guarantees for loans received by the lessors of the Group:

	Amount on contract	
	31 December 2012	31 December 2011
OJSC Alpha Bank	—	2,321

Other contingencies

The Group believes that the electricity services provided are in compliance with the Russian legislation regulating electric power transmission. However, based on the lack of elaboration of legislation that regulates the lease of Unified National (All-Russia) Electricity Network property ("last-mile") the Company was the subject of a lawsuit for RUB 2,322,627 thousand concerning the legitimacy of the revenue recognition from the transmission of electricity via "last-mile" grids of 2009 and 2010.

The potential amount of other claims cannot be reliably estimated as each claim would have individual legal circumstances and respective estimation would be based on variety of assumptions and judgements, which makes it impracticable.

The Group did not recognize any provision for those claims as it believes that it is not probable that related outflow of resources or decrease of benefits inflow will take place.

This position was also supported by the decision of the Supreme Arbitration Court of Russian Federation as at 12 March 2013 in a similar case of JSC IDGC of Urals.

30. Related parties transactions**Control relationships**

The Company's parent as at 31 December 2012 and 31 December 2011 was JSC IDGC Holding. The party with the ultimate control over the Company is the Government of the Russian Federation which held the majority of the voting rights of JSC IDGC Holding.

Appendix 4

The Group's related party transactions are disclosed below.

Revenue

	Transaction value for the year ended 31 December		Outstanding balance	
	2012	2011	31 December 2012	31 December 2011
Parent company				
Managing services	838	—	32	—
Entities under common control of the parent				
Revenue from electricity transmission	342,227	343,646	26,628	29,812
Rent	14,295	12,833	22,242	13,090
Managing services	10,064	—	56,782	70,957
	367,424	356,479	105,684	113,859

Expenses

	Transaction value for the year ended 31 December		Outstanding balance	
	2012	2011	31 December 2012	31 December 2011
Parent company				
Managing services	158,887	158,884	18,748	9,374
Entities under common control of the parent				
Technological connection services	256,599	—	—	—
Purchased electricity for compensation of losses	124,941	147,533	—	—
Others	14,493	15,590	13,601	—
	554,920	322,007	32,349	9,374

Prepayments given

	Transaction value for the year ended 31 December		Outstanding balance	
	2012	2011	31 December 2012	31 December 2011
Entities under common control of the parent				
Technological connection services	302,786	329,616	26,830	329,616
Other	1,179	4,815	12,621	16,262
	303,965	334,431	39,451	345,878

Transactions with members of the Board of Directors and key management personnel

There are no transactions with members of the Board of Directors and other key management personnel except for remuneration in the form of salary and bonuses which were as follows:

	Year ended 31 December 2012		Year ended 31 December 2011	
	Board of Directors	Other key Management Personnel	Board of Directors	Other key Management Personnel
Salaries and bonuses	28,184	138,482	30,362	55,589

Transactions with government-related entities

In the course of its operating activities the Group is also engaged in significant transactions with government-related entities. Revenues and purchases from government-related entities are measured at regulated tariffs where applicable.

Revenues from government-related entities for the year ended 31 December 2012 constitute 9% (for the year ended 31 December 2011: 10%) of the total Group revenues including

7% (for the year ended 31 December 2011: 10%) of electricity transmission revenues.

Electricity transmission costs from government-related entities for year ended 31 December 2012 constitute 50% (for the year ended 31 December 2011: 52%, of the total transmission costs.

Significant loans from government-related entities are disclosed in Note 22.

31. Subsequent events after the reporting date

On 23 March 2013 at an Extraordinary General Meeting of Shareholders of JSC IDGC Holding changes and additions were made to the Charter of JSC IDGC Holding, under which the Parent Company

was renamed JSC Russian Grids. The relevant changes in Charter of JSC IDGC Holding were registered by Interdistrict Inspectorate of the Federal Tax Service of Russian Federation No. 46 on 4 April 2013.

TO SHAREHOLDERS OF THE OPEN JOINT-STOCK COMPANY
INTERREGIONAL DISTRIBUTION GRID COMPANY OF THE SOUTH

AUDITOR'S REPORT

ON THE ACCOUNTING REPORTING OF THE OPEN JOINT-STOCK COMPANY INTERREGIONAL DISTRIBUTION GRID COMPANY OF THE SOUTH FOR 2012

Information about the auditor

Full name: Closed Joint-Stock Company KPMG

Legal address (location): 18/1, Olimpiysky Prospekt, Moscow, 129110, Russian Federation

Mailing address: 10, Presnenskaya Naberezhnaya, Moscow, 123317, Russian Federation

State registration: Registered by the Moscow Registration Chamber on 25 May 1992, Registration No. 011.585.

Entered in the Unified State Register of Legal Entities on 13 August 2002 by the Moscow Inter-Regional Tax Inspectorate No. 39 of the Ministry for Taxes and Duties of the Russian Federation, Registration No. 1027700125628, Certificate series 77 No. 005721432.

Number in the self-regulating organization of auditors: Member of Non-commercial partnership Audit Chamber of Russia. The Principal Registration Number of the Entry in the State Register of Auditors and Audit Organizations: No. 10301000804.

Information about the audited entity

Full name: Open Joint-Stock Company INTERREGIONAL DISTRIBUTION GRID COMPANY OF THE SOUTH

Legal address location: 49, Bolshaya Sadovaya St., Rostov-on-Don, 344002, Russian Federation

Mailing address: 327, Severnaya St., Krasnodar, 350015, Russian Federation

State registration: Registered in the Unified State Register of Legal Entities on 28 June 2007 by Inspectorate of the Federal Tax Service of Leninsky district of Rostov-na-Donu, Registration No. 1076164009096, Certificate series 61 No. 005700952.

AUDITOR'S REPORT

To shareholders of the Open Joint-Stock shareholder company INTERREGIONAL DISTRIBUTION GRID COMPANY OF THE SOUTH.

We carried out an audit of the attached accounting statement of Open Joint-Stock Company INTERREGIONAL DISTRIBUTION GRID COMPANY OF THE SOUTH for 2012.

The accounting statement for 112 sheets made up of:

- the accounting balance as of December 31, 2012;
- the statement of financial results for 2012;
- other appendices to the balance sheet and the statement of financial results:
 - the statement of changes in equity for 2012,
 - the cash flow statement for 2012;
- and an explanatory note.

Responsibility of the audited entity for its accounting statements

The management of IDGC of the South, JSC carries responsibility for the compilation and integrity of the given financial accounting statements in accordance with Russian laws for compiling financial accounting statements and for the system of internal control necessary for compiling financial accounting statements which don't contain material misstatements as a result of fraud or mistakes.

Responsibility of the auditor

We are responsible for providing our opinion concerning the truthfulness of the company's financial statement on the basis of the auditing activities carried out. We conducted our audit in accordance with federal auditing standards. These standards call for complying to accepted ethical norms, as well as planning and holding audits in such a way so as to be as confident as possible that the financial accounting does not contain any material misstatements.

Our audit included conducting auditing procedures aimed at getting auditor's proof confirming the financial indicators in the accounting statements, and opening information within it. We choose the auditing procedures to make. This choice is based on estimating the risk of material misstatements made as a result of fraud or mistakes.

When estimating the given risk, we reviewed the system of internal control which ensures the compilation and integrity of the accounting statement, with the aim of choosing the according auditing procedures, but without the aim of making an opinion about the effectiveness of the system of internal control.

The audit also included an appraisal of the appropriateness of the accounting policies used and the justification of the estimated figures received by the management team of IDGC of the South, JSC, and an appraisal of the representation of the accounting statement as a whole.

We believe that the evidence received as part of the audit provides reasonable grounds for expressing our opinion about the reliability of the accounting statement.

Conclusion

In our opinion the accounting (financial) statement of IDGC of the South, JSC reliably reflects the company's financial state in all material respects as of December 31, 2012, the results of the company's business and financial performance, and its cash flows for 2012 in accordance with Russian rules of compiling accounting statements.

Other information

The audit of the accounting statement for 2011 was made of another Auditor, which expressed the unmodified opinion in the Auditor's Report on 1 March 2012.

Deputy Director CJSC KPMG
(power of attorney dated 28 October 2011 No.50/11)

T. E. Titova

March 13, 2013

Auditing committee

Minutes dated 21.06.2012 No. 7

As elected by resolution of the General Shareholders Meeting

OPINION OF THE AUDITING COMMITTEE

On the results of the audit of the financial-economic activity of Interregional Distribution Grid Company of the South, Open Joint-Stock Company for 2012

April 16, 2013

Moscow

INFORMATION ABOUT THE COMPANY

Full name	Interregional Distribution Grid Company of the South, Open Joint-Stock Company
Legal address	49, Bolshaya Sadovaya St., Rostov-on-Don
Mailing address	49, Bolshaya Sadovaya St., Rostov-on-Don
Contact information	Department for Work with Securities and Shareholders. Department head: Elena Nikolaevna Pavlova Telephone / Fax: (861) 279-88-38
State registration (OGRN, date)	1076164009096
INN	INN / KPP: 6164266561 / 615250001
Branches and subdivisions with separate balances	Astrakhanenergo, Volgogradenergo, Kalmenergo, Kubanenergo, Rostovenergo
Executive Body <i>(Name, position, date of commencement) of all in the reporting period and events after the reporting date</i>	General Director — Sergey Alexandrovich Arkhipov up to 08.10.2012 (minutes of the Board of Directors dated 08.07.2010 No. 50/2010). From 09.10.2012 — Acting General Director Vladimir Frantishkovich Vashkevich (minutes of the Board of Directors dated 09.10.2012 No. 96/2012).
Head accountant <i>(Name, position, date of commencement) of all in the reporting period and events after the reporting date</i>	Grigory Grigoryevich Savin, head accountant (decree of IDGC of the South, JSC dated 02.07.2007 No. 2-п)

INFORMATION ABOUT THE COMPILATION OF THE AUDITING COMMITTEE

Chairwoman of the Auditing Committee	Izumrud Aligadzhievna Alimuradova
Secretary of the Auditing Committee	Lyudmila Dmitryevna Kormushkina
Members of the Auditing Committee	Vladimir Nikolayevich Arkhipov Olga Viktorovna Popova Olga Sergeevna Sinicina

INFORMATION ABOUT THE AUDITOR

Full name of the organization	Closed Joint-Stock Company KPMG
Legal address (location)	18/1, Olimpiysky Prospekt, Moscow, 129110, Russian Federation
Mailing address	10, Presnenskaya Naberezhnaya, Moscow, 123317, Russian Federation
State registration (OGRN, date)	Registered by the Moscow Registration Chamber on 25 May 1992, Registration No. 011.585. Entered in the Unified State Register of Legal Entities on 13 August 2002 by the Moscow Inter-Regional Tax Inspectorate No. 39 of the Ministry for Taxes and Duties of the Russian Federation, Registration No. 1027700125628, Certificate series 77 No. 005721432.
Membership in a self-regulating organization, date of entrance, name of SRO	Member of Non-commercial partnership Audit Chamber of Russia. The Principal Registration Number of the Entry in the State Register of Auditors and Audit Organizations: No. 10301000804.

I. ANALYTICAL SECTION

The audit was done in accordance with:

- Federal Law “On shareholders companies”;
- The Company Charter;
- Resolution on the Auditing Committee;
- Resolution of the General Shareholders’ Meeting on electing the Auditing Committee (minutes dated 20.06.2012 No. 01/12);
- Resolution of the Auditing Committee of the Company on conducting an audit of the Company’s financial-economic activity for 2012 (minutes dated 26.03.2013 No. 9);
- Other normative documents.

Goal of the audit: to confirm the reliability of the data in the accounting (financial) reporting and the annual report of IDGC of the South, JSC for 2012, hereinafter “Reporting”. Reliability is understood in all significant relations to be the level of accuracy of data in the Reporting, which makes it possible for users of this reporting to make correct conclusions on the results of the Company’s business activity, its financial and property status, and to take decisions based on these conclusions.

Object: financial (accounting) reporting, annual report, compliance of the financial-economic activity of the Company to the acting legislation and internal local normative acts.

This Opinion is an official document open for publication, and is meant for shareholders, investors, and other interested parties.

We conducted the audit in accordance with:

- Federal law dated 06.12.2011 No. 402-ФЗ “On accounting”;
 - Decree of the Ministry of Finance of the Russian Federation dated 29.07.1998 No. 34н “On approving the Regulations for conducting accounting in the Russian Federation”;
 - Provisions (standards) of financial accounting;
 - Decree of the Ministry of Finance of the Russian Federation dated 02.07.2010 No. 66н “On forms of accounting reporting of organizations”;
 - Regulation on information disclosure by issuers of securities, approved by Decree of the FSFR dated 04.10.2011 No. 11-46/пз-н;
 - Other legislation and internal normative acts.
- Responsibility for complying to the legislation of the Russian Federation when conducting financial-economic operations is held by the executive body of the Company.

Appendix 6

We planned and conducted the audit in such a way so as to have reasonable confidence that the annual report and financial (accounting) reporting for 2012 doesn't contain significant distortions.

The audit was conducted on a sample basis and included a study on the basis of testing proof confirming the value and disclosure in the Reporting of information about the Company's financial-economic activity, an estimate of the principles and methods of accounting, the rules for preparing the Reporting, and determination of significant appraisal values.

When performing the Audit we examined the Company's compliance to the legislation of the Russian Federation. We examined the compliance of a series of financial-economic operations conducted by the Company to the legislation solely so as to receive reasonable and sufficient confidence that the Reporting does not contain significant distortions. When making our Audit we determined the level of significance (the level of the composite threshold error). By significance we understand the quality of information disclosed in the annual reporting and the annual report that influences the decision-taking of the users of this Reporting. The level of composite threshold error is for us the criteria for confirming the reliability of the Company Reporting.

We determined the level of significance to be RUB 876.16 mln.

Audited period:

We made an Audit of Reporting, attached to this Opinion, for the period:

1) Reporting:

from 01.01.2012 to 31.12.2012 as concerns the Company's financial-economic activity in 2012;

2) Events after the report date:

from 01.01.2013 to 28.02.2013.

The Reporting is compiled in accordance with the legislation and normative acts of the Russian Federation (Russian Accounting Standards) and the internal normative local acts of the Company.

Composition of the Company Reporting approved by the Auditing Committee:

No.	Name of the reporting form	Date approved by management	Number of pages in the document
1	Balance Sheet (consolidated for all isolated subdivisions of the Company)	28.02.2013	2
2	The Statement of financial results (consolidated for all isolated subdivisions of the Company)	28.02.2013	1
3	Statement of Changes in Equity	28.02.2013	4
4	Cash Flow Statement	28.02.2013	2
5	Other appendices (explanatory notes) to the Balance Sheet and the Statement of financial results	28.02.2013	110
6	Annual report (consolidated for all isolated subdivisions of the Company with information on subsidiary and dependent companies)		183

We believe that the Audit conducted provides sufficient grounds for expressing our opinion on the reliability of the Company Reporting.

II. CONCLUSION

In our opinion, the Company Report for 2011 accurately reflects, in all significant aspects, the financial position and the results of financial-economic activity of the IDGC of the South as of 31.12.2012, and the results of its financial-economic activity and cash flows for 2012 in accordance with the requirements of the legislation of the Russian Federation as concerns preparing financial reporting and internal local acts as concerns compiling the annual report of the Company.

INDIVIDUAL OPINION

The members of the Auditing Committee do not have an individual opinion differing from that expressed in the conclusion of this Opinion.

Approved by the Minutes of the Auditing Committee dated 16.04.2013 No. 10.

Chairwoman of the Auditing Committee

I. A. Alimuradova

INFORMATION ABOUT COMPLIANCE BY IDGC OF THE SOUTH, JSC WITH THE CODE OF CORPORATE CONDUCT for 2012

(prepared in accordance with Order of the Federal Commission for Securities Market dated 30.04.2003 No.03-849/p "On Methodological Recommendations for the Contents and Form of Presentation of Information on Compliance with the Code of Corporate Conduct in Annual Reports of Joint-Stock Companies")

No.	Provision of the Code of Corporate Conduct	Observance or Non-observance	Notes
1	2	3	4
General Shareholders' Meeting			
1	Notification of shareholders regarding the General Meeting of Shareholders not later than 30 days before the scheduled date regardless of the issues included in its agenda, unless the legislation provides for a longer period thereof	Observed	As provided by Art. 11 p. 11 of the Charter
2	Opportunity for shareholders to get acquainted with the list of individuals eligible to participate in the General Meeting of Shareholders, as of the date of notification on upcoming Meeting and until the closure of "in praesentia" Meeting, and in the case of "in-absentia" General Meeting of Shareholders — before the deadline for accepting voting ballots	Observed	The process of familiarization is carried out according to Art. 51, p. 4 of the Federal Law dated 26.12.1995 No.208-ФЗ "On Joint Stock Companies" and p.6.2 (3) of the Company Charter
3	Shareholders' opportunity to examine information (materials) to be provided during preparation of the general meeting of shareholders via electronic communication, including the Internet	Observed	Under Art. 11 p. 11.7 of the Company Charter, the shareholders of IDGC of the South, JSC have the opportunity, within 20 days, and in case of the General Meeting of Shareholders, the agenda of which includes the reorganization of the Company, within 30 days before the General Meeting, to familiarize with materials for the General Meeting of Shareholders in the executive office of the Company and other locations, addresses of which are specified in the notice of the General Meeting of Shareholders. This information (materials) is available to individuals participating in the General Meeting of Shareholders, during the Meeting as well. This is provided for in p.4.1 of the Regulations on preparation and holding of the General Meeting of Shareholders, p. 1 of Chapter IV of the Corporate Governance Code
4	Shareholder's opportunity to put an issue to the agenda of the General Meeting of Shareholders, or a right to request the convening of the General Meeting of Shareholders without submitting the extract from the Register of shareholders, provided shareholder's share rights are accounted for in the shareholders' register system; if shareholder's share rights are recorded on the deposit account, the deposit account statement shall be sufficient for the exercising the above rights	Partly observed	This requirement is met de facto. The Company Charter and internal documents do not enshrine the opportunity of a shareholder not to provide an extract from the Register of Shareholders, when taking into account shares owned by him/her on a personal account in the registry system. The shareholder's right on introducing an issue to the agenda of the General Meeting of Shareholders is stipulated in Art. 6, p.6.2. (2), Art. 13, p. 13.1, the convening of the General Meeting — in Art. 14 p. 14.3 of the Company Charter
5	The joint-stock company Charter or internal documents shall contain the requirement on compulsory presence of General Director, Management board members, members of the Board of Directors, members of the Company Review Commission and the Company Auditor at the General Meeting of Shareholders	Partly observed	The Company Charter and internal documents thereof do not contain this provision, as the legislation of the Russian Federation does not establish requirements for compulsory presence at the General Meeting of Shareholders by the specified persons. The Corporate Governance Code of IDGC of the South, JSC contains provisions on the Company's desire to ensure the presence at the General Meeting of Shareholders of members of the management and control bodies, as well as the Company Auditor. Art. 4 p. 4.5. (4) of the Regulations on the Audit Committee of IDGC of the South, JSC establishes the duty of the Review Commission members to report to the General Meeting of Shareholders of IDGC of the South, JSC on the results of audits of the financial and business activities of the Company. The Company sends out invitations to members of the Board of Directors and the Auditor for their taking part in the General Meeting of Shareholders. In addition, in the future, it is planned to introduce to the agenda of the General Meeting the issue of making appropriate amendments to the Regulations on the procedure for the preparation and holding of the General Meeting of Shareholders of IDGC of the South, JSC

Appendix 7

No.	Provision of the Code of Corporate Conduct	Observance or Non-observance	Notes
1	2	3	4
6	Compulsory attendance of all candidates when considering issues related to the elections of Management board members, General Director, members of the Board of Directors, members of the Review Committee, as well as approval of the Company Auditor at the General Meeting of Shareholders	Partly observed	The legislation of the Russian Federation does not contain any requirement for mandatory presence of the said candidates at the General Meeting of Shareholders. De-facto, the Company strives to ensure the presence at the General Meeting of Shareholders of candidates for the Board of Directors and the Review Commission, as well as the Company's Auditors. The Company sends out invitations to members of the Board of Directors and the Auditor to attend the General Meeting of Shareholders
7	Meeting participants registration procedure shall be provided for in the internal documents of the joint-stock company	Observed	Art. 5 p. 5.1 of the Regulations on the procedure for the preparation and holding of the General Meeting of Shareholders of IDGC of the South, JSC
Board of Directors			
8	Provision in the Company Charter of the Board of Directors' authority for annual approval of financial and economic plan	Observed	Pursuant to Art. 15 p. 15.1 (19) of the Company Charter, the Board of Directors shall approve a business plan (revised business plan), including the investment program and the quarterly report on performance thereof, as well as the adoption (correction) of control figures of the Company cash flows
9	Availability of Joint-Stock Company Risk Management Procedure approved by the Board of Directors	Observed	The Company Board of Directors approved the Risk Management Policy of IDGC of the South, JSC (minutes No. 47/2010 dated 11.06.2010)
10	Provision in the Charter of the joint-stock company of the right of the Board of Directors to suspend the powers of the General Director appointed by the General Meeting of Shareholders	Observed	As prescribed by Art. 15 p. 15.1 (12) of the Company Charter, the competency of the Board of Directors includes powers for choosing a General Director of the Company and terminating his powers on an early basis, as well as for terminating his labor contract on an early basis
11	Provision of the Company Charter entitling the Board of Directors to set up the requirements to qualifications and remuneration of the General Director, Management Board members and the heads of principal structural units of the Company	Observed	According to Art. 21, pp. 21.6 and 21.7 of the Company Charter, the conditions of employment contracts with the General Director and members of the Management Board shall be determined by the Board of Directors of the Company, or a person authorized by the Board of Directors to sign labor contracts. According to the terms and conditions of the labor contract with the General Director, financial incentives (reward) of the General Director is carried out according to the Regulations on financial incentives of the General Director of IDGC of the South, JSC approved by the Board of Directors (minutes of the Board of Directors dated 16.06.2011 No. 67/2011). Members of the Management Board of IDGC of the South, JSC are the top managers whose incentives shall be carried out according to the Regulations on financial incentives and a social package of Top Managers of IDGC of the South, JSC (minutes of the Board of Directors dated 16.06.2011 No. 67/2011)
12	Provision of the Company Charter entitling the Board of Directors to approve the terms and conditions of contracts with the General Director and the Management Board members	Observed	According to Art. 21, pp. 21.6 and 21.7 of the Company Charter, the conditions of employment contracts with the General Director and members of the Management Board shall be determined by the Board of Directors of the Company, or a person authorized by the Board of Directors to sign labor contracts
13	The joint-stock company or internal documents shall provide for a precondition that the votes of the Board of Directors' members who act in capacity of the General Director or the members of the Management Board, shall not be taken into account at votes counting when at the time of approval of terms and conditions of contracts with the General Director (Managing company, Manager) and the members of the Board	Not observed	It is not provided by the Charter and internal documents, is executed de facto

No.	Provision of the Code of Corporate Conduct	Observance or Non-observance	Notes
1	2	3	4
14	The presence within the joint-stock company Board of Directors of at least three independent directors meeting the requirements of the Code of Corporate Conduct	Observed	The Boards of Directors include not less than three independent directors
15	The joint-stock company Board of Directors shall not consist of individuals who were found guilty of committing crimes in the sphere of economic activities, crimes against the state, interests of public services or local government authorities, or those who were subject to administrative penalties for violations of financial, business, taxes, levies and securities market regulations	Observed	In accordance with the Order of the Company dated 28.04.2012 No. 233 "On Disclosure of Information About the Company Through Quarterly Report of the Issuer of the Securities of IDGC of the South, JSC and the Statements of Material Facts", these data are quarterly requested from the members of the Board of Directors of the Company. No specified individuals are the members of the Company Board of Directors
16	The joint-stock company Board of Directors shall not include individuals who are participants, general directors (managers), members of the governing body or employees of a legal entity competing with the joint-stock company	Observed	In accordance with the Order of the Company dated 28.04.2012 No. 233 "On Disclosure of Information About the Company Through Quarterly Report of the Issuer of the Securities of IDGC of the South, JSC and the Statements of Material Facts", these data are quarterly requested from the members of the Board of Directors of the Company (if any). No specified individuals are the members of the Company Board of Directors
17	The joint-stock company Charter shall prescribe the election of the Board of Directors by cumulative voting	Observed	Art. 10 p. 10.8 of the Company Charter determines that the election of the Board of Directors is performed through cumulative voting
18	The joint-stock company internal documents shall contain the requirement stipulating the responsibility of the Board of Directors' members to refrain from any actions that would or potentially could lead to a conflict between their interests and the interests of the Company, and in case of such a conflict — the responsibility to disclose the information about such a conflict to the Board of Directors	Observed	This is provided for in Art. V p. 1 of the Corporate Governance Code, p. 4.1 of the Regulations on Insider Information, Appendix No. 5 to the Regulations on Insider Information "Rules of the Company's Securities Transactions by Insiders" relating to refrain from transactions with shares of the Company
19	The joint-stock company internal documents shall prescribe the responsibility of the Board of Directors' members to notify the Board of Directors in writing of their intention to proceed with a transaction involving the securities of a joint-stock company (its subsidiaries/affiliates), which Board of Directors they are members of, as well as to disclose the information about transactions with the securities thereof	Observed	This is provided for in p. 4.1 of the Regulations on Insider Information, Appendix No. 5 to the Regulations on Insider Information "Rules of the Company's Securities Transactions by Insiders", Art. V p. 1 of the Corporate Governance Code
20	Requirement contained in the Company internal documents prescribing to hold the Board of Directors' meetings at least once every six weeks	Observed	As prescribed by Art. 18 p. 18.2 of the Company Charter, Art. V p. 1 of the Corporate Governance Code. In fact, in the reporting year, meetings were held at least twice in six weeks (24 meetings)
21	Holding of Board of Directors meetings during the year, for which the Company annual report is compiled, at least once every six weeks	Observed	During the reporting year meetings of the Board Directors were held at least twice in six weeks (24 meetings)
22	Availability of the Procedure on Board of Directors meetings in the joint-stock company internal documents	Observed	As prescribed by Art. 6, 7 and 8 of the Regulations on the procedure of convening and holding of meetings of the Board of Directors of IDGC of the South, JSC
23	The joint-stock company internal documents shall contain a provision requiring the approval by the Board of Directors of transactions amounting to more than 10 percent of the company assets value, except for transactions made in the ordinary course of business	Observed	Terms on the need for prior approval by the Board of Directors of IDGC of the South, JSC of the transactions executed by the Company in the amount of 10 and more percent of the book value of these assets of the Company according to the financial statements as of the last reporting date, are prescribed in Art. 15 p. 15.1. (38 (a)) of the Company Charter

Appendix 7

No.	Provision of the Code of Corporate Conduct	Observance or Non-observance	Notes
1	2	3	4
24	The joint-stock company internal documents shall provide for a provision specifying the rights of Board of Directors members to receive the information required to perform their duties, from executive bodies and the heads of major structural units, as well as the liability for failure to provide such information	Observed	As prescribed by the Regulations on convening and holding of meetings of the Board of Directors of IDGC of the South, JSC (p. 3.1–3.3, p. 4.4–4.6)
25	Availability of the Board of Directors Committee on Strategic Planning or an assignment the duties thereof to another committee (except the Audit Committee and the Committee on Personnel and Remuneration)	Observed	The Company has established the IDGC of the South, JSC Board of Directors Strategy, Development, Investments and Restructuring Committee
26	Availability of the Board of Directors Auditing Committee that recommends the Company Auditor to the Board of Directors and interacts with this Auditor, as well as with the Company Review Committee	Observed	The Company has established the Board of Directors Auditing Committee of IDGC of the South, JSC, its competence is given in p.3 of the Regulations on the Auditing Committee of the Board of Directors of IDGC of the South, JSC
27	Auditing Committee shall consist of independent and non-executive directors only	Observed	Auditing Committee consists of independent and non-executive directors
28	Management of the Company Auditing Committee by an independent director	Observed	During the reporting period, the independent directors managed the Auditing Committee
29	Right to access any documents and information, provided the observance of confidential information nondisclosure provision, shall be stipulated in the joint-stock company's internal documents	Observed	P.4 of the Provision on the Board of Directors Auditing Committee of IDGC of the South, JSC
30	Establishment of the Board of Directors Personnel and Remuneration Committee, which function would be to define the criteria for the Board of Directors candidate selection, as well as the policy-making in regards to remuneration thereof	Observed	The Company has established the IDGC of the South, JSC Board of Directors Personnel and Remuneration Committee
31	Management of the joint-stock company Personnel and Remuneration Committee by an independent director	Not observed	During the reporting period, the independent director didn't manage the Personnel and Remuneration Committee
32	No officials of a joint-stock company among the members of the Personnel and Remuneration Committee	Observed	There are no officials of the Company among the members of the Personnel and Remuneration Committee
33	Establishment of the Board of Directors Risk Management Committee or an assignment the duties thereof to another committee (except the Auditing Committee and the Committee on Personnel and Remuneration)	Not observed	No such committee is established under the Board of Directors
34	Establishment of the Board of Directors Corporate Conflict Management Committee, or an assignment the functions thereof to another committee (except the Auditing Committee and the Committee on Personnel and Remuneration)	Not observed	No such committee is established under the Board of Directors
35	The Corporate Conflict Management Committee shall not include officials of a joint-stock company	Not observed	No Corporate Conflict Management Committee was established under the Board of Directors
36	Management of the Corporate Conflict Management Committee by an independent director	Not observed	No Corporate Conflict Management Committee was established under the Board of Directors

No.	Provision of the Code of Corporate Conduct	Observance or Non-observance	Notes
1	2	3	4
37	Availability of the joint-stock company internal documents, approved by the Board of Directors, envisaging the procedure for establishment and operating of the Board of Directors Committees	Observed	<p>Art. 19 of the Company Charter requires the Committees to be established by the Board of Directors, the procedure of their establishment and operation is subject to specific resolutions of the Board of Directors. In addition, these provisions are included in the provisions of the Board of Directors committees:</p> <ul style="list-style-type: none"> • Regulations on the technological connection to electric grids under the Board of Directors of IDGC of the South, JSC (approved by the Board of Directors, minutes dated 11.02.2009 No. 22/2009); • Regulations on the Auditing Committee of the Board of Directors of IDGC of the South, JSC as amended (approved by the Board of Directors, minutes dated 24.08.2012 No. 94/2012); • Regulations on the Personnel and Remuneration Committee of the Board of Directors of IDGC of the South, JSC as amended (approved by the Board of Directors, minutes dated 08.04.2011 No. 61/2011); • The Provision on IDGC of the South, JSC Board of Directors' Strategy, Development, Investments and Restructuring Committee (approved by the Board of Directors, minutes dated 04.12.2009 No. 37/2009); • The Provision on IDGC of the South, JSC Board of Directors' Reliability Committee (approved by the Board of Directors, minutes dated 04.12.2009 No. 37/2009)
38	The Charter of a joint-stock company shall provide for the Board of Directors Quorum definition, enabling the compulsory participation of independent directors in the Board of Directors meetings	Not observed	There are no requirements for the procedure of determining a quorum of the Board of Directors that would ensure the participation of independent directors in meetings of the Board of Directors of the Company in the Company Charter. Art. 18 p. 18.12 of the Company Charter states that the quorum for holding a meeting of the Board of Directors shall be not less than half of the elected members of the Board of Directors of the Company
Executive bodies			
39	Availability of a collegial executive body of a joint-stock company (Management Board)	Observed	This rule is prescribed by Art. 21, 22 of the Company Charter
40	The joint-stock company Charter or internal documents shall contain the provision requiring the approval of real estate transactions and procurement of loans by the Management Board, provided such transactions may not be referred to as major transactions and are not pertaining to the company's normal business activities	Partly observed	<p>The Company Charter and internal documents do not state the provision requiring approval of real estate transactions and procurement of loans by the Management Board, provided such transactions may not be referred to as major transactions and are not pertaining to the Company's normal business activities.</p> <p>Art. 5 p. 5.9 (14) of the Regulations on the Company Management Board provides a preliminary review at the meeting of the Management Board of issues determining the credit policy, as well as the execution of facility agreements</p>
41	The joint-stock company internal documents shall envisage the provision that provides for the reconciliation procedure in regard to transactions falling beyond financial and business plans of the company	Observed	<p>The Board of Directors and the Management Board of IDGC of the South, JSC consider the issues of conducting operations that go beyond the financial and business plan, as they should be included in the adjustments of the business plan and the cash flow plan, which are considered by the Board of Directors of the Company and the Management Board, respectively.</p> <p>The Company has the documents regulating the process of business planning and cash flow management, such as the Regulation on Business Planning of IDGC of the South, JSC, the Regulation on Formation, Implementation, Adjustment and Management of the Revenue and Expenditure Budget of IDGC of the South, JSC</p>

Appendix 7

No.	Provision of the Code of Corporate Conduct	Observance or Non-observance	Notes
1	2	3	4
42	The executive bodies shall not include individuals who are participants, general directors (managers), members of the governing body or employees of a legal entity competing with a joint-stock company	Observed	In accordance with the Order of the Company dated 28.04.2012 No.233 "On Disclosure of Information About the Company Through Quarterly Report of the Issuer of the Securities of IDGC of the South, JSC and the Statements of Material Facts", these data are quarterly requested from the individuals being the General Director, the Management Body or an employee of any legal entity competing with the Company. No individuals prior specified are identified as the members of the Company executive bodies
43	Executive bodies of a joint-stock company may not involve individuals who were found guilty of committing crimes in the sphere of economic activities, crimes against the state, interests of public services or local government authorities, or those who were subject to administrative penalties for violations of financial, business, taxes, levies and securities market regulations. If the functions of a sole executive body are performed by managing organization or a manager, the requirements to general director and the board members of this managing organization or a manager shall fully meet the requirements to a company general director and the members of the company Management Board	Observed	In accordance with the Order of the Company dated 28.04.2012 No.233 "On Disclosure of Information About the Company Through Quarterly Report of the Issuer of the Securities of IDGC of the South, JSC and the Statements of Material Facts", these data are quarterly requested from the individuals being the General Director, the Management Body or an employee of any legal entity competing with the Company. No individuals prior specified are identified as the members of the Company executive bodies
44	The Company Charter or internal documents shall envisage a provision prohibiting the managing organization (manager) to carry out similar functions in a competitive company, as well as to be in any other proprietary relationship with a joint stock company, except for providing services as a managing organization (manager)	Observed	As provided for by Art. V of the Corporate Governance Code, approved by the Board of Directors of the Company on 19.08.2009
45	The Company internal documents shall provide for the responsibility of the executive bodies to refrain from any actions that would or potentially could lead to a conflict between their interests and the interests of the Company, and in case of such a conflict — the duty to disclose the information about the conflict to the Board of Directors	Observed	Art. 3 of the Regulations on the Management Board provides for declaration by the members of Management Board of their affiliation (which may lead to a conflict of interest), p. 4.1 of the Regulations on Insider Information, Appendix No.5 to the Regulations on Insider Information "The Rules of the Company's Securities Transactions by Insiders" provide for abstaining from transactions with the Company's shares. Besides, these provisions are stated in Art. V p.2 of the Corporate Governance Code
46	The Company Charter or internal documents shall provide for the managing organization (manager) selection criteria	Observed	As provided for by Art. V of the Corporate Governance Code, approved by the Board of Directors of the Company on 19.08.2009
47	Joint-stock company executive bodies shall provide monthly performance reports to the Board of Directors	Partly observed	The need to provide the Board of Directors with reports from executive bodies is stipulated in p. 15.1 (34), 22.2 of the Company Charter. The General Director — Chairman of the Company Management Board — shall provide quarterly reports on the Company's activities, implementation of decisions of the Board of Directors, compliance with the Provision on Information Policy, the performance of the Business Plan and benchmarking CF indicators, the credit policy, the implementation of investment program, unplanned purchases, etc. In addition, with a different frequency (preset by internal documents of the Company) the reports on compliance with the Corporate Governance Code, shall be provided as well as the reports on the performance of annual integrated program of procurement, etc.

No.	Provision of the Code of Corporate Conduct	Observance or Non-observance	Notes
1	2	3	4
48	Contracts concluded between a joint-stock company and general director (managing organization, manager) or members of the managing board, shall provide for responsibility for violation of confidential and proprietary information provisions	Observed	Agreements contain such provisions
The Company Secretary			
49	Availability of specially designated officer of a joint-stock company (the Company Secretary), whose task is to ensure the compliance with the procedural requirements of the company officials and bodies, ensuring the enforcement of rights and legitimate interests of shareholders	Partly observed	As prescribed by Art.20 p.2.7 of the Provisions of the Corporate Secretary of IDGC of the South, JSC, the issue of enforcing bodies and officials of the joint stock company to comply with procedural requirements securing the exercise of rights and legitimate interests of the Company is carried out by the Corporate Governance Code and Shareholder Relations Department
50	The Company Charter or internal documents shall envisage a procedure for the appointment (election) of the company secretary, as well as his responsibilities	Observed	As prescribed by Art.20 of the Company Charter and p.3 of the Provisions of the Corporate Secretary of IDGC of the South, JSC
51	The company charter shall contain the requirements to the position of a company secretary	Not observed	No such requirements are specified in the Company Charter
Significant Corporate Actions			
52	The joint-stock company Charter or internal documents shall provide for the provision requiring prior approval of major transactions	Observed	Pursuant to the Company Charter, the competence of the Company management bodies (the General Meeting of Shareholders and the Board of Directors) includes decision-making on approval of major transactions in cases provided for in Chapter X of the Federal Law "On Joint Stock Companies" (Art. 15 p. 15.1. (24) of the Company Charter) and Art. 79 of the Federal Law "On Joint Stock Companies" (Art. 10 p. 10.2 (17) of the Company Charter)
53	Obligatory involvement of an independent appraiser to assess the market value of the property being a subject of a major transaction	Observed	Art. 15 p. 15.1. (46) of the Company Charter prescribes the powers of the Board of Directors for approval of an independent appraiser(s) to determine the value of shares, property and other assets of the Company in cases stipulated by the Federal Law "On Joint Stock Companies" and the Company Charter, as well as the resolutions of the Board of Directors
54	The company Charter shall envisage a provision prohibiting any actions aimed at protecting the interests of executive bodies (members of these bodies) and the members of the company Board of Directors when acquiring a large block of joint-stock company shares (takeover), as well any actions worsening the situation of shareholders compared to the existing one (in particular, prohibiting the Board of Directors, before the expiration of share acquisition period, to make decisions on issue of additional shares, securities convertible into shares or securities giving the right to purchase the Company shares, even if the right to make such a decision is provided for in the company Charter)	Not observed	The Company Charter does not envisage such a provision. At the same time, Art. 21 p. 21.14 of the Company Charter stipulates that the General Director, the members of the Management Board, while exercising their rights and performing their duties, shall act in the interests of the Company and exercise their rights and perform their duties towards the Company in good faith and reasonably
55	The company Charter shall contain a provision on compulsory involvement of an independent appraiser to assess the current market value of the Company shares and possible changes thereof as the result of a takeover	Not observed	No such requirement is specified in the Company Charter. De facto, the Company complies with this requirement pursuant to the Federal Law "On Joint-Stock Companies"
56	The joint-stock company Charter shall not contain a provision releasing the acquirer from its obligation to offer shareholders to sell their ordinary shares (equity securities, convertible into ordinary shares) in the event of a takeover	Observed	No such requirement is specified in the Company Charter

Appendix 7

No.	Provision of the Code of Corporate Conduct	Observance or Non-observance	Notes
1	2	3	4
57	The joint-stock company Charter or internal documents shall provide for a provision requiring the compulsory involvement of an independent appraiser to determine shares conversion ratio upon the reorganization	Not observed	No such requirement is specified in the Company Charter and internal documents. De facto, the Company complies with this requirement pursuant to the Federal Law "On Joint-Stock Companies"
Disclosure of information			
58	Availability of internal document approved by the Board of Directors defining the rules and approaches to company information disclosure (Provision on Information Policy)	Observed	The Company Board of Directors has approved the Provision on Information Policy (minutes dated 03.09.2007 No. 2/2007)
59	The joint-stock company internal documents shall contain a requirement on disclosure of information about the placement of shares, individuals intending to purchase these shares, including a large stake, as well as on whether the senior officials of a company are going to be involved in the acquisition of these shares	Partly observed	Information shall be disclosed in accordance with the current legislation of the Russian Federation and the Regulations on Information Policy
60	The joint-stock company internal documents shall contain the list of information, documents and materials to be provided to shareholders to address the issues covered at the General Meeting of Shareholders	Observed	As provided for in Chapter IV p. 1 of the Corporate Governance Code, p. 4.1. of the Regulations on preparation and holding of the General Meeting of Shareholders of IDGC of the South, JSC
61	A joint-stock company shall have an Internet site providing the platform for regular disclosure of information about a joint-stock company	Observed	As provided for in the Regulations on Information Policy of IDGC of the South, JSC. Corporate website: www.mrsk-yuga.ru
62	The joint-stock company internal documents shall contain a provision requiring the disclosure of information about the company transactions with individuals who are, according to the company Charter, referred to as chief executive officers, as well as about the company transactions with organizations where the company chief executive officers, whether directly or not, hold 20 or more percent of the joint-stock company authorized capital, or the companies, which the above individuals may otherwise significantly exert the influence on	Observed	Information shall be disclosed in accordance with the current legislation of the Russian Federation and p. 5.2.10.2 of the Regulation on Information Policy
63	The joint-stock company internal documents shall provide for a requirement to disclose information about all transactions that may affect the market value of the company shares	Observed	Information shall be disclosed in accordance with the current legislation of the Russian Federation and p. 12.2 of the Regulations on Information Policy
64	Availability of an internal document approved by the Board of Directors, specifying the procedure for use of material information about the activities of a joint-stock company, its shares and other securities, as well as transactions therewith, provided that such information is not publicly-accessible, hence its disclosure may have significant impact on the market value of the company shares and other securities	Observed	The Company Board of Directors has approved the Provision on Insider Information of IDGC of the South, JSC (minutes dated 29.12.2011 No. 78/2011)

No.	Provision of the Code of Corporate Conduct	Observance or Non-observance	Notes
1	2	3	4
Financial and economic activities control			
65	Availability of internal control procedures approved by the Board of Directors governing the Company financial and economic activities	Observed	The Provision on Internal Control Procedures as established by the resolution of the Board of Directors (minutes dated 11.02.2009 No.22/2009)
66	Availability of a special joint-stock company division ensuring the compliance with internal control procedures (supervision and auditing service)	Observed	Internal Audit and Risk Management Department
67	Internal documents of a joint-stock company shall envisage the requirement to the Board of Directors to establish the structure and manning of the Company supervision and auditing service	Not observed	The specified requirement is not secured by internal documents of the Company
68	The joint-stock company Supervision and Auditing Service shall not involve individuals who have been found guilty of committing crimes in the sphere of economic activities, crimes against the state, interests of public services or local government authorities, or those who have been subject to administrative penalties for violations of financial, business, taxes, levies and securities market regulations	Observed	There are no such persons among the members of the Company Supervision and Auditing Service
69	Supervision and Auditing Service shall not include individuals who are the members of the company executive bodies or participants, general directors (managers), members of the governing body or employees of a legal entity competing with a joint-stock company	Observed	There are no such persons among the members of the Company Supervision and Auditing Service
70	Internal documents of a joint-stock company shall contain deadlines for submission of documents and materials for evaluation of the company financial and business operations to the Supervision and Auditing Service, as well as the liability of the company senior officers and employees for non-performance thereof during the specified period	Partly observed	P. 6.1.2 of the Provision on Internal Control Procedures
71	Internal documents of a joint-stock company shall provide for the responsibility of the Supervision and Auditing Service to report identified violations to the Audit Committee, and in the absence thereof — to the company Board of Directors.	Observed	P. 6.1.4 of the Provision on Internal Control Procedures
72	The joint-stock company Charter shall contain the provision requiring the preliminary viability assessment of the transactions not envisaged under the financial plan of a joint stock company (non-standard operations), by the Supervision and Auditing Service	Not observed	This procedure is not envisaged by the Company Charter

Appendix 7

No.	Provision of the Code of Corporate Conduct	Observance or Non-observance	Notes
1	2	3	4
73	The joint-stock company internal documents shall contain the procedure for non-standard transactions' reconciliation with the company Board of Directors	Observed	Authority to approve adjustments to the business plan shall be the responsibility of the Board of Directors (Art. 15 p. 15.1 (19) of the Company Charter). In addition, Art. 15.1 pp. 30, 38 of the Company Charter determine the list of transactions that require approval by the Board of Directors
74	Availability of an internal document approved by the Board of Directors governing the procedure for inspections of financial and operational activities of the Company by the Review Committee	Observed	This procedure is stipulated in the Regulation on the Review Commission, approved by the General Meeting of Shareholders of IDGC of the South, JSC (minutes dated 05.10.2007 No. 1751np/4)
75	Assessment of the auditor's report by the Auditing committee before submission thereof to the shareholders at the General Shareholders' Meeting	Observed	As prescribed by p.3.1.1. (5) of the Provision on the Board of Directors Auditing Committee of IDGC of the South, JSC
Dividends			
76	Availability of the internal document approved by the Board of Directors governing the latter when making recommendations on the size of dividends (the Provision on Dividend Policy)	Observed	The Company Board of Directors has approved the Provision on Dividend Policy of IDGC of the South, JSC (Minutes No. 53/2010 dated 01.09.2010)
77	The Provision on Dividend Policy shall contain the procedure for determining minimum share of net profit of a joint stock company allocated to dividend payment, as well as the conditions under which the dividends on preferred shares shall not be paid or shall be paid partially. The size of dividends on preferred shares shall be defined in the company Charter	Observed	Paragraph 4.1. of the Provision of the Company's Dividend Policy establishes the procedure for determining (calculating) the amount of dividends for the financial period, p. 3.4 determines the conditions under which dividends on preferred shares shall not be paid or not paid in full, the amount of which is established in the Company Charter (in the event of their placement). During the reporting period, the Company did not place preferred shares
78	Publication of information about the Company's Dividend Policy and amendments thereof in a periodical as provided for in a company Charter for publication of notifications on the General Meetings of Shareholders, and placement of the above information on the Company website in the Internet	Partly observed	Information on the Dividend Policy of the Company and all amendments thereto are posted on the Company's website in the Internet in accordance with the Regulation on Information Policy

INFORMATION ON PARTICIPATION OF IDGC OF THE SOUTH, JSC IN NON-CORE BUSINESS ACTIVITIES

Participation of IDGC of the South, JSC in commercial organizations which are 100% subsidiaries and dependent companies (SDC)

Name and location	Company registration date	Core business	Income of the SDC, RUB ths.	Financial result of the SDC, RUB ths.
1. Agricultural Enterprise in the name of A. Grechko, Open Joint-Stock Company 21 Teatralnaya St., Kuibyshevo village, Kuibyshev district, Rostov Region, Russia	17.11.2003	Production, processing and sale of own-produced agricultural products	4,360	-24,458
2. Sokolovskoye Agricultural Enterprise, Open Joint-Stock Company 32 Kurskaya St., Sokolovo-Kundruchensky village, Novoshakhtinsk, Russia	13.11.2003	Production, processing and sale of own-produced agricultural products	45,839	271
3. Energetik Recreation Camp, Open Joint-Stock Company 3 Shkolnaya St., Shepsi village, Tuapse District, Krasnodar Region, Russian Federation	10.11.2003	Treatment and resort center for adults, parents with children (not less than 5 years old), and organized groups of school age children; provision of consumer, excursion, tourist, cultural and entertainment services	31,441	205

Participation of IDGC of the South, JSC in other commercial organizations

Name and location	Company registration date	Core business	Stake of IDGC of the South, JSC voting shares
1. Volgogradenergosbyt, Open Joint-Stock Company 14, Kozlovskaya St., Volgograd, 400001, Russian Federation	01.01.2005	Purchase and sale of electric energy	Ordinary shares — 0.2469% Preference shares — 1.8097%
2. Federal Grid Company of United Energy System, Open Joint-Stock Company 5A, Akademika Chelomeya St., Moscow, 117630, Russian Federation	25.06.2002	Transmission and distribution of electric power, connection to electric grids.	0.0009%
3. Rostov Football Club, Open Joint-Stock Company 31e, Sholokhova Prospect, Rostov-on-Don, 344000, Russian Federation	19.11.1997	Preparation and organization of football teams, arranging football competitions	0.4968%
4. ENRGOGARANT Joint-Stock Insurance Company, Open Joint-Stock Company 23, Sadovnicheskaya Embankment, Moscow, 115035	28.08.1992	Insurance	0.0226%
5. CHAGANSKOYE, Closed Joint-Stock Company 1, Lenina St., Chagan village, Kamyzyaksky District, Astrakhan Region, 416303	25.07.1996	Agricultural activity	2.3250%

Appendix 8

Participation of IDGC of the South, JSC in non-profit organizations

Name of non-profit organization and its location	Date of entrance into the organization	Non-profit organization major activities
Association of legal entities (associations and unions)		
1. All-Russian Electric Power Industry Employers Association 101, Bldg 3, C-109, Vernadsky avenue, Moscow, 119526, Russian Federation	17.11.2008	Representation and protection of interests of employers of electric power industry in relations with labor unions and other representatives of interests of workers, as well as public authorities and local government bodies
Non-profit partnerships		
2. Scientific and Engineering Council of the Unified Energy System Non-profit partnership 119, Bldg 55, Mira avenue, Moscow, 129344, Russian Federation	16.02.2009	Activities of professional organizations, scientific research and development in the field of natural and technical science
3. Rostov Training Centre of the Unified Energy System Non-profit partnership 13, Bldg P, Krasnokazarmennaya St., Moscow, 111250, Russian Federation	05.02.2009	Educational services in the field of training, retraining, advanced training and certification of personnel
4. Non-profit partnership Association of organizations performing construction, reconstruction and capital repairing of energy objects, grids and substations ENERGOSTROY 26, Bldg1, Ulansky Lane, Moscow, 107996, Russian Federation	07.12.2009	The main purpose of creation and activity of the Partnership is to prevent harm to life or health of individuals, property of natural or legal persons, state or municipal property, environment, life or health of animals and plants, objects of cultural heritage (including historical and cultural objects) of the peoples of the Russian Federation caused by shortcomings of performed works that affect the safety of capital construction and which are performed by the members of the Partnership
5. Non-profit partnership Association of organizations preparing project documentation for energy objects, nets and substations ENERGOPROYEKT 7A, Bldg 6, Stroitelny Passage, Moscow, 125362, Russian Federation	14.04.2010	To prevent harm to life or health of individuals, property of natural or legal persons due to shortcomings in the preparation of project documentation that affect the safety of capital construction and which is performed by the members of the Partnership; to improve the quality of architectural and construction design
6. Non-profit partnership Union of energy auditors and energy service companies 8, Bldg 2, office XXXVI, Leningradskoye Highway, Moscow, 125171, Russian Federation	23.12.2010	The aim of the Partnership is to assist the members of the Partnership in their activities in improving the quality of work in the field of energy audit and provision of energy services
7. Non-profit partnership Council for Organizing Efficient System of Trading on the Wholesale and Retail Electricity and Power Market	24.12.2012	Ensuring the functioning of commercial infrastructure of the market, ensuring effective interrelation of the wholesale and retail markets, formation of favorable conditions for attraction of investments in the power industry, organization on the basis of self-regulation of an efficient system of wholesale and retail trade of electric energy, power, other goods and services, admitted for circulation in the wholesale and retail markets, in order to ensure energy security of the Russian Federation
Institutions		
8. Private educational institution Energetik Training Centre 147, 2 nd Krasnodarskaya St., 344002, Rostov-on-Don, Russian Federation	31.03.2008	Training, retraining and improvement of professional skills of workers and specialists of IDGC of the South, JSC and other enterprises and organizations, unemployed and jobless population
9. Private educational institution Astrakhan training centre Astrakhan TPP-2 site, Kulakovka village, Privolzhsky District, Astrakhan Region, 416474, Russian Federation	31.03.2008	Training, retraining and improvement of professional skills of workers and specialists of IDGC of the South, JSC and other enterprises and organizations
Funds		
10. Power industry private pension fund 16, Bldg 5, Bersenevskaya Embankment, Moscow, 119072, Russian Federation	31.03.2008	Private pension provision to the fund participants; acting as an insurer in mandatory pension insurance and professional pension insurance

INFORMATION ON INTERESTED PARTY TRANSACTIONS CONCLUDED BY IDGC OF THE SOUTH, JSC in 2012

All 2012 interested party transactions were conducted on market conditions.

Item No.	Type of transaction	Details of the transaction	Name of the Company management body which approved the transaction	Interested parties
1	2	3	4	5
1	Supplementary Agreement dated February 21, 2012 No. 1/63 to the Technological Cooperation Agreement dated February 01, 2011 No. СДУ-2/2010/49	<p>Parties to the Agreement: IDGC of the South, JSC and UES, JSC.</p> <p>Subject of the Agreement: Implementation of centralized operational dispatch management within the Unified Energy System of Russia in order to ensure the reliability of the UES of Russia</p>	The Board of Directors of IDGC of the South, JSC (minutes dated December 26, 2011 No. 77/2011)	Company's shareholder — IDGC Holding, JSC holding more than 20% of the shares of the Company, as its affiliate M. Yu. Kurbatov (Executive Board Member) hold positions in the management bodies of UES, JSC, which is a party to the transaction — is a member of the Board of Directors
2	Agreement dated February 14, 2012 No. 113 on cooperation in the prevention and mitigation of accidents at electric power facilities	<p>Parties to the Agreement: IDGC of the South, JSC; FGC UES, JSC (Main Electric Grids of the South is the affiliate of FGC UES, JSC).</p> <p>Subject of the Agreement: The Agreement defines the procedure for interaction between the Parties in the prevention and (or) mitigation of accidents and emergencies at electric power facilities caused by damage to equipment (including due to natural disasters) or other causes in the area of responsibility of the Parties.</p> <p>Duration of the Agreement: The Agreement shall enter into force upon signature and shall be valid for one (1) year from the date of signing. Unless any Party claims to terminate the Agreement thirty (30) days prior to its expiration, the Agreement shall be extended for the next year.</p>	The Board of Directors of IDGC of the South, JSC (minutes dated December 26, 2011 No. 78/2011)	Company's shareholder — IDGC Holding, JSC holding more than 20% of the shares of the Company, as its affiliates I. V. Khvalin and D. V. Fedorov (Executive Board Members) hold positions in the management bodies of UES, JSC, which is a party to the transaction — are members of the Board of Directors
3	Agreement dated February 15, 2012 No. 112 on cooperation in the prevention and mitigation of accidents at electric power facilities	<p>Parties to the Agreement: IDGC of the South, JSC; FGC UES, JSC (Main Electric Grids of the Center is the affiliate of FGC UES, JSC).</p> <p>Subject of the Agreement: The Agreement defines the procedure for interaction between the Parties in the prevention and (or) mitigation of accidents and emergencies at electric power facilities caused by damage to equipment (including due to natural disasters) or other causes in the area of responsibility of the Parties.</p> <p>Duration of the Agreement: The Agreement shall enter into force upon signature and shall be valid for one (1) year from the date of signing. Unless any Party claims to terminate the Agreement thirty (30) days prior to its expiration, the Agreement shall be extended for the next year.</p>	The Board of Directors of IDGC of the South, JSC (minutes dated December 29, 2011 No. 78/2011)	Company's shareholder — IDGC Holding, JSC holding more than 20 % of the shares of the Company, as its affiliates I. V. Khvalin and D. V. Fedorov (Executive Board Members) hold positions in the management bodies of UES, JSC, which is a party to the transaction — are members of the Board of Directors

Appendix 9

Item No.	Type of transaction	Details of the transaction	Name of the Company management body which approved the transaction	Interested parties
1	2	3	4	5
4	Paid Services Agreement dated February 3, 2012 No. 12/017/60	<p>Parties to the Agreement: Customer: IDGC of the South, JSC. Contractor: NIIC IDGC, JSC</p> <p>Subject of the Agreement: The Customer entrusts and the Contractor assumes the obligation to examine the materials substantiating the value of the standard for technological electricity losses during transmission through power grids of IDGC of the South, JSC affiliates.</p> <p>Term of services: The Contractor shall perform the work under the Agreement by December 25, 2011.</p> <p>Payment for services: The agreement price is fixed at 6,716,018 (six million seven hundred and sixteen thousand and eighteen) rubles 08 kopecks, including 18% VAT of 1,024,477 (one million twenty-four thousand four hundred seventy-seven) rubles 33 kopecks.</p>	The Board of Directors of IDGC of the South, JSC (minutes dated December 29, 2011 No. 78/2011)	Company's shareholder is IDGC Holding, JSC holding more than 20% of the voting shares in the companies that are parties to the transaction
5	Loan Agreement dated March 1, 2012 No. 85	<p>Parties to the Agreement: Lender: IDGC of the South, JSC. Borrower: PSKh named after A. A. Grechko, JSC.</p> <p>Subject and price of the Agreement: The Lender shall provide the Borrower with an interest-free loan of 10,000,000 (ten million) rubles 00 kopecks for settlements with creditors. The Borrower undertakes to return the said amount of the loan not later than December 31, 2014.</p> <p>Duration of the Agreement: The agreement shall enter into force upon signature and be valid until the Parties fulfill their obligations.</p>	The Board of Directors of IDGC of the South, JSC (minutes dated March 2, 2012 No. 82/2012)	Shareholder is IDGC Holding, JSC holding more than 20% of the voting shares, as this shareholder and (or) its affiliate IDGC of the South, JSC own (in the aggregate) 20 or more percent of the shares of the legal entity that is a party to the transaction, i.e. PSKh named after A. A. Grechko, JSC
6	Agreement to carry out design and survey works dated April 10, 2012 No. 388	<p>Parties to the Agreement: Customer: IDGC of the South, JSC. Contractor: Southern Engineering Centre of Power Industry, JSC.</p> <p>Subject of the Agreement: Under the Agreement, the Contractor shall, on the instructions of the Customer, perform design and survey works within the project "Reconstruction of a part of 110 kV overhead line No. 290 Verbenskaya-Schulze with the replacement of cables and supports" for the needs of IDGC of the South, JSC — Volgogradenergo, the facility located at: Pallasovsky Area, Nikolaevsky District, Volgograd Region, Russia and submit the result to the Customer, and the Customer agrees to accept the result of works and pay for it in the manner prescribed by the Agreement.</p> <p>Agreement price: The agreement price is determined by the summary estimate (appendix No. 2 to the Agreement), which amounts to 4,239,577.00 (four million two hundred thirty-nine thousand five hundred seventy-seven) rubles 00 kopecks, plus VAT of 763,123.86 (seven hundred sixty-three thousand one hundred twenty-three) rubles 86 kopecks. Cost of works under the Agreement, including VAT, amounts to 5,002,700.86 (five million two thousand seven hundred) rubles 86 kopecks.</p> <p>Duration of the Agreement: The agreement shall enter into force upon signature and be valid until the Parties fulfill their obligations (including warranties).</p>	The Board of Directors of IDGC of the South, JSC (minutes dated April 26, 2012 No. 85/2012)	Company's shareholder is IDGC Holding, JSC holding more than 20% of the voting shares in the companies that are parties to the transaction

Item No.	Type of transaction	Details of the transaction	Name of the Company management body which approved the transaction	Interested parties
1	2	3	4	5
7	Service Agreement to conduct "All-Russian competition for professional skills of service teams from isolation and surge protection services in the electrical distribution grid complex of IDGC Holding, JSC in 2012" dated April 20, 2012 No. 467	<p>Parties to the Agreement: Customer: Tumenenergo, JSC. Contractor: IDGC of the South, JSC.</p> <p>Subject of the Agreement: The Contractor shall provide services for the organization and holding of the Event (All-Russian competition for professional skills of service teams from isolation and surge protection services in the electrical distribution grid complex of IDGC Holding, JSC) on the basis of operating SS 110/10–10 kV Yubileynaya, the affiliate of IDGC of the South, JSC — Astrakhanenergo in Astrakhan on September 9–15, 2012, in accordance with the "Regulation on the All-Russian competition for professional skills of service teams from isolation and surge protection services in the electrical distribution grid complex of IDGC Holding, JSC", and the Customer shall pay for the services in accordance with the terms of the Agreement.</p> <p>Agreement price: The cost of services amounts to 989,600 (nine hundred eighty-nine thousand six hundred) rubles, including VAT 18% of 150,955 (one hundred fifty thousand nine hundred fifty five) rubles 93 kopecks.</p> <p>Duration of the Agreement: The Agreement shall enter into force upon signature and be valid until the Parties fulfill their obligations.</p>	The Board of Directors of IDGC of the South, JSC (minutes dated May 2, 2012 No. 86/2012)	Company's shareholder is IDGC Holding, JSC holding more than 20% of the voting shares in the companies that are parties to the transaction. Members of the Board of Directors of IDGC of the South, JSC A. V. Sannikov, V. V. Inozemtsev holding positions in the administration of the legal entity that is a party to the transaction are the members of the Board of Directors of Tyumenenergo, JSC
8	Agreement to carry out design and survey works dated April 23, 2012 No. 471	<p>Parties to the Agreement: Customer: IDGC of the South, JSC. Contractor: Yuzhny EEC, JSC.</p> <p>Subject of the Agreement: The Contractor shall, by the Customer's assignment, perform design and survey works within the project "Overhaul of 35 kV overhead lines No. 1, No. 2, No. 3, No. 4, 110 kV overhead line No. 21 "VolgoGRES — Kirovskaya — Sarepta-1", 110 kV overhead line No. 22 "VolgoGRES — Kirovskaya — Stroitel'naya", 110 kV overhead line VDSK-I "Kirovskaya — Kalatch", 110 kV overhead line VDSK-II "Kirovskaya — Kalatch", 110 kV overhead line No. 3, "Sadovaya — Volgogradskaya GRES" to the SS 220 kV "Kirovskaya" under upgrade at a new site for the needs of Volgogradenergo, the affiliate of IDGC of the South, JSC", the facility located at: Sovetsky and Kirovsky Districts, Volgograd Region, Russia and submit the result to the Customer, and the Customer agrees to accept the result of works and pay for it in the manner prescribed by the Agreement.</p> <p>Agreement price: The agreement price is determined by the summary estimate, which amounts to 7,612,768 (seven million six hundred twelve thousand seven hundred sixty-eight) rubles 00 kopecks, plus VAT of 1,370,298 (one million three hundred seventy thousand two hundreds ninety-eight) rubles 24 kopecks. Cost of works under the Agreement, including VAT, amounts to 8,983,066 (eight million nine hundred eighty-three thousand and sixty-six) rubles 24 kopecks.</p> <p>Duration of the Agreement: The agreement shall enter into force upon signature and be valid until the Parties fulfill their obligations (including warranties).</p>	The Board of Directors of IDGC of the South, JSC (minutes dated May 2, 2012 No. 86/2012)	Company's shareholder is IDGC Holding, JSC holding more than 20% of the voting shares in the companies that are parties to the transaction

Appendix 9

Item No.	Type of transaction	Details of the transaction	Name of the Company management body which approved the transaction	Interested parties
1	2	3	4	5
9	Agreement to carry out design and survey works dated April 24, 2012 No. 485	<p>Parties to the Agreement: Customer: IDGC of the South, JSC. Contractor: Yuzhny EEC, JSC.</p> <p>Subject of the Agreement: Under the Agreement, the Contractor shall, on the instructions of the Customer, perform design and survey works within the project "Upgrade of 110 kV overhead lines of Production Department "Pravoberezhnye Electric Grids" (3 facilities) for the needs of Volgogradenergo, a branch of IDGC of South, JSC: "Upgrade of 110 kV overhead line No. 68 Lysovo with the replacement of cables of the Production Department "Pravoberezhnye Electric Grids", located at: 4 Zavodskaya str, Kalatch-on-Don, Kalachevsky District, Volgograd Region, Russia, Svetloyarsky District, Surovikinsky District, Volgograd, Kirovsky District; "Upgrade of 110 kV overhead line No. 15, No. 16 of the Production Department "Pravoberezhnye Electric Grid" located at: Russia, Volgograd Region, Volgograd, Traktorzavodsky District, Krasnooktyabrsky District; "Upgrade of 110 kV overhead line No. 5, No. 10 of the Production Department "Pravoberezhnye Electric Grids" located at: Traktorzavodsky District, Krasnooktyabrsky District, Volgograd, Volgograd Region, Russia and submit the result to the Customer, and the Customer agrees to accept the result of works and pay for it in the manner prescribed by the Agreement.</p> <p>Agreement price: The agreement price is determined by the summary estimate, which amounts to 11,850,953 (eleven million eight hundred fifty thousand nine hundred fifty-three) rubles 00 kopecks, plus VAT of 2,133,171 (two million one hundred thirty-three thousand one hundred seventy-one) rubles 54 kopecks. Cost of works under the Agreement, including VAT, amounts to 13,984,124 (thirteen million nine hundred eighty-four thousand one hundred twenty-four) rubles 54 kopecks.</p> <p>Duration of the Agreement: The agreement shall enter into force upon signature and be valid until the Parties fulfill their obligations (including warranties).</p>	The Board of Directors of IDGC of the South, JSC (minutes dated May 2, 2012 No.86/2012), as provided by Volgogradenergo, JSC	Company's shareholder is IDGC Holding, JSC holding more than 20% of the voting shares in the companies that are parties to the transaction

Item No.	Type of transaction	Details of the transaction	Name of the Company management body which approved the transaction	Interested parties
1	2	3	4	5
10	Service Agreement to conduct "All-Russian competition for professional skills of service teams from isolation and surge protection services in the electrical distribution grid complex of IDGC Holding, JSC in 2012" dated April 27, 2012 No. 508	<p>Parties to the Agreement: Customer: Kubanenergo, JSC. Contractor: IDGC of the South, JSC.</p> <p>Subject of the Agreement: The Contractor shall provide services for the organization and holding of the Event (All-Russian competition for professional skills of service teams from isolation and surge protection services in the electrical distribution grid complex of IDGC Holding, JSC) on the basis of operating SS 110/10–10 kV Yubileynaya, the affiliate of IDGC of the South, JSC — Astrakhanenergo in Astrakhan on September 9–15, 2012, in accordance with the "Regulation on the All-Russian competition for professional skills of service teams from isolation and surge protection services in the electrical distribution grid complex of IDGC Holding, JSC", and the Customer shall pay for the services in accordance with the terms of the Agreement.</p> <p>Agreement price: The cost of services amounts to 989,600 (nine hundred eighty-nine thousand six hundred) rubles, including VAT 18% of 150,955 (one hundred fifty thousand nine hundred fifty five) rubles 93 kopecks.</p> <p>Duration of the Agreement: The Agreement shall enter into force upon signature and be valid until the Parties fulfill their obligations.</p>	The Board of Directors of IDGC of the South, JSC (minutes dated May 2, 2012 No.86/2012)	Company's shareholder is IDGC Holding, JSC holding more than 20% of the voting shares in the companies that are parties to the transaction. Members of the Board of Directors of IDGC of the South, JSC S. Ye. Jurchuk, Kh. M. Likhov, A. V. Sannikov holding positions in the administration of the legal entity that is a party to the transaction are the members of the Board of Directors of Kubanenergo, JSC
11	Service Agreement to conduct "All-Russian competition for professional skills of service teams from isolation and surge protection services in the electrical distribution grid complex of IDGC Holding, JSC in 2012" dated April 27, 2012 No. 509	<p>Parties to the Agreement: Customer: IDGC of Siberia, JSC. Contractor: IDGC of the South, JSC.</p> <p>Subject of the Agreement: The Contractor shall provide services for the organization and holding of the Event (All-Russian competition for professional skills of service teams from isolation and surge protection services in the electrical distribution grid complex of IDGC Holding, JSC) on the basis of operating SS 110/10–10 kV "Yubileynaya", the affiliate of IDGC of the South, JSC — Astrakhanenergo in Astrakhan on September 9–15, 2012, in accordance with the Regulation on the All-Russian competition for professional skills of service teams from isolation and surge protection services in the electrical distribution grid complex of IDGC Holding, JSC and the Customer shall pay for the services in accordance with the terms of the Agreement.</p> <p>Agreement price: The cost of services amounts to 989,600 (nine hundred eighty-nine thousand six hundred) rubles, including VAT 18% of 150,955 (one hundred fifty thousand nine hundred fifty five) rubles 93 kopecks.</p> <p>Duration of the Agreement: The Agreement shall enter into force upon signature and be valid until the Parties fulfill their obligations.</p>	The Board of Directors of IDGC of the South, JSC (minutes dated May 2, 2012 No. 86/2012)	Company's shareholder is IDGC Holding, JSC, holding more than 20% of the voting shares in the companies that are parties to the transaction

Appendix 9

Item No.	Type of transaction	Details of the transaction	Name of the Company management body which approved the transaction	Interested parties
1	2	3	4	5
12	Service Agreement to conduct "All-Russian competition for professional skills of service teams from isolation and surge protection services in the electrical distribution grid complex of IDGC Holding, JSC in 2012" dated April 27, 2012 No. 510	<p>Parties to the Agreement: Customer: IDCG of Center and Volga Region, JSC. Contractor: IDGC of the South, JSC.</p> <p>Subject of the Agreement: The Contractor shall provide services for the organization and holding of the Event (All-Russian competition for professional skills of service teams from isolation and surge protection services in the electrical distribution grid complex of IDGC Holding, JSC) on the basis of operating SS 110/10–10 kV "Yubileynaya", the affiliate of IDGC of the South, JSC — Astrakhanenergo in Astrakhan on September 9–15, 2012, in accordance with the "Regulation on the All-Russian competition for professional skills of service teams from isolation and surge protection services in the electrical distribution grid complex of IDGC Holding, JSC", and the Customer shall pay for the services in accordance with the terms of the Agreement.</p> <p>Agreement price: The cost of services amounts to 989,600 (nine hundred eighty-nine thousand six hundred) rubles, including VAT 18% of 150,955 (one hundred fifty thousand nine hundred fifty five) rubles 93 kopecks.</p> <p>Duration of the Agreement: The Agreement shall enter into force upon signature and be valid until the Parties fulfill their obligations.</p>	The Board of Directors of IDGC of the South, JSC (minutes dated May 2, 2012 No.86/2012)	Company's shareholder is IDGC Holding, JSC, holding more than 20% of the voting shares in the companies that are parties to the transaction. Members of the Board of Directors of IDGC of the South, JSC B. I. Mekhanoshin, R. A. Filkin, A. Yu. Perepelkin, A. M. Branis holding positions in the administration of the legal entity that is a party to the transaction are the members of the Board of Directors of IDCG of Center and Volga Region, JSC
13	Service Agreement to conduct "All-Russian competition for professional skills of service teams from isolation and surge protection services in the electrical distribution grid complex of IDGC Holding, JSC in 2012" dated June 18, 2012 No. 545	<p>Parties to the Agreement: Customer: IDGC Holding, JSC. Contractor: IDGC of the South, JSC.</p> <p>Subject of the Agreement: The Contractor shall provide services for the organization and holding of the Event (All-Russian competition for professional skills of service teams from isolation and surge protection services in the electrical distribution grid complex of IDGC Holding, JSC) on the basis of operating SS 110/10–10 kV "Yubileynaya", the affiliate of IDGC of the South, JSC — Astrakhanenergo in Astrakhan on September 9–15, 2012, in accordance with the "Regulation on the All-Russian competition for professional skills of service teams from isolation and surge protection services in the electrical distribution grid complex of IDGC Holding, JSC", and the Customer shall pay for the services in accordance with the terms of the Agreement.</p> <p>Agreement price: The cost of services amounts to 1,000,000 (one million) rubles, including VAT 18% of 152,542 (one hundred fifty-two thousand five hundred forty-two) rubles 37 kopecks.</p> <p>Duration of the Agreement: The Agreement shall enter into force upon signature and be valid until the Parties fulfill their obligations.</p>	The Board of Directors of IDGC of the South, JSC (minutes dated May 2, 2012 No. 86/2012)	Company's shareholder is IDGC Holding, JSC, holding more than 20% of the voting shares in the companies that are parties to the transaction. The member of the Board of Directors of IDGC of the South, JSC A. Yu. Perepelkin holding positions in the administration of the legal entity that is a party to the transaction is the member of the Board of Directors of IDGC Holding, JSC

Item No.	Type of transaction	Details of the transaction	Name of the Company management body which approved the transaction	Interested parties
1	2	3	4	5
14	Service Agreement to conduct "All-Russian competition for professional skills of service teams from isolation and surge protection services in the electrical distribution grid complex of IDGC Holding, JSC in 2012" dated April 30, 2012 No. 517	<p>Parties to the Agreement: Customer: IDGC of Volga, JSC. Contractor: IDGC of the South, JSC.</p> <p>Subject of the Agreement: The Contractor shall provide services for the organization and holding of the Event (All-Russian competition for professional skills of service teams from isolation and surge protection services in the electrical distribution grid complex of IDGC Holding, JSC) on the basis of operating SS 110/10–10 kV "Yubileynaya", the affiliate of IDGC of the South, JSC — Astrakhanenergo in Astrakhan on September 9–15, 2012, in accordance with the "Regulation on the All-Russian competition for professional skills of service teams from isolation and surge protection services in the electrical distribution grid complex of IDGC Holding, JSC", and the Customer shall pay for the services in accordance with the terms of the Agreement.</p> <p>Agreement price: The cost of services amounts to 989,600 (nine hundred eighty-nine thousand six hundred) rubles, including VAT 18% of 150,955 (one hundred fifty thousand nine hundred fifty five) rubles 93 kopecks.</p> <p>Duration of the Agreement: The Agreement shall enter into force upon signature and be valid until the Parties fulfill their obligations.</p>	The Board of Directors of IDGC of the South, JSC (minutes dated May 2, 2012 No. 86/2012)	Company's shareholder is IDGC Holding, JSC, holding more than 20% of the voting shares in the companies that are parties to the transaction. The member of the Board of Directors of IDGC of the South, JSC A. Yu. Perepelkin holding positions in the administration of the legal entity that is a party to the transaction is the member of the Board of Directors of IDGC of Volga, JSC
15	Service Agreement to conduct "All-Russian competition for professional skills of service teams from isolation and surge protection services in the electrical distribution grid complex of IDGC Holding, JSC in 2012" No. 95/2012 dated May 11, 2012	<p>Parties to the Agreement: Customer: IDGC of Urals, JSC. Contractor: IDGC of the South, JSC.</p> <p>Subject of the Agreement: The Contractor shall provide services for the organization and holding of the Event (All-Russian competition for professional skills of service teams from isolation and surge protection services in the electrical distribution grid complex of IDGC Holding, JSC) on the basis of operating SS 110/10–10 kV "Yubileynaya", the affiliate of IDGC of the South, JSC — Astrakhanenergo in Astrakhan on September 9–15, 2012, in accordance with the "Regulation on the All-Russian competition for professional skills of service teams from isolation and surge protection services in the electrical distribution grid complex of IDGC Holding, JSC", and the Customer shall pay for the services in accordance with the terms of the Agreement.</p> <p>Agreement price: The cost of services amounts to 989,600 (nine hundred eighty-nine thousand six hundred) rubles, including VAT 18% of 150,955 (one hundred fifty thousand nine hundred fifty five) rubles 93 kopecks.</p> <p>Duration of the Agreement: The Agreement shall enter into force upon signature and be valid until the Parties fulfill their obligations.</p>	The Board of Directors of IDGC of the South, JSC (minutes dated May 2, 2012 No. 86/2012)	Company's shareholder is IDGC Holding, JSC, holding more than 20% of the voting shares in the companies that are parties to the transaction. Members of the Board of Directors of IDGC of the South, S. Ye. Jurchuk and B. I. Mekhanoshin holding positions in the administration of the legal entity that is a party to the transaction are the members of the Board of Directors of IDGC of Urals, JSC

Appendix 9

Item No.	Type of transaction	Details of the transaction	Name of the Company management body which approved the transaction	Interested parties
1	2	3	4	5
16	Service Agreement to conduct "All-Russian competition for professional skills of service teams from isolation and surge protection services in the electrical distribution grid complex of IDGC Holding, JSC in 2012" dated May 16, 2012 No. 540	<p>Parties to the Agreement: Customer: JSC Lenenegro. Contractor: IDGC of the South, JSC.</p> <p>Subject of the Agreement: The Contractor shall provide services for the organization and holding of the Event (All-Russian competition for professional skills of service teams from isolation and surge protection services in the electrical distribution grid complex of IDGC Holding, JSC) on the basis of operating SS 110/10–10 kV "Yubileynaya", the affiliate of IDGC of the South, JSC — Astrakhanenergo in Astrakhan on September 9–15, 2012, in accordance with the "Regulation on the All-Russian competition for professional skills of service teams from isolation and surge protection services in the electrical distribution grid complex of IDGC Holding, JSC", and the Customer shall pay for the services in accordance with the terms of the Agreement.</p> <p>Agreement price: The cost of services amounts to 989,600 (nine hundred eighty-nine thousand six hundred) rubles, including VAT 18% of 150,955 (one hundred fifty thousand nine hundred fifty five) rubles 93 kopecks.</p> <p>Duration of the Agreement: The Agreement shall enter into force upon signature and be valid until the Parties fulfill their obligations.</p>	The Board of Directors of IDGC of the South, JSC (minutes dated May 2, 2012 No.86/2012)	Company's shareholder is IDGC Holding, JSC, holding more than 20% of the voting shares in the companies that are parties to the transaction. The member of the Board of Directors of IDGC of the South, JSC S. Ye. Jurchuk holding positions in the administration of the legal entity that is a party to the transaction is the member of the Board of Directors of Lenenegro, JSC
17	Agreement on cooperation in the prevention and mitigation of accidents at electric power facilities dated May 16, 2012 No. 544	<p>Parties to the Agreement: IDGC of the South, JSC; Tumenenergo, JSC.</p> <p>Subject of the Agreement: The subject of the Agreement is the relationship of the Parties in the prevention and mitigation of accidents at electric power facilities caused by damage to equipment (including due to natural disasters), and the need to disconnect the supply of electricity so as to eliminate the threat to life, health, and other causes in the Parties' area of responsibility. The concept (definition) of the accident is understood in the meaning in which it is treated by the Rules of investigation into the causes of accidents in the power industry, approved by the Decree of the Government of the Russian Federation dated October 28, 2009 No. 846. The agreement is concluded for the joint promptly organized actions to restore transmission facilities required to normalize electricity supply to consumers and to prevent possible damage to electricity consumers and other electric power entities. In their activities, the Parties shall be guided by legislative and other normative legal acts of the Russian Federation governing the organization and functioning of the wholesale and retail electricity markets, and by the Agreement.</p> <p>Duration of the Agreement: The Agreement shall enter into force on the date of its signing and be effective till November 1, 2011. The works completion time at the facility are determined by the organization of works, the actual work completion time to be specified in the certificate. Unless any Party claims to terminate the Agreement thirty (30) days prior to its expiration, the Agreement shall be extended for one year.</p>	The Board of Directors of IDGC of the South, JSC (minutes dated June 1, 2012 No.65/2011)	Company's shareholder is IDGC Holding, JSC, holding more than 20% of the voting shares in the companies that are parties to the transaction. Members of the Board of Directors N. N. Shvets, G. F. Binko and P. I. Okleya, holding positions in the management bodies of Tumenenergo, which is a party to the transaction — are the members of the Board of Directors

Item No.	Type of transaction	Details of the transaction	Name of the Company management body which approved the transaction	Interested parties
1	2	3	4	5
18	Service Agreement to conduct "All-Russian competition for professional skills of service teams from isolation and surge protection services in the electrical distribution grid complex of IDGC Holding, JSC in 2012" dated May 29, 2012 No. 570	<p>Parties to the Agreement: Customer: IDGC of the Center, JSC. Contractor: IDGC of the South, JSC.</p> <p>Subject of the Agreement: The Contractor shall provide services for the organization and holding of the Event (All-Russian competition for professional skills of service teams from isolation and surge protection services in the electrical distribution grid complex of IDGC Holding, JSC) on the basis of operating SS 110/10–10 kV "Yubileynaya", the affiliate of IDGC of the South, JSC — Astrakhanenergo in Astrakhan on September 9–15, 2012, in accordance with the "Regulation on the All-Russian competition for professional skills of service teams from isolation and surge protection services in the electrical distribution grid complex of IDGC Holding, JSC", and the Customer shall pay for the services in accordance with the terms of the Agreement.</p> <p>Agreement price: The cost of services amounts to 989,600 (nine hundred eighty-nine thousand six hundred) rubles, including VAT 18% of 150,955 (one hundred fifty thousand nine hundred fifty five) rubles 93 kopecks.</p> <p>Duration of the Agreement: The Agreement shall enter into force upon signature and be valid until the Parties fulfill their obligations.</p>	The Board of Directors of IDGC of the South, JSC (minutes dated May 2, 2012 No. 86/2012)	Company's shareholder is IDGC Holding, JSC, holding more than 20% of the voting shares in the companies that are parties to the transaction. Members of the Board of Directors of IDGC of the South, JSC R. A. Filkin, A. Yu. Perepelkin, A. M. Branis, A. V. Shevchuk holding positions in the administration of the legal entity that is a party to the transaction are the members of the Board of Directors of IDGC of the Center, JSC
19	Service Agreement to conduct "All-Russian competition for professional skills of service teams from isolation and surge protection services in the electrical distribution grid complex of IDGC Holding, JSC in 2012" dated June 4, 2012 No. 587	<p>Parties to the Agreement: Customer: JSC MOESK. Contractor: IDGC of the South, JSC.</p> <p>Subject of the Agreement: The Contractor shall provide services for the organization and holding of the Event (All-Russian competition for professional skills of service teams from isolation and surge protection services in the electrical distribution grid complex of IDGC Holding, JSC) on the basis of operating SS 110/10–10 kV "Yubileynaya", the affiliate of IDGC of the South, JSC — Astrakhanenergo in Astrakhan on September 9–15, 2012, in accordance with the "Regulation on the All-Russian competition for professional skills of service teams from isolation and surge protection services in the electrical distribution grid complex of IDGC Holding, JSC", and the Customer shall pay for the services in accordance with the terms of the Agreement.</p> <p>Agreement price: The cost of services amounts to 989,600 (nine hundred eighty-nine thousand six hundred) rubles, including VAT 18% of 150,955 (one hundred fifty thousand nine hundred fifty five) rubles 93 kopecks.</p> <p>Duration of the Agreement: The Agreement shall enter into force upon signature and be valid until the Parties fulfill their obligations.</p>	The Board of Directors of IDGC of the South, JSC (minutes dated May 2, 2012 No. 86/2012)	Company's shareholder is IDGC Holding, JSC, holding more than 20% of the voting shares in the companies that are parties to the transaction. The member of the Board of Directors of IDGC of the South, JSC S. Ye. Jurchuk holding positions in the administration of the legal entity that is a party to the transaction is the member of the Board of Directors of MOESK, JSC

Appendix 9

Item No.	Type of transaction	Details of the transaction	Name of the Company management body which approved the transaction	Interested parties
1	2	3	4	5
20	Design Estimates Sale and Purchase Agreement dated June 13, 2012 No. 595	<p>Parties to the Agreement: Buyer: IDGC of the North Caucasus, JSC. Seller: IDGC of the South, JSC.</p> <p>Subject of the Agreement: The Seller undertakes to transfer the ownership, and the Buyer undertakes to accept and pay for the volumes of design estimates intended for the facility construction: "Upgrade of SS 110/10 kV Kolodeznaya" (appendix No. 2 to the Agreement) referred by the book and operational responsibility to IDGC of the North Caucasus, JSC (hereinafter — the "Estimates").</p> <p>Agreement price: The cost of the Estimates amounts to 87,760 (eighty-seven thousand seven hundred and sixty) rubles 00 kopecks, including VAT 18% of 13,387 (thirteen thousand three hundred eighty-seven) rubles 12 kopecks.</p> <p>Duration of the Agreement: The Agreement shall be deemed concluded and enter into force upon signature by the Parties.</p>	The Board of Directors of IDGC of the South, JSC (minutes dated June 18, 2012 No. 90/2012)	Company's shareholder is IDGC Holding, JSC, holding more than 20% of the voting shares in the companies that are parties to the transaction. The member of the Board of Directors of IDGC of the South, JSC A. V. Shevchuk holding positions in the administration of the legal entity that is a party to the transaction is the member of the Board of Directors of IDGC of the North Caucasus, JSC
21	Design Estimates Sale and Purchase Agreement dated June 13, 2012 No. 596	<p>Parties to the Agreement: Buyer: IDGC of the North Caucasus, JSC. Seller: IDGC of the South, JSC.</p> <p>Subject of the Agreement: The Seller undertakes to transfer the ownership, and the Buyer undertakes to accept and pay for the volumes of design estimates intended for the facility construction: "110 kV overhead line SS NPS-3-PS-Raguli" (appendix No. 2 to the Agreement) referred by the book and operational responsibility to IDGC of the North Caucasus, JSC (hereinafter — the "Estimates").</p> <p>Agreement price: The cost of the Estimates (the fee under the Agreement) amounts to 258,450 (two hundred fifty-eight thousand four hundred and fifty) rubles 00 kopecks, including VAT 18% of 39,424 (Thirty-nine thousand four hundred twenty-four) rubles 58 kopecks.</p> <p>Duration of the Agreement: The Agreement shall be deemed concluded and enter into force upon signature by the Parties.</p>	The Board of Directors of IDGC of the South, JSC (minutes dated June 18, 2012 No. 90/2012)	Company's shareholder is IDGC Holding, JSC, holding more than 20% of the voting shares in the companies that are parties to the transaction. The member of the Board of Directors of IDGC of the South, JSC A. V. Shevchuk holding positions in the administration of the legal entity that is a party to the transaction is the member of the Board of Directors of IDGC of the North Caucasus, JSC
22	Service Agreement to organize the participation in the All-Russian Conference-Workshop dated June 19, 2012 No. 621	<p>Parties to the Agreement: Customer: IDGC of the South, JSC. Contractor: NP CTSCenter UES.</p> <p>Subject of the Agreement: The Contractor undertakes to provide the Customer with the services to organize the participation of the Customer in the All-Russian Conference-Workshop on "Innovative Methods of Exploitation of Distribution Grids" consisting of 5 persons (hereinafter the "Services") and the Customer agrees to accept and pay for the services in the manner and amount established by the Agreement.</p> <p>Agreement price: The cost of services provided to the Customer under the Agreement is 68,000 (sixty eight thousand) rubles 00 kopecks, including VAT 18% of 10,372.88 (ten thousand three hundred seventy two) rubles 88 kopecks.</p> <p>Duration of the Agreement: The agreement shall enter into force upon signature and be valid until the Parties fulfill all their obligations.</p>	The Board of Directors of IDGC of the South, JSC (minutes dated April 26, 2012 No. 85/2012)	Company's shareholder — IDGC Holding, JSC, holding more than 20% of the shares of the Company, as its affiliate S. V. Serebryannikov (Executive Board Member) holds positions in the management bodies of NP CTSCenter UES, which is a party to the transaction — is the member of the Board of Directors

Item No.	Type of transaction	Details of the transaction	Name of the Company management body which approved the transaction	Interested parties
1	2	3	4	5
23	Agreement to carry out research and development activities (R&D) dated June 22, 2012 No. 628	<p>Parties to the Agreement: Customer: IDGC of the South, JSC. Contractor: JSC NIIC MRSK.</p> <p>Subject of the Agreement: Pursuant to the Agreement, the Contractor, in accordance with the Customer's Terms of Reference, undertakes to perform research and development activities to create a set of selective protection against single-phase earth faults in compensated and non-compensated 6–35 kV grids, based on the definition of a single-phase ground fault in transitional and steady-state processes, using modern components, and to introduce it into trial operation.</p> <p>Agreement price: The agreement price is determined by the cost estimate for research and development activities (appendix No.3 to the Agreement), which amounts to 27,966,101.69 (twenty seven million nine hundred sixty-six thousand one hundred and one) rubles 69 kopecks, plus VAT of 5,033,898.31 (five million thirty-three thousand eight hundred ninety-eight) rubles 31 kopecks. In total, the cost of works under the Agreement with VAT included amounts to 33,000,000 (thirty three million) rubles.</p> <p>Duration of the Agreement: The agreement shall enter into force upon signature and be valid until the Parties fulfill their obligations (including warranties).</p>	The Board of Directors of IDGC of the South, JSC (minutes dated April 26, 2012 No. 85/2012)	Company's shareholder is IDGC Holding, JSC, holding more than 20% of the voting shares in the companies that are parties to the transaction. The member of the Board of Directors D. L. Pankova holding office in the administration of the legal entity that is a party to the transaction is the member of the Board of Directors of NIIC MRSK, JSC
24	Supplementary Agreement dated July 3, 2012 No. 5 to the Agreement dated April 19, 2006 No. 188 for services to ensure the functioning of communication equipment	<p>Parties to the Supplementary Agreement: IDGC of the South, JSC; UES SO, JSC.</p> <p>Subject of the Supplementary Agreement: Amendments to the principal Agreement.</p> <p>Price of the Supplementary Agreement: Price of the Supplementary Amendment is set at 8,102 (eight thousand one hundred two) rubles per month, including VAT 18% of 1,235.95 (one thousand two hundred thirty-five) rubles 95 kopecks.</p>	The Board of Directors of IDGC of the South, JSC (minutes dated April 26, 2012 No. 85/2012)	Company's shareholder — IDGC Holding, JSC, holding more than 20% of the shares of the Company, as its affiliate M. Yu. Kurbatov (Executive Board Member) hold positions in the management bodies of UES, JSC, which is a party to the transaction — is a member of the Board of Directors
25	Supplementary Agreement dated July 3, 2012 No. 7 to the Agreement dated January 1, 2006 No. 834 on the provision of telephone services	<p>Parties to the Supplementary Agreement: IDGC of the South, JSC; UES SO, JSC.</p> <p>Subject of the Supplementary Agreement: Amendments to the principal Agreement.</p>	The Board of Directors of IDGC of the South, JSC (minutes dated April 26, 2012 No. 85/2012)	Company's shareholder — IDGC Holding, JSC, holding more than 20% of the shares of the Company, as its affiliate M. Yu. Kurbatov (Executive Board Member) hold positions in the management bodies of UES, JSC, which is a party to the transaction — is a member of the Board of Directors

Appendix 9

Item No.	Type of transaction	Details of the transaction	Name of the Company management body which approved the transaction	Interested parties
1	2	3	4	5
26	Agreement to carry out design and survey works dated July 30, 2012 No. 738	<p>Parties to the Agreement: Customer: IDGC of the South, JSC. Contractor: Yuzhny EEC, JSC.</p> <p>Subject of the Agreement: Pursuant to the Agreement, the Contractor shall, at the Customer's assignment, develop technical documents and carry out survey works at the facility "Upgrade of 110 kV overhead line Pokrovka — Pologoye Zaymishche (No. 702)", located at: Akhtubinsky District, Astrakhan Region, and submit the result to the Customer, and the Customer agrees to accept the result of works and pay for it in the manner prescribed by the Agreement.</p> <p>Agreement price: The agreement price is determined by the summary estimate, which amounts to 2,627,118 (two million six hundred twenty-seven thousand one hundred and eighteen) rubles 64 kopecks, plus VAT of 472,881 (four hundred seventy-two thousand eight hundred eighty-one) rubles 36 kopecks. In total, the cost of works under the Agreement with VAT included amounts to 3,100,000 (three million one hundred thousand) rubles 00 kopecks.</p>	The Board of Directors of IDGC of the South, JSC (minutes dated May 2, 2012 No. 86/2012)	Company's shareholder is IDGC Holding, JSC, holding more than 20% of the voting shares in the companies that are parties to the transaction
27	Service Agreement to conduct "All-Russian competition for professional skills of service teams from isolation and surge protection services in the electrical distribution grid complex of IDGC Holding, JSC in 2012" dated July 6, 2012 No. 118/2012/810	<p>Parties to the Agreement: Customer: IDGC of the North Caucasus, JSC. Contractor: IDGC of the South, JSC.</p> <p>Subject of the Agreement: The Contractor shall provide services for the organization and holding of the Event (All-Russian competition for professional skills of service teams from isolation and surge protection services in the electrical distribution grid complex of IDGC Holding, JSC) on the basis of operating SS 110/10–10 kV "Yubileynaya", the affiliate of IDGC of the South, JSC — Astrakhanenergo in Astrakhan on September 9–15, 2012, in accordance with the "Regulation on the All-Russian competition for professional skills of service teams from isolation and surge protection services in the electrical distribution grid complex of IDGC Holding, JSC", and the Customer shall pay for the services in accordance with the terms of the Agreement.</p> <p>Agreement price: The cost of services amounts to 989,600 (nine hundred eighty-nine thousand six hundred) rubles, including VAT 18% of 150,955 (one hundred fifty thousand nine hundred fifty five) rubles 93 kopecks.</p>	The Board of Directors of IDGC of the South, JSC (minutes dated May 2, 2012 No. 86/2012)	Company's shareholder is IDGC Holding, JSC, holding more than 20% of the voting shares in the companies that are parties to the transaction. The member of the Board of Directors of the South, JSC A. V. Shevchuk holding positions in the administration of the legal entity that is a party to the transaction is the member of the Board of Directors of IDGC of the North Caucasus, JSC

Item No.	Type of transaction	Details of the transaction	Name of the Company management body which approved the transaction	Interested parties
1	2	3	4	5
28	Service Agreement to conduct "All-Russian competition for professional skills of service teams from isolation and surge protection services in the electrical distribution grid complex of IDGC Holding, JSC in 2012" dated July 2, 2012 No. 291/12/809	<p>Parties to the Agreement: Customer: IDGC of the North-West, JSC. Contractor: IDGC of the South, JSC.</p> <p>Subject of the Agreement: The Contractor shall provide services for the organization and holding of the Event (All-Russian competition for professional skills of service teams from isolation and surge protection services in the electrical distribution grid complex of IDGC Holding, JSC) on the basis of operating SS 110/10–10 kV "Yubileynaya", the affiliate of IDGC of the South, JSC — Astrakhanenergo in Astrakhan on September 9–15, 2012, in accordance with the "Regulation on the All-Russian competition for professional skills of service teams from isolation and surge protection services in the electrical distribution grid complex of IDGC Holding, JSC", and the Customer shall pay for the services in accordance with the terms of the Agreement.</p> <p>Agreement price: The cost of services amounts to 989,600 (nine hundred eighty-nine thousand six hundred) rubles, including VAT 18% of 150,955 (one hundred fifty thousand nine hundred fifty five) rubles 93 kopecks.</p>	The Board of Directors of IDGC of the South, JSC (minutes dated May 2, 2012 No. 86/2012)	Company's shareholder is IDGC Holding, JSC, holding more than 20% of the voting shares in the companies that are parties to the transaction. Members of the Board of Directors of IDGC of the South, JSC V. V. Inozemtsev and R. A. Filkin holding positions in the administration of the legal entity that is a party to the transaction are the members of the Board of Directors of IDGC of the North-West, JSC
29	Service Agreement to conduct "All-Russian competition for professional skills of service teams from isolation and surge protection services in the electrical distribution grid complex of IDGC Holding, JSC in 2012" dated August 10, 2012 No. 771	<p>Parties to the Agreement: Customer: JSC Yantarenergo. Contractor: IDGC of the South, JSC.</p> <p>Subject of the Agreement: The Contractor shall provide services for the organization and holding of the Event (All-Russian competition for professional skills of service teams from isolation and surge protection services in the electrical distribution grid complex of IDGC Holding, JSC) on the basis of operating SS 110/10–10 kV "Yubileynaya", the affiliate of IDGC of the South, JSC — Astrakhanenergo in Astrakhan on September 9–15, 2012, in accordance with the "Regulation on the All-Russian competition for professional skills of service teams from isolation and surge protection services in the electrical distribution grid complex of IDGC Holding, JSC", and the Customer shall pay for the services in accordance with the terms of the Agreement.</p> <p>Agreement price: The cost of services amounts to 989,600 (nine hundred eighty-nine thousand six hundred) rubles, including VAT 18% of 150,955 (one hundred fifty thousand nine hundred fifty five) rubles 93 kopecks.</p>	The Board of Directors of IDGC of the South, JSC (minutes dated May 2, 2012 No. 86/2012)	Company's shareholder is IDGC Holding, JSC, holding more than 20% of the voting shares in the companies that are parties to the transaction. The member of the Board of Directors of IDGC of the South, JSC A. V. Sannikov holding a position in the administration of the legal entity that is a party to the transaction is the member of the Board of Directors of Yantarenergo, JSC

Appendix 9

Item No.	Type of transaction	Details of the transaction	Name of the Company management body which approved the transaction	Interested parties
1	2	3	4	5
30	Agreement to carry out design and survey works dated August 27, 2012 No. 7632/819	<p>Parties to the Agreement: Customer: IDGC of the South, JSC. Contractor: "Southern Engineering Centre of Power Industry" JSC.</p> <p>Subject of the Agreement: Pursuant to the Agreement, the Contractor shall, on the instructions of the Customer, perform design and working documents for the facility: "Upgrade of distribution grids of Production Department of Eastern Electric Grids" of Rostovenergo, the branch of IDGC of the South, JSC, and submit the result to the Customer, and the Customer agrees to accept the result of works and pay for it in the manner prescribed by the Agreement.</p> <p>Agreement price: The agreement price is determined by the summary statement of the cost of works and estimates, which amounts to 3,042,372.88 (three million forty-two thousand three hundred seventy-two) rubles 88 kopecks, plus VAT of 547,627.12 (five hundred forty-seven thousand six hundred twenty-seven) rubles 12 kopecks. In total, the cost of works under the Agreement with VAT included amounts to 3,590,000.00 (three million five hundred ninety thousand) rubles 00 kopecks.</p>	The Board of Directors of IDGC of the South, JSC on May 30, 2012 (minutes dated June 4, 2012 No. 88/2012) — not adopted; The Board of Directors of IDGC of the South, JSC (minutes dated July 30, 2012 No. 92/2012)	Company's shareholder is IDGC Holding, JSC, holding more than 20% of the voting shares in the companies that are parties to the transaction
31	Agreement to carry out design and survey works dated August 27, 2012 No. 7631/818	<p>Parties to the Agreement: Customer: IDGC of the South, JSC. Contractor: Yuzhny EEC, JSC.</p> <p>Subject of the Agreement: Pursuant to the Agreement, the Contractor shall, on the instructions of the Customer, perform design and working documents for the facility: "Upgrade of distribution grids of Production Department of Western Electric Grids" of Rostovenergo, the branch of IDGC of the South, JSC, and submit the result to the Customer, and the Customer agrees to accept the result of works and pay for it in the manner prescribed by the Agreement.</p> <p>Agreement price: The agreement price is determined by the summary statement of the cost of works and estimates, which amounts to 2,347,457.63 (two million three hundred forty-seven thousand four hundred fifty-seven) rubles 63 kopecks, plus VAT of 422,542.37 (four hundred twenty-two thousand five hundred forty-two) rubles 37 kopecks. In total, the cost of works under the Agreement with VAT included amounts to 2,770,000.00 (two million seven hundred seventy thousand) rubles 00 kopecks.</p>	The Board of Directors of IDGC of the South, JSC on May 30, 2012 (minutes dated June 4, 2012 No. 88/2012) — not adopted; The Board of Directors of IDGC of the South, JSC (minutes dated July 30, 2012 No. 92/2012)	Company's shareholder is IDGC Holding, JSC, holding more than 20% of the voting shares in the companies that are parties to the transaction
32	Agreement to carry out design and survey works dated September 10, 2012 No. 7629/827	<p>Parties to the Agreement: Customer: IDGC of the South, JSC. Contractor: Yuzhny EEC, JSC.</p> <p>Subject of the Agreement: Pursuant to the Agreement, the Contractor shall, on the instructions of the Customer, perform design and working documents for the facility: "Upgrade of distribution grids of Production Department of Central Electric Grids" of Rostovenergo, the branch of IDGC of the South, JSC, and submit the result to the Customer, and the Customer agrees to accept the result of works and pay for it in the manner prescribed by the Agreement.</p> <p>Agreement price: The agreement price is determined by the summary statement of the cost of works and estimates, which amounts to 3,565,932.20 (three million five hundred sixty-five thousand nine hundred thirty-two) rubles 20 kopecks, plus VAT of 641,867.80 (three million five hundred sixty-five thousand nine hundred thirty-two) rubles 80 kopecks. In total, the cost of works under the Agreement with VAT included amounts to 4,207,800.00 (four million two hundred and seven thousand eight hundred) rubles 00 kopecks</p>	The Board of Directors of IDGC of the South, JSC on May 30, 2012 (minutes dated June 4, 2012 No. 88/2012) — not adopted; The Board of Directors of IDGC of the South, JSC (minutes dated July 30, 2012 No. 92/2012)	Company's shareholder is IDGC Holding, JSC, holding more than 20% of the voting shares in the companies that are parties to the transaction

Item No.	Type of transaction	Details of the transaction	Name of the Company management body which approved the transaction	Interested parties
1	2	3	4	5
33	Agreement to carry out design and survey works dated August 27, 2012 No. 7630/817	<p>Parties to the Agreement: Customer: IDGC of the South, JSC. Contractor: Yuzhny EEC, JSC.</p> <p>Subject of the Agreement: Pursuant to the Agreement, the Contractor shall, on the instructions of the Customer, perform design and working documents for the facility: "Upgrade of distribution grids of Production Department of South Electric Grids" of Rostovenergo, the branch of IDGC of the South, JSC, and submit the result to the Customer, and the Customer agrees to accept the result of works and pay for it in the manner prescribed by the Agreement.</p> <p>Agreement price: The agreement price is determined by the summary statement of the cost of works and estimates, which amounts to 2,538,135.59 (two million five hundred thirty-eight thousand one hundred thirty-five) rubles 59 kopecks, plus VAT of 456,864.41 (four hundred fifty-six thousand eight hundred sixty-four) rubles 41 kopecks. In total, the cost of works under the Agreement with VAT included amounts to 2,995,000.00 (two million nine hundred ninety-five thousand) rubles 00 kopecks.</p>	The Board of Directors of IDGC of the South, JSC on May 30, 2012 (minutes dated June 4, 2012 No. 88/2012) — not adopted; The Board of Directors of IDGC of the South, JSC (minutes dated July 30, 2012 No. 92/2012)	Company's shareholder is IDGC Holding, JSC, holding more than 20% of the voting shares in the companies that are parties to the transaction
34	Agreement to carry out design and survey works dated September 5, 2012 No. 825	<p>Parties to the Agreement: Customer: IDGC of the South, JSC. Contractor: Southern Engineering Centre of Power Industry, JSC.</p> <p>Subject of the Agreement: Under the Agreement, the Contractor shall, on the instructions of the Customer, perform design and survey works within the project "Upgrade of 0.4–10 kV overhead lines of Production Department "Levoberezhnye Electric Grids" (7 facilities) for the needs of Volgogradenergo, a branch of IDGC of South, JSC, and submit the result to the Customer, and the Customer agrees to accept the result of works and pay for it in the manner prescribed by the Agreement.</p> <p>Agreement price: The agreement price is determined by the summary estimate, which amounts to 6,481,355.93 (six million four hundred eighty-one thousand three hundred fifty-five) rubles 93 kopecks, plus VAT of 1,166,644.07 (one million one hundred sixty-six thousand six hundred forty-four) rubles 07 kopecks. In total, the cost of works under the Agreement with VAT included amounts to 7,648,000.00 (seven million six hundred forty-eight thousand) rubles 00 kopecks.</p>	The Board of Directors of IDGC of the South, JSC on July 27, 2012 (minutes dated July 30, 2012 No. 92/2012)	Company's shareholder is IDGC Holding, JSC, holding more than 20% of the voting shares in the companies that are parties to the transaction

Appendix 9

Item No.	Type of transaction	Details of the transaction	Name of the Company management body which approved the transaction	Interested parties
1	2	3	4	5
35	Agreement to carry out design and survey works dated August 20, 2012 No. 811	<p>Parties to the Agreement: Customer: IDGC of the South, JSC. Contractor: Southern Engineering Centre of Power Industry, JSC.</p> <p>Subject of the Agreement: Under the Agreement, the Contractor shall, on the instructions of the Customer, execute the design and working documents for the grid connection "110 kV distribution grid of electric power scheme of PGU-235" of Astrakhanenergo, a branch of IDGC of South, JSC, and submit the result to the Customer, and the Customer agrees to accept the result of works and pay for it in the manner prescribed by the Agreement.</p> <p>Agreement price: The agreement price is determined by the summary estimate (appendix No. 2 to the Agreement), which amounts to 45,959,426 (forty-five million nine hundred fifty-nine thousand four hundred twenty-six) rubles 27 kopecks, plus VAT of 8,272,696 (eight million two hundred seventy-two thousand six hundred ninety-six) rubles 73 kopecks. Cost of works under the Agreement, including VAT, amounts to 54,232,123 (fifty-four million two hundred thirty-two thousand one hundred twenty-three) rubles 00 kopecks.</p>	The Board of Directors of IDGC of the South, JSC on July 27, 2012 (minutes dated July 30, 2012 No. 92/2012)	Company's shareholder is IDGC Holding, JSC, holding more than 20% of the voting shares in the companies that are parties to the transaction
36	Real Estate Lease Agreement dated August 14, 2012 No. 195 (presented by KE)	<p>Parties to the Agreement: Lessor: IDGC of the South, JSC. Lessee: UES SO, JSC.</p> <p>Subject of the Agreement: The Lessor shall provide the Lessee and the Lessee agrees to accept for temporary compensated use and possession the non-residential premises with a total area of 9 sq. m. located at: an administrative building of Kalmenergo, a branch of IDGC of the South, JSC, 5th floor, North Industrial Zone, Elista, Republic of Kalmykia, 358007.</p> <p>Agreement price: In 2012, the lease payment for the use and possession of the Facility per one month amounts to 3,626 (three thousand six hundred twenty-six) rubles 26 kopecks, including 18% VAT of 553 (five hundred and fifty-three) rubles 16 kopecks. The lease payment under the Agreement comprises of expenses for operational services, utilities and required administrative and business services including the cost of heat, water, gas, and electric power supply.</p> <p>Duration of the Agreement: The Agreement shall enter into force upon signature and be effective till November 30, 2012. The Agreement shall apply to the relations between the Parties, de facto arisen since January 1, 2012. The total agreement price amounts to 39,888.86 rubles.</p>	The Board of Directors of IDGC of the South, JSC (minutes dated February 28, 2012 No. 81/2012)	Company's shareholder — IDGC Holding, JSC, holding more than 20% of the shares of the Company, as its affiliate M. Yu. Kurbatov (Executive Board Member) hold positions in the management bodies of UES, JSC, which is a party to the transaction — is a member of the Board of Directors.

Item No.	Type of transaction	Details of the transaction	Name of the Company management body which approved the transaction	Interested parties
1	2	3	4	5
37	Property Lease Agreement dated October 1, 2012 No. 230	<p>Parties to the Agreement: Lessor: IDGC of the South, JSC. Lessee: Kalmenergosbyt, JSC.</p> <p>Subject of the Agreement: The Lessor transfers and the Lessee accepts into temporary possession and use real estate and movable property.</p> <p>Agreement price: The lease payment under the Agreement amounts to 237,385 (two hundred thirty-seven thousand three hundred eighty-five) rubles 87 kopecks per month, including VAT 18% of 36,211 (thirty six thousand two hundred eleven) rubles 40 kopecks.</p> <p>Lease term: 11 months from the date the Lessee accepted the Leased Property under the acceptance certificate. The total agreement price amounts to 2,611,244.57 rubles.</p>	The Board of Directors of IDGC of the South, JSC on December 23, 2011 (minutes dated December 26, 2011 No. 77/2011)	Company's shareholder — IDGC Holding, JSC, holding more than 20% of the shares of the Company, as its affiliate (Executive Board Member) holds a position in the management bodies of IDGC of Northern Caucasus, JSC, exercising the powers of the sole executive body of Kalmenergosbyt, JSC — the party to the transaction
38	Agreement dated October 18, 2012 No. 7045/873	<p>Parties to the Agreement: Customer: IDGC of the South, JSC. Contractor: Yuzhny EEC, JSC.</p> <p>Subject of the Agreement: Pursuant to the Agreement, the Contractor shall, on the instructions of the Customer, develop the design and working documents for the facility: Upgrade of the frequency plan of RF channels of communication, relay protection and emergency automation along overhead lines at Rostovenergo, the branch of IDGC of the South, JSC, and submit the result to the Customer, and the Customer agrees to accept the result of works and pay for it in the manner prescribed by the Agreement.</p> <p>Agreement price: The agreement price is determined by the summary estimate of the work cost (Appendix No. 2 to the Agreement), which amounts to 1,271,186 (one million two hundred seventy-one thousand one hundred eighty-six) rubles 44 kopecks, plus VAT of 228,813 (two hundred twenty-eight thousand eight hundred and thirteen) rubles 56 kopecks. In total, the cost of works under the Agreement with VAT included amounts to 1,500,000 (one million five hundred thousand) rubles 00 kopecks.</p>	The Board of Directors of IDGC of the South, JSC on August 23, 2012 (minutes dated August 24, 2012 No. 94/2011)	Company's shareholder is IDGC Holding, JSC, holding more than 20% of the voting shares in the companies that are parties to the transaction
39	Agreement dated October 31, 2012 No. 884	<p>Parties to the Agreement: Customer: IDGC of the South, JSC. Contractor: NIIC MRSK, JSC.</p> <p>Subject of the Agreement: Pursuant to the Agreement, the Contractor, according to the Customer's Terms of Reference, undertakes to perform the technological development of standards and technical documents for distribution power grid companies: "Material consumption rate for maintenance of SS 35–110 kV equipment".</p> <p>Agreement price: The agreement price is determined by the estimated expenses for technological development, which amounts to 4,993,220 (four million nine hundred ninety-three thousand two hundred and twenty) rubles 34 kopecks, plus VAT of 898,779 (eight hundred ninety-eight thousand seven hundred seventy-nine) rubles 66 kopecks. In total, the cost of works under the Agreement with VAT included amounts to 5,892,000 (five million eight hundred ninety-two thousand) rubles 00 kopecks.</p>	The Board of Directors of IDGC of the South, JSC on August 23, 2012 (minutes dated August 24, 2012 No. 94/2011)	Company's shareholder is IDGC Holding, JSC, holding more than 20% of the voting shares in the companies that are parties to the transaction. The member of the Board of Directors D. L. Pankova holding office in the administration of the legal entity that is a party to the transaction is the member of the Board of Directors of NIIC MRSK, JSC

Appendix 9

Item No.	Type of transaction	Details of the transaction	Name of the Company management body which approved the transaction	Interested parties
1	2	3	4	5
40	Agreement dated November 14, 2012 No. 896	<p>Parties to the Agreement: Customer: IDGC of the South, JSC. Contractor: Yuzhny EEC, JSC.</p> <p>Subject of the Agreement: The Contractor shall, by the Customer's assignment, adjust working documents for construction of facilities "Construction of SS 110/10 NPS-2 and the reconstruction of the adjacent 110 kV grid". "Adjustment of working documents of 110 kV overhead line in part of barrow bypass", "Construction of SS 110/10 NPS-3, and the reconstruction of the adjacent 110 kV grid". "Adjustment of working documents of 110 kV overhead line in part of barrow bypass", and submit the result to the Customer, and the Customer agrees to accept the result of works and pay for it in the manner prescribed by the Agreement.</p> <p>Agreement price: The agreement price is determined by the summary table of the cost of work (appendix No. 2 to the Agreement), which amounts to 299,900 (two hundred ninety-nine thousand nine hundred) rubles 00 kopecks, plus VAT of 53,982 (fifty-three thousand nine hundred eighty-two) rubles 00 kopecks. In total, the cost of works under the Agreement with VAT included amounts to 353,882 (three hundred fifty-three thousand eight hundred eighty-two) rubles 00 kopecks.</p>	The Board of Directors of IDGC of the South, JSC on October 17, 2012 (minutes dated October 22, 2012 No. 97/2011)	Company's shareholder is IDGC Holding, JSC, holding more than 20% of the voting shares in the companies that are parties to the transaction
41	Agreement dated November 15, 2012 No. БЖ 193/12/898	<p>Parties to the Agreement: Customer: RusHydro, JSC. Contractor: IDGC of the South, JSC.</p> <p>Subject of the Agreement: Pursuant to the Agreement, the Contractor shall provide, in accordance with the terms of the Service Agreement for metrological maintenance of measuring devices specified in the Service cost for metrological maintenance of measuring devices of Volga Hydroelectric station, a branch of RusHydro, JSC (appendix No. 1 to the Agreement), and submit the result of the services provided to the Customer and the Customer agrees to pay for the services in the amount and on the terms specified in the Agreement.</p> <p>Agreement price: Cost of services rendered by the Contractor under the Agreement shall be determined on the basis of calculating the cost of services for metrological maintenance of measuring devices of Volga Hydroelectric station, a branch of RusHydro, JSC (appendix No. 1 to the Agreement), and amounts to 236,755.20 (two hundred thirty-six thousand seven hundred and fifty five) rubles 20 kopecks, including VAT 18% of 36,115.20 (thirty-six thousand one hundred and fifteen) rubles 20 kopecks.</p>	The Board of Directors of IDGC of the South, JSC on March 15, 2012 (minutes dated March 19, 2012 No. 84/2011)	Company's shareholder — IDGC Holding, JSC, holding more than 20% of the shares of the Company, as its affiliates V. V. Kudryavy, V. V. Tatsiy (Executive Board Members) hold positions in the management bodies of RusHydro, JSC, which is a party to the transaction — are members of the Board of Directors

Item No.	Type of transaction	Details of the transaction	Name of the Company management body which approved the transaction	Interested parties
1	2	3	4	5
42	Agreement dated November 19, 2012 No.900	<p>Parties to the Agreement: Customer: IDGC of the South, JSC. Contractor: Southern Engineering Centre of Power Industry, JSC.</p> <p>Subject of the Agreement: Pursuant to the Agreement, the Contractor shall, on the instructions of the Customer, execute working documents for the projects: "Establishment of radio-relay links in the areas of SS Rezinovaya — SS Rassvet — SS Vododelitelya — SS Beregovaya — SS Seroglazka — SS Kosika — ERES," "Establishment of radio-relay links in the areas of SS Enotaevka — Kopanovka settlement — SS Vetyanka — SS Nikolskoye — SS Solenoye Zaymishche — ChRES"; "Establishment of radio-relay links at the areas ChRES — SS Staritsa — SS Vyazovka — SS Solodniki" and submit the result to the Customer, and the Customer agrees to accept the result of works and pay for it in the manner prescribed by the Agreement.</p> <p>Agreement price: The agreement price is determined by the summary table of the cost of work, which amounts to 2,055,466 (two million fifty-five thousand four hundred sixty-six) rubles 10 kopecks, plus VAT of 369,983 (three hundred sixty-nine thousand nine hundred eighty-three) rubles 90 kopecks. In total, the cost of works under the Agreement with VAT included amounts to 2,425,450 (two million four hundred twenty-five thousand four hundred and fifty) rubles 00 kopecks.</p>	The Board of Directors of IDGC of the South, JSC on October 30, 2012 (minutes dated November 2, 2012 No.98/2012)	Company's shareholder is IDGC Holding, JSC, holding more than 20% of the voting shares in the companies that are parties to the transaction
43	Agreement dated December 18, 2012 No.927	<p>Parties to the Agreement: Customer: IDGC of the South, JSC. Contractor: Southern Engineering Centre of Power Industry, JSC.</p> <p>Subject of the Agreement: Under the Agreement, the Contractor shall, on the instructions of the Customer, execute the design and working documents for reconstruction of distribution grids of Rostovnergo, a branch of IDGC of South, JSC, and submit the result to the Customer, and the Customer agrees to accept the result of works and pay for it in the manner prescribed by the Agreement.</p> <p>Agreement price: The agreement price is determined by the summary statement of the cost of work (appendix No.2 to the Agreement), which amounts to 210,000 (Two hundred and ten thousand) rubles 00 kopecks, plus VAT of 37,800 (thirty-seven thousand eight hundred) rubles 00 kopecks. In total, the cost of works under the Agreement with VAT included amounts to 247,800 (two hundred forty-seven thousand eight hundred) rubles 00 kopecks.</p>	The Board of Directors of IDGC of the South, JSC on December 29, 2012 (minutes dated January 13, 2012 No.102/2011)	Company's shareholder is IDGC Holding, JSC, holding more than 20% of the voting shares in the companies that are parties to the transaction

Appendix 9

Item No.	Type of transaction	Details of the transaction	Name of the Company management body which approved the transaction	Interested parties
1	2	3	4	5
44	Agreement dated December 20, 2012 No. 931	<p>Parties to the Agreement: Customer: IDGC of the South, JSC. Contractor: Southern Engineering Centre of Power Industry, JSC.</p> <p>Subject of the Agreement: Pursuant to the Agreement, the Contractor shall, on the instructions of the Customer, perform design and working documents for the facility: "Upgrade of 35–110 kV HV line of Rostovenergo" for the needs of Rostovenergo, the branch of IDGC of the South, JSC, and submit the result to the Customer, and the Customer agrees to accept the result of works and pay for it in the manner prescribed by the Agreement.</p> <p>Agreement price: The agreement price is determined by the summary estimate of the cost of work (appendix No. 2 to the Agreement), which amounts to 1,580,508.47 (one million five hundred eighty thousand five hundred and eight) rubles 47 kopecks, plus VAT of 284,491.53 (two hundred eighty-four thousand four hundred ninety-one) rubles 53 kopecks. In total, the cost of works under the Agreement with VAT included amounts to 1,865,000.00 (one million eight hundred sixty-five thousand) rubles 00 kopecks.</p>	The Board of Directors of IDGC of the South, JSC on December 29, 2012 (minutes dated January 13, 2012 No. 102/2011)	Company's shareholder is IDGC Holding, JSC, holding more than 20% of the voting shares in the companies that are parties to the transaction
45	Agreement dated December 21, 2012 No. 935	<p>Parties to the Agreement: Contractor: IDGC of the South, JSC. Customer: Volgogradsetremont, JSC.</p> <p>Subject of the Agreement: Pursuant to the Agreement, the Contractor undertakes to personally render information technology services to the Customer in terms of information technology and systems. The Customer undertakes to accept and pay for the services in the manner and amount established by the Agreement. The content, frequency, conditions and location of the provision of information technology services are defined in the Statement of Work.</p> <p>Agreement price: Total cost of services under the Agreement, according to the specification, amounts to 48,000 (forty-eight thousand) rubles 00 kopecks, including VAT of 7,322 (seven thousand three hundred twenty two) rubles 04 kopecks.</p> <p>Duration of the Agreement: The Agreement shall be effective upon signature by the Parties, shall apply to the relationship of the Parties arisen since October 1, 2012 and be valid until October 1, 2013, and in part of settlements — until the complete fulfillment.</p>	The Board of Directors of IDGC of the South, JSC on October 30, 2012 (minutes dated November 2, 2012 No. 98/2012)	Shareholder is IDGC Holding, JSC, holding more than 20% of the voting shares, as this shareholder and (or) its affiliate IDGC of the South, JSC own (in the aggregate) 20 or more percent of the shares of the legal entity that is a party to the transaction, i. e. Volgogradsetremont, JSC; Members of the Board of Directors V. V. Ivanov and Ye. V. Kalenyuka holding positions in the administration of the legal entity that is a party to the transaction are the members of the Board of Directors of Volgogradsetremont, JSC

Contact information

In case of any questions about the information included in this annual report, please address them to the Head of the Department of Corporate Governance and Shareholder Relations

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