



ENERGY OF THE LIGHT

ANNUAL REPORT 2013



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

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Liability limitation

This Annual Report (hereinafter "the Annual Report") has been compiled using information available to the open joint stock company «Interregional Distribution Grid Company of the South» (hereinafter "IDGC of the South, JSC", "the Company") and its branches and affiliates at the time of writing.

This Annual Report contains statements which constitute a probability assessment of future events and are subject to various risks. These risks encompass the volatility of the business and financial situation within the Company, possible political and economic changes in Russia, and alterations in actual or future government regulation of the Russian electric power industry and Russian legislation in general, among other factors.

Most of these factors cannot be controlled or predicted by the Company.

Risks and ambiguity are an integral part of such prognostics, thus presented assumptions, forecasts, projects and other predictions may not be realized.

Considering the aforementioned circumstances, the Company takes it upon itself to advise that there may be differences between the actual results and the values predicted expressly or implicitly, which are to be regarded as valid only in connection to the report compilation date.

The Company therefore is not subject to liability for losses experienced by individuals or legal entities due to the unstable nature of predictive statements. Each individual statement presents only one possible trend of events that should not be treated as the most probable one.

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Director General
of IDGC of the South, JSC
**Vladimir Frantishkovich
Vashkevich**



the Board of Directors
Chairman of IDGC
of the South, JSC
**Dmitry Mikhailovich
Gurevich**

[Joint address to Shareholders
by The Board of Directors Chairman
and the Director General](#)

Dear Shareholders!

The year 2013 was a time of change for IDGC of the South, JSC, characterized by resuming work on previously launched projects, achieving goals, aspiring to new ones and overcoming obstacles, which were mastered by our joint efforts to coordinate measures in the Company's financial, economic, production and personnel policy.

During the reporting period, IDGC of the South, JSC had an objective to reach the breakeven mode of operations, optimize expenses and mobilize internal resources to accomplish our main function — maintaining a high quality and reliable consumer power supply.

The net profit of IDGC of the South, JSC under RAS in 2013 amounted to 27 mln rub. with the planned value of 16 mln rub. Revenue increased by 16.9% to 27.43 bln rub. — 94% of the income came from power transmission, and the profit before tax deduction amounted to 387.5 mln rub.

The following factors contributed to the achievement of this goal: income growth; reducing the cost value of services for power transmission and technological connection; cost value reduction in other types of activity; reduction of management expenses; interest received as unplanned income and an increase in other income for the Company.

Interest burden reduction measures were introduced in 2013. A substitution of credit resources with high interest rates was performed in the amount of 3.9 bln rub. The interest burden reduction for the 3-year period amounts to 122 mln rub.

The on-lending covenant agreements were concluded. The qualitative parameters of the credit portfolio were improved.

During the reporting period, the Company kept the annual rate of power grid facilities in operation, exceeding its power line construction and reconstruction commitments.

In 2013, 1000 km of power lines with 300 MVA of capacity were commissioned. The investment volumes reached almost 3.2 bln rub., including 1.2 bln rub. in the technological connection facilities.

The technological connection of two large facilities was completed — the pump stations (NPS-2 and NPS-3) of the Caspian pipeline consortium, «KTK-R», in Kalmykia.

2013 also marked the technological connection and commissioning of the new power station PGU-235 MW LUKOIL-Astrakhanenergo in the Astrakhan Region. The Company ensured the high-quality and early launch of this installation. This project required significant reconstruction of the existing transformers and building a power grid infrastructure.

In 2013, the key objectives for production activity were successfully fulfilled by the Company, including: a complete overhaul of the substations and high-voltage and cable lines, as required; maintenance, diagnostics, and testing of the equipment. A total of 781.8 mln rub., or 113% of the planned amount, was directed towards the repair and maintenance program. About 14,400 km of power lines of different voltage classes were repaired; 3,735 transformer substations with the voltage of 6/10-0.4 kV were serviced. On October 11, a certificate of readiness for the autumn-winter period of 2013-2014 was issued.

The performance analysis in 2013 showed that the number of technological disruptions decreased by 7% in comparison with 2012 and the total duration of service interruptions decreased by 9%.

10 DPGs with the highest loss percentage were allocated to each branch of IDGC of the South, JSC to deal with power loss, which introduced additional measures: 53,500 revolutionary anti-magnetic seals were offered to consumers at risk at year-end 2013, new investigative and raiding measures to combat unmetered and non-contracted consumption were put in place (20% more acts of unaccounted consumption, with the total rate of identified unaccounted consumption almost double that of the previous year). The expected power loss level in 2013 was achieved; the actual level totaled 9.38% (9.43% planned). Compared to the 2012 figures the loss level was reduced by 0.3%.

Operational costs were radically reduced in 2013. The executive body of the Company was transferred from Krasnodar to Rostov-on-Don. Layoffs in the administration constitute the first stage of the operational costs reduction program: the total employment in the executive branch was reduced by 19.5% and the personnel costs were reduced by 18.1%.

Vacancies in all branch management structures were also cut. As a result, the size of the management structures in the Company was reduced by 3%. This process was resumed in 2014.

To improve the management process in the Company and considering the same location of the executive body and the administration of the Rostov Branch, some functions of these structures were rebuilt with a more centralized approach in mind. The planned reduction of the total number of employees in these structures will amount to 26.5 % (143 emp.). Expected remuneration savings will yield 20% (257.934 mln rub. per year).

Being a socially responsible Company, IDGC of the South, JSC continues to improve work environment and living standards of employees and to offer social guarantees to ensure social security of the personnel. IDGC of the South, JSC seeks to promote the image of power engineering as a professional occupation, supports veterans, children and youth.

According to the requirements imposed by the Tariff Agreement for the power industry for 2013-2015 on the indexation of the minimum monthly tariff rates (hereinafter referred to as MMTR), IDGC of the South, JSC developed and launched a program to gradually bring the minimum monthly tariff rates to the general MMTR level for employees in the power industry (hereinafter referred to as Program). The MMTR will gradually reach the 5,400 rub. mark by July 1, 2014.

As a result of a collective agreement campaign, the universal Collective Agreement of IDGC of the South, JSC was signed on November 14, 2013 which set the list of the most popular social benefits and guarantees to retain qualified staff and ensure the social security of Company employees and members of their families.

The provisions of the collective agreement were optimized taking into account likelihood of execution, lowering the social security expenses. Compared with the approved planned parameters in the 2013 business plan, the savings amounted to 12 mln rub.

Social security savings due to solutions proposed by trade unions during the collective negotiations amount to 169 mln rub.

In 2014 the main objectives of IDGC of the South, JSC include stable profit growth, creating significantly appealing investment projects, maintaining a balanced and ambitious company as well as addressing the complex issues of the previous period to collect debts from the most problematic enterprises — Volgogradenergosbyt, JSC and Khimprom, JSC.

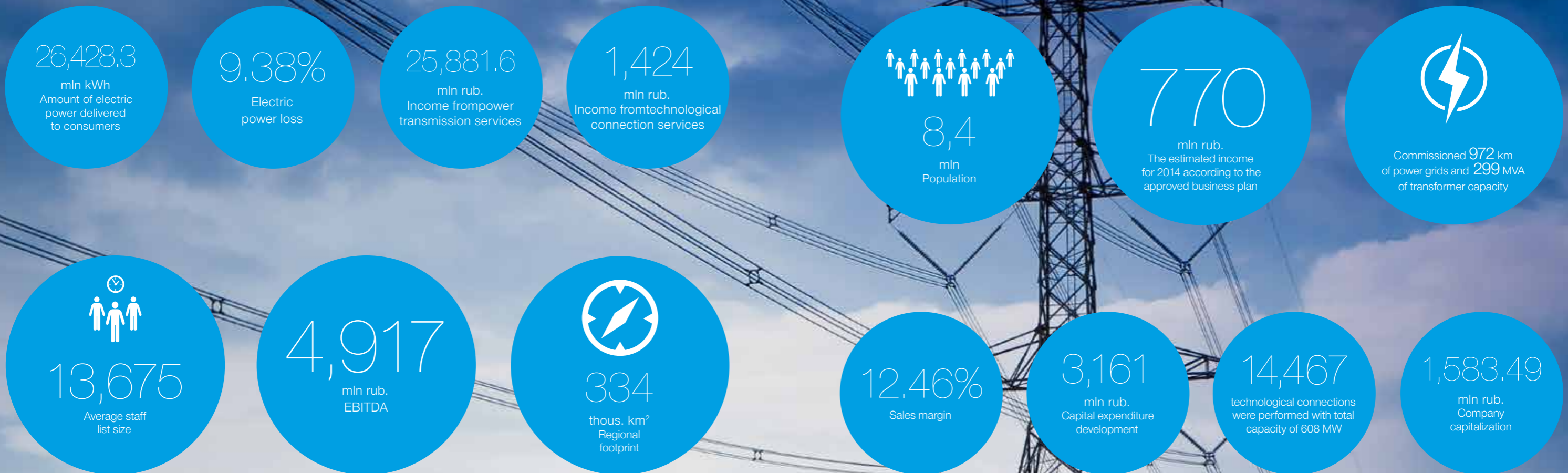
Preparation for power supply facilities construction for the infrastructure of the football World Cup in 2018 was started this year.

With the available range of additional services being expanded, the Company reaches a new level of customer service. This will increase the Company's competitiveness to prevent customer

outflow to other territorial grid organizations or customers building their own power grid complexes. In order to create comfortable conditions for the customers, an interactive web-portal was developed for applications for technological connection registration in compliance with modern best Web practices.

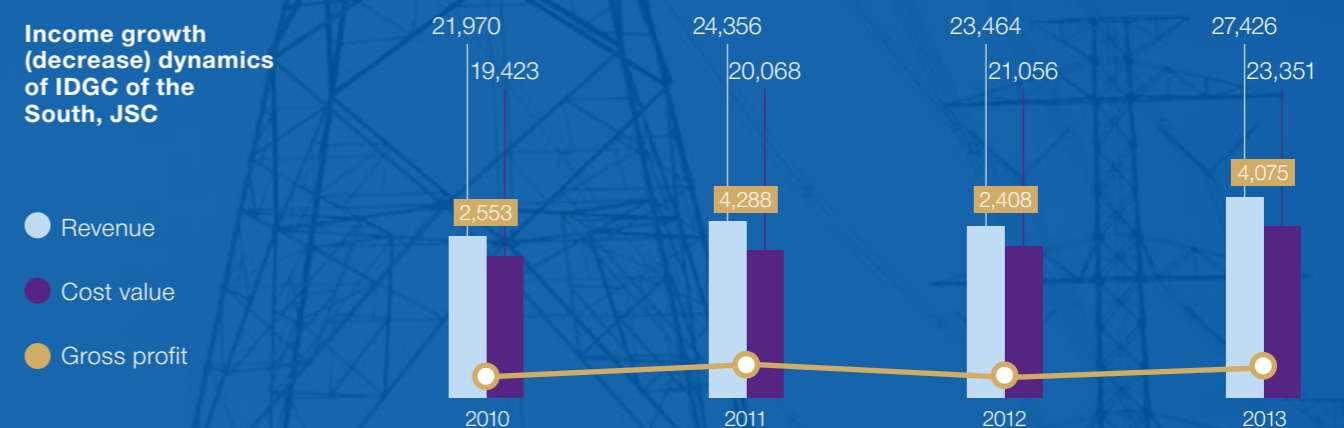
Our efforts are aimed at reliable and quality supply of power to consumers. To achieve this, we maintain our power grids in a proper condition and develop them according to regional perspective development plans.

We hope that the results we achieve, the tasks set and strategic goals of IDGC of the South, JSC allow us to earn the trust of the shareholders, public authorities and foreign investors.



Key Performance Results of IDGC of the South, JSC for 2013

Income growth (decrease) dynamics of IDGC of the South, JSC



Section 1 About the Company

334

thous km²
Regional footprint

8.4

mln
Population



1.1. 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 operation of IDGC of the South, JSC was confined to the areas stretching to the administrative boundaries with Krasnodar and Stavropol Territories in the south, to the Sea of Azov and national boundary with the adjoining Ukraine in the west, administrative

boundaries with 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 regions of IDGC of the South, JSC operation are characterized with continental climate. The regional footprint of IDGC of the South, JSC is about 334,000 km² with the population of 8.4 mln people and average population density of 25 people per km².

1.2. 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 supports interregional integration of newly established companies after splitting the power companies based on their business profiles.

Milestones and dates of electric power industry reforms are described on the "Reform" page of the Company's web-site.

IDGC of the South, JSC was registered on June 28, 2007 following the resolution of its sole founder — RAO UES of Russia, JSC (Order of RAO UES of Russia, JSC No. 192r dated June 22, 2007).

Later on the Management Board of RAO UES of Russia fulfilling the functions of extraordinary general meeting of IDGC of the South, JSC shareholders (Minutes No. 1795pr/6 dated December 25, 2007), as well as general meetings of shareholders of five distribution grid companies (DGS) — Astrakhanenergo, JSC, Volgogradenergo, JSC, Kubanenergo, JSC, Rostovenergo, JSC, Kalmenergo, JSC have adopted

decisions on reorganization of companies by joining them to IDGC of the South, JSC.

On March 31, 2008 notes on termination of 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.

From that moment 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 sole executive body of Kubanenergo, JSC until December 1, 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.

1.3. 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 JSC FGC UES and primarily approved in the meeting of the Company Board of Directors in January of 2008.

The latest modification to the corporate structure of IDGC of the South, JSC was made in March of 2013.

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

- 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, state secrets protection;
- Energy saving and improvement of energy efficiency.

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

- Department of accounting, tax accounting and reports;
- Department of internal audit and risk management;
- Department of logistics and inventory;
- IT department;
- Public relations department;
- Quality control department;
- Department of mobilization training and civil defence.

The corporate structure includes deputies Director Generals — directors of branches who manage current activities of the established Company's branches.

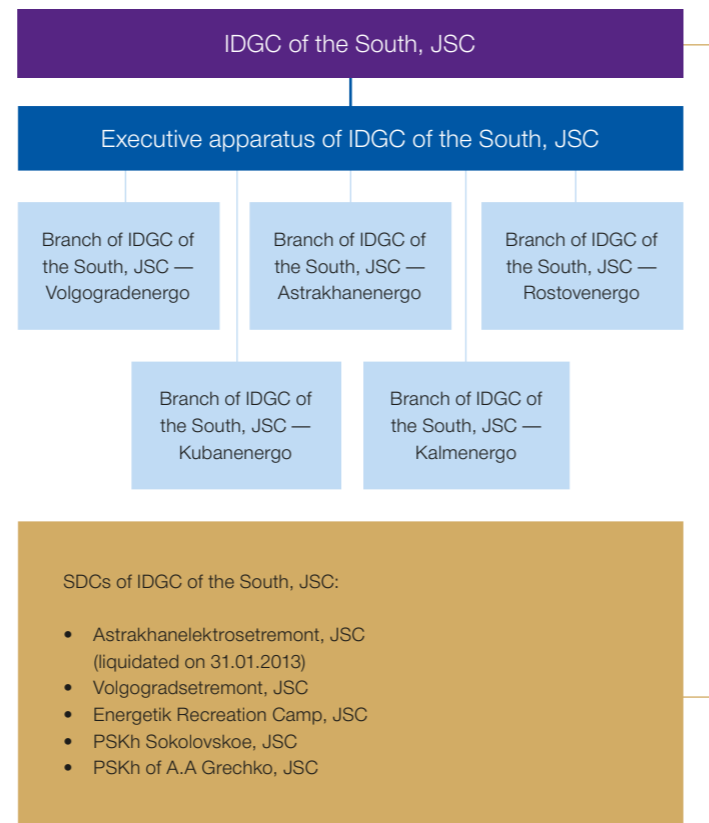
Company's branches

IDGC of the South, JSC created 5 branches in compliance with the resolution of the Board of Directors in 2008:

1. Astrakhanenergo;
2. Volgogradenergo;
3. Kalmenergo;
4. Kubanenergo;
5. Rostovenergo.

All branches of IDGC of the South, JSC with the exception of Kubanenergo are active since 31 March 2008.

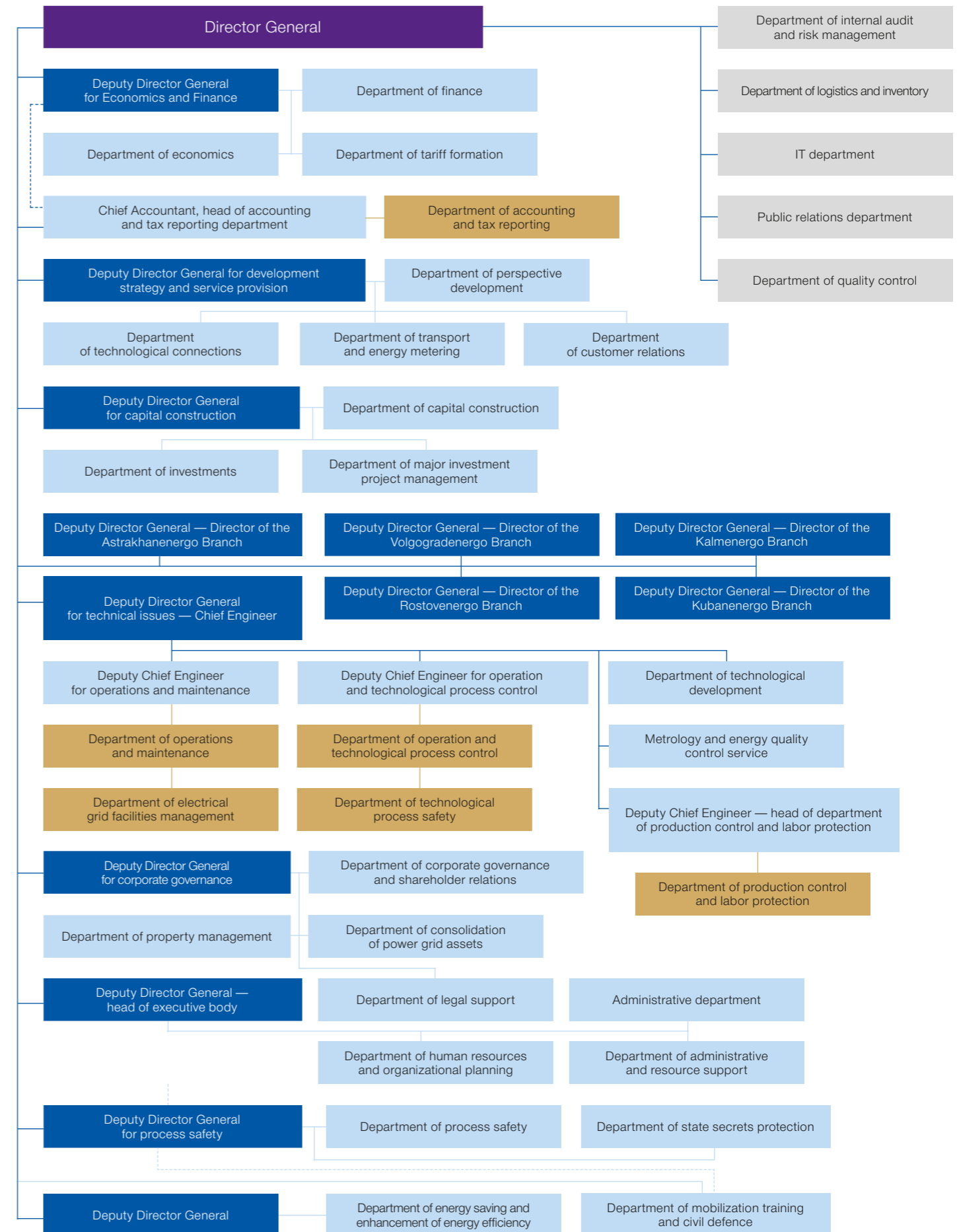
The Kubanenergo branch does not perform any operational activity.



As of December 31, 2013 IDGC of the South, JSC owned 100% of voting shares in the following companies (see more detailed information in art. 3.6 and appendix 3 to this annual report):

- Volgogradsetremont, JSC;
- PSKh of A.A. Grechko;
- PSKh Sokolovskoe, JSC;
- Energetik Recreation Camp, JSC;
- Energoservis of the South, JSC.

Corporate structure of IDGC of the South, JSC executive office (approved by the decision of IDGC of the South, JSC Board of Directors, minutes No.105/2013 date 11.03.2013)



1.4. Key milestones and facts

January

The head specialist of IDGC of the South, JSC Kalmenergo branch Sergey Cerenov was presented with a state award by Aleksey Orlov, Head of the Republic of Kalmykia. The power engineer was rewarded for his successes and exceptional services.

February

Vladimir Vashkevich was elected Director General of the Company until 2016 by IDGC of the South, JSC Board of Directors.

SAS (accreditation body, Switzerland) has examined and approved the results of the certification audit and made a decision to confirm and issue the appropriate certificates.

March

IDGC of the South, JSC and the Coordinating Council for Children's Rights of the Southern Federal District signed an agreement on cooperation to prevent electrical injury rate involving children.

April

The team of IDGC of the South, JSC became the fourth of the 24 teams in the overall standings at the Winter Spartakiad for the Russian power grid industry employees in Sochi.

In anticipation of the Spring week of kindness (April, 20-27) and the National donor day (April, 20), the Department of public relations and Council of young specialists of IDGC of the South, JSC held a rally in support of voluntary blood donation for children with leukemia.

May

Director General of IDGC of the South, JSC Vladimir Vashkevich, senior branch executives and members of the Council of young specialists laid wreaths and flowers at the eternalizing the heroes and liberators of Rostov-on-Don from fascist occupants at the Guards Square.

A branch of Kalmenergo hosted III Interregional Youth Forum of IDGC of the South, JSC. The key event of the business part of the forum was the round table on IDGC of the South, JSC Council of young specialists as a tool of corporate motivation, where the issues of financing and organizing corporate events were discussed, as well as the forms and types of cooperation with ministries and committees on youth affairs.

June

IDGC of the South, JSC and the Ministry of regional development division in the Southern Federal District signed a cooperation agreement. The agreement was signed by the Company's Director General Vladimir Vashkevich and the head of the Ministry of regional development division in the Southern Federal District Alexey Kopalain.

Power engineers from the Rostov Branch of IDGC of the South, JSC honored the fallen warriors by laying wreaths and flowers at five memorials on the threshold of the 70th anniversary of the Mius front line breach. Nearly a hundred of participants of the event with the support of the Director General of IDGC of the South, JSC, Vladimir Vashkevich, visited the memorials and burial places of soldiers in Neklinovsky, Matveevo-Kurgansky and Kuibyshevsky districts of Rostov Region as a part of the military history conference «Courage and tragedy at the Mius front line».

IDGC of the South, JSC completed the technological connection of a new generating facility combine cycle plant-235 in the Astrakhan Region on June 24.

The following personnel changes were made in IDGC of the South, JSC. Timur Alaev was assigned the position of the Deputy Director General — Director of Astrakhanenergo Branch. Pavel Goncharov became the Deputy Director General for Technical Issues — Chief Engineer. Aleksandr Chasovoi will oversee the safety issues as the Deputy Director General. Oleg Kiek became the Deputy Director General — head of the executive body. Mikhail Korolev will oversee the capital construction process as the new Deputy Director General for Capital Construction. Dmitry Shutov was assigned to the position of the Deputy Director General for Development Strategy and service provision. Dmitry Zhuravlev became the Deputy Director General for energy saving and enhancement of energy efficiency.

July

The power engineers from IDGC of the South, JSC took the 3rd place in the city contest among the working youth of the enterprises in Rostov-on-Don «We are a team!».

During the 6-hour system wide practice drill in the Astrakhan Region organized by IDGC Holding, JSC, the dispatch group of IDGC of the South, JSC did not make any mistakes and the jury pointed out that it conducted time-sensitive negotiations very well.

A planned inspection from the Rospirodnadzor in the Astrakhan Region has shown the absence of environmental disruptions in the work of IDGC of the South, JSC.

August

The Consumer Council, an institution of public control, was established at IDGC of the South, JSC.

September

In the Chernozemelsky District of the Republic of Kalmykia, IDGC of the South, JSC fully completed construction works at the NPS-2 substation of 110/10 kV with the capacity of 80 MVA, one of the sites of an ambitious cooperation program between IDGC of the South, JSC and the Caspian Pipeline Consortium (KTK-R), the largest international association of oil transport companies.

October

During a meeting on the preparation of power units in the SFD for the autumn-winter period 2013-2014, chaired by Alexandr Novak, the Minister of Energy, the management of JSC LUKOIL expressed to IDGC of the South, JSC its appreciation for the professional work carried out on the technological connection of the utility and the timely launch of the CCGT-235.

Vadim Sergeev, the deputy head of the North Caucasus Office of the RTN, handed the certificate of readiness for the autumn-winter period of 2013-2014 to Vladimir Vashkevich, the director of IDGC of the South, JSC.

Employees of the Volgograd branch of IDGC of the South, JSC created a lightning system for the monument to Soviet soldiers of the 40th Guards Division, who defended the nameless hill in the village Sirovinskaya in the Ilovlya district of the Volgograd Region from Nazi invaders.

13 employees from various branches of IDGC of the South, JSC, the largest distribution company in the South of Russia, received diplomas from the Controller Training School.

November

IDGC of the South, JSC, signed a comprehensive collective agreement with the trade unions, which provides a common approach and social guarantees for the employees of the Company, as well as listing the most relevant social benefits and guarantees.

The Russian Institute of Directors rated the corporate governance at IDGC of the South, JSC as a Developed Corporate Governance Practice (NCGR 7) according to the national corporate management rating.

The management of IDGC of the South, JSC in the Astrakhan Region and the Astrakhan Branch of Sberbank of Russia completed a joint project to implement lean technologies to optimize the operation of utilities and improve interaction with customers. The system facilitated a reduction of 30% in time spent on paperwork and improvement of the overall quality of customer service.

December

On December 25, on the eve of Power Engineers' Day, the professional holiday, Vladimir Vashkevich, the Director General of IDGC of the South, JSC, handed professional awards to the employees of the power company.

In 2013, under a program for preventing electrical accidents among third parties at power facilities, experts from IDGC of the South, JSC visited more than 2,700 primary and secondary schools in four regions, where they gave lessons and lectures on electrical safety to 117,000 children and young people.

Events after the reporting date

January

Vladimir Vashkevich, the Director General of IDGC of the South, JSC, thanked the employees who took part in disaster relief in the Volgograd Region on the eve of the New Year holidays, noting that power engineers do precious yet hard work, which requires high professionalism and is nearly always fraught with risk.

Erdni Dzhugrunov, electrician in the Yashkulsky distribution zone, an employee of the Kalmyk branch of IDGC of the South, JSC, was named one of the winners of the Man of the Year 2013 contest held in Kalmykia. The title of the Man of the Year was drawn among residents of Kalmykia who made a significant contribution in various fields and who can influence the cultural, economic, and public image of the Republic.

On January, 23 Rostov-on-Don saw the Sochi 2014 Olympic torch relay, in which two employees of the Southern Electric Grids production department of the Rostov Branch of IDGC of the South, JSC took part.

On January, 28 the energy system of the Astrakhan Region celebrated its 50th anniversary. On the occasion, employees of the Astrakhan Branch of IDGC of the South, JSC received diplomas and expressions of gratitude from the administration and government of the Astrakhan Region, as well as from the regional Duma and the City Hall.

250 power engineers of IDGC of the South, JSC, in 68 teams, took part in disaster relief at the power units of the Rostov Region.

February

Over several days, power engineers of IDGC of the South, JSC performed round-the-clock accident rescue operations under extreme weather conditions. Blizzards, gusty winds, critically low temperatures, drifts and ice on the roads were a serious obstacle in localizing the damage and performing the works, but the professionalism of the power engineers in the Don Region and a sense of responsibility for the consumers allowed them to successfully deal with the task.

Power engineers from IDGC of the South, JSC, from Volgograd, together with specialists from the Chief Directorate of EMERCOM of Russia in the Volgograd Region, conducted a lesson in safety for young cadets enrolled in specialized studies of the EMERCOM profile in lyceum No. 7 in Volgograd.

According to the operating results of 2013, losses in the grid of IDGC of the South, JSC declined by 0.3%. The total output to grid of IDGC of the South, JSC in 2013 amounted to 29.5 bln kWh.

On February 23 in Rostov-on-Don the employees of IDGC of the South, JSC commemorated the heroes of the Great Patriotic War, laying wreaths and flowers at the monument to the liberators.

March

On March 14, an Extraordinary General Shareholders Meeting of IDGC of the South, JSC was held, where a new Board of Directors and the Auditing Commission of the Company were elected.

In the framework of expansion and modernization of the data collection and transfer system (CDTS) at IDGC of the South, JSC at substations of 35-110 kV, a full upgrade encompassed 10 substations in the Astrakhan Region.

Young specialists from IDGC of the South, JSC selected the winners of the Miss Spring 2014 contest at the sponsored boarding school in Astrakhan and awarded a special traditional title, Miss Energy.

1.5. Position of IDGC of the South, JSC in the industry

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

- paid services for power transmission;
- technological connection of power receivers (power plants) of individuals and legal entities to the Company power grids;
- Operations and repair.

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

Level 1. The Federal Grid Company (JSC FGC UES) is an organization that monitors the Unified National (Russia-wide) Electric 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 (hereinafter referred to as DGC).

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.

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

Customers of the Company largely include energy sales companies, energy wholesale and retail market participants, and local grid companies.

IDGC of the South, JSC is the largest actor in the electric power industry, rendering power transmission services to customers on the territory of the Southern Federal District of Russia.

The strategy of IDGC of the South, JSC is aimed at further integration of the grid complex by absorption of the related grid organizations with priority given to stability of payments for power transmission services, reduced excessive losses, and improved reliability of power transmission to end customers.

To maintain the positive tendency, the Company takes the following activities:

- Continuous monitoring of regional energy markets, consisting of 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, RTS, JSC FGC UES, IDGC Holding, JSC local grid companies, and energy sales and supply companies in terms of tariffs and balance regulation and the operation of regional energy markets.

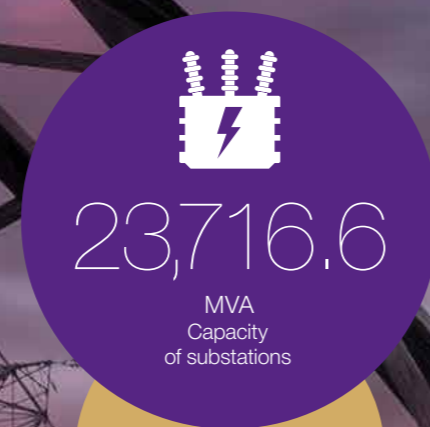
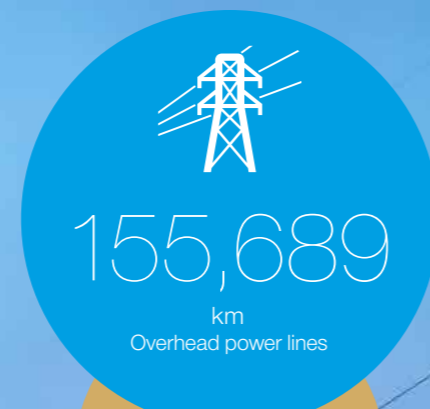
IDGC of the South, JSC timely detects and prevents possible risks of insolvency of energy sales companies for rendered services in electric power transmission. The following measures are taken by the Company to normalize settlements with sales companies: entering into direct service agreements with consumers on power transmission, settling disputes in the course of agreements negotiations, cooperating with administrative and regulatory bodies.

Total production capacity of the Company (MVA, km)

The length of the overhead electricity lines of 0.4-220 kV is 155,689.6 km by route and 159,619.6 km by circuit. The total number of substations of >10 kV is 31,539 units with a total capacity of 23,716.6 MVA.

Length of the overhead electric lines, number of substations with total capacity by voltage levels

Name of the groups of power grid units	Length (by route), km	Capacity, MVA	Amount, pcs
Overhead power lines, km, incl.:	155,689	—	54,782
Overhead lines 220 kV	386	—	4
Overhead lines 100 kV	15,805	—	728
Overhead lines 35 kV	11,644	—	701
Overhead lines <10kV	127,855	—	53,349
Cable electric lines, km, incl.:	2,080	—	5,218
Cable lines 110 kV	15	—	17
Cable lines 35 kV	57	—	28
Cable lines 6-20 kV	1,385	—	2,106
Cable lines 0.4 kV	623	—	3,067
Substations, pcs, incl.:	—	23,716.6	31,539
Substations 220 kV	—	516.5	4
Substations 110 kV	—	14,930.3	640
Substations 35 kV	—	3,267.56	576
Transformer substations of 6-10/0.4 kV	—	5,002.24	30,319



1.6. Business priorities and development trends

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 by 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 the development of power 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 work environment for 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 comprise a set of principles, which every employee understands, shares and follows:

- Reliability;
- Responsibility;
- Customer-oriented approach;
- Leadership;
- Professionalism;
- Social responsibility;
- Stability.

Priority areas of activity of the Company

In 2013, one of the priority areas of the Company was to work on fixing the data on the maximum allowed capacity of existing customers of the Company's power grids.

A resolution of the Board of Directors approved the preparation of documents on the technological connection of all customers previously connected to the power grids of the Company:

- for the group of consumers with the maximum capacity of power receivers within the balance exceeding 670 kW — by 01.07.2013;
- for other groups of consumers — by 01.12.2013.

The same resolution prioritized the implementation of the resolution of the Government of the Russian Federation No.403, dated 08.05.2013, «On amendments to certain acts of the Government of the Russian Federation on the functioning of the territorial grid organizations», according to which the set of measures on alignment with the regional tariff service of the Rostov region and JSC FGC UES was carried out.

Improving the reliability and quality of services rendered

Since 2009 the management system of IDGC of the South, JSC has been certified in accordance with the requirements of international standards ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007. Certification of the Company at the international level gives customers and partners confidence in dealing with IDGC of the South, JSC as a reliable partner and a socially responsible organization. The requirements of international standards guide many thous.s of employees of IDGC of the South, JSC in productive work, efficient use of resources and dynamic development. CJSC SGS Vostok Limited, member of the SGS group (Switzerland), the world market leader in control, verification, testing and certification, acts as the certification partner.

The effectiveness and efficiency of IDGC of the South, JSC in the field of quality, ecology and labor protection were confirmed by the compliance audit of the divisions of the executive apparatus and Astrakhanenergo Branch of IDGC of the South, JSC from November 26 to December 3, 2013.

A traditional training course was held for staff and senior management on basic knowledge of international standards ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007 in course of preparation for the compliance audit, and the rules of application of key internal standards in the field of quality, ecology and labor protection:

- 54 people received training in the Astrakhanenergo Branch;
- 41 people received training in the executive office of IDGC of the South, JSC.

According to the results of the training, certification of the personnel was performed.

Development prospects in the Company's regional footprint

Currently IDGC of the South, JSC is one of the largest and most dynamically developing power companies in the Southern Federal District, being at the same time 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 key development directions of IDGC of the South, JSC are:

- customer-oriented policy and increased accessibility of power grid infrastructure;
- effective planning of the development of power grids, taking into account the trends of the socio-economic environment and territorial planning in the regions;
- modernization and technical retooling of power facilities;
- construction of the power grid facilities;
- energy efficiency and energy saving.

To form an integrated approach to the solutions in the field of development, territorial planning and investment projects of small and medium business, IDGC of the South, JSC has developed an interactive map of the capacity of the 35-110 kV substations (hereinafter "the Interactive Map").

The Interactive Map is a geographical map with data on existing power centers, with an indication of the zone of operation of generation, load of power grid equipment, and planned stages of reconstruction and new construction.

Visualized information on the load of the power centers is an element of mandatory disclosure in accordance with the Standards of information disclosure by participants of wholesale and retail markets of electric energy, approved by the Decree of the Government of the Russian Federation.

The use of the Interactive Map allows on-line communication with the administrations of constituent subjects of the Russian Federation and potential investors on coordinating development of the power grid complex, depending on the needs for electric power.

According to the decree of the Government of the Russian Federation No.1131, dated December 9, 2013, and in order to enable further development of one of the priority activities of IDGC Holding, JSC group, the Company is implementing the 5th stage of paragraph 28 of the Roadmap, namely: providing the consumers with access to online information regarding free capacities, submission of the electronic application for technological connection, tracking of terms, and cost calculation.

The Portal will contain information on submitted applications for technological connection (hereinafter "the TC Application") received both through the Portal, and through the branches and affiliates of IDGC Holding, JSC group. Thus, the consumer will be able to use the Portal to receive information on any TC Application received by JSC IDGC Holding, JSC group in future.

Information on the load of substations at territorial grid organizations (hereinafter "TGO") will be posted free of charge on interactive maps at the web-sites of the subsidiary and dependent companies of IDGC Holding, JSC group.

Moreover, the territory of the regions covered by operations of IDGC of the South, JSC is a place of projects for development of big business and, consequently, general socio-economic development of the regions. These projects are fundamental in developing and formulating schemes and programs of prospective development of the power industry.

Interaction with executive authorities on preparing schemes and programs of prospective development is carried out through the mechanism of meetings of the coordinating bodies, to review proposals for development of the power grids of the region.

In order to implement the schemes and the program of prospective development of the power industry subjects of the Russian Federation, as well as to increase the availability of grid infrastructure, training aimed not only at improving the reliability of the existing power grid, but also at ensuring the possibilities of technological connection of new consumers. Activities include the reconstruction of substations and increased cross-section of power lines, as well as new construction of feeding centers and building of air and cable lines.

For timely implementation of measures aimed at ensuring power supply to the infrastructure facilities of the football World Cup in 2018, IDGC of the South, JSC has organized active interaction with the executive authorities.

To enable the power supply, it is planned to reconstruct a number of supply centers of 110 kV with an increase in transformer capacity, distributive networks of 6-10 kV, as well as the existing 110 kV overhead transmission line routes in Volgograd to increase the transmission capacity of the grid. Regarding new construction, construction of a 110 kV substation, Gvardyevskaya, and a 110 kV substation, Kubanskaya, is planned. According to preliminary information from the Government of the Volgograd Region, the power required to supply the infrastructure facilities of the football World Cup in 2018 will be 60 MW.

For the supply of electricity to sports facilities and infrastructure in the framework of the plan for the championship in Rostov-on-Don, the construction of a Sports substation with aerial transmission lines with a voltage of 110 kV is planned. The period of implementation of the activities is planned for 2015-2017.

It should be noted that the organization of schemes for external power supply related to the football World Cup in 2018 is planned to be carried out using modern equipment and technologies to construct power grid facilities within the city with the creation of Smart Grid technologies.

To ensure the Company's development in terms of modernization and technical re-equipment of power facilities, construction of power grid facilities, and compliance with energy efficiency and energy saving, all the branches of IDGC of the South, JSC are conducting activities under the investment program.

Astrakhan Region

To fulfill the obligations under contracts on technological connection to power grids of IDGC of the South, JSC, in 2013 Astrakhanenergo implemented 4,980 contracts for a total capacity of about 309.2 MW, including technological connection of a 235 MW CCGT unit.

To eliminate the power shortage in the closed supply points, in 2013 a 110kV substation in Solodniki was reconstructed with replacement of the existing transformer of 2.5 MVA with one of 10 MVA to ensure the reliability of the power supply to consumers in the Chernoyarsky area in the Astrakhan Region.

In 2013, as part of technological connection works, reconstruction of the 35 kV Travino substation, with replacement of the existing transformer T-2 with the capacity of 4.0 MVA with one of 6.3 MVA, was started to be completed in 2014. It will enable connection for the facility "Reconstruction of the Lotus base" with the declared capacity of 610 kW and other objects on the territory of the Kamizyanskiy district of the Astrakhan Region.

Future plans include measures to develop the distribution grid network.

The long-term investment program of Astrakhanenergo Branch of IDGC of South, JSC for the period of 2014-2019 includes the following activities:

- reconstruction of the 110 kV Vostochnaya substation, with the replacement of power transformers with two of 25 MVA to connect social and domestic consumers of the Sovetsky district, Astrakhan;
- reconstruction of the 35 kV Nachalovo substation, with replacement of power transformers with two of 10 MVA to connect the low-rise neighborhoods currently under construction and developed individual construction of houses in Nachalovo in the Astrakhan Region;
- reconstruction of the 35 kV Oktyabrskaya substation, with replacement of power transformers with two of 10 MVA to connect construction sites in the Trusovsky district, Astrakhan and individual buildings in the Narimanovsky district of the Astrakhan Region;
- reconstruction of the 110 kV Kiri-Kili substation, with replacement of power transformers with two of 40 MVA to connect the objects of Leninsky district, Astrakhan;
- construction of a new 110 kV Aeroportovskaya substation with LEP-110 kV with two transformers of installed capacity 2x40 MVA each, necessary to ensure the growing demand of existing objects in Nazareskul district, Astrakhan, as well as the newly connected objects with required capacity of 13 MW in Aeroportovskoe highway.

Reconstruction of the existing backbone high-voltage power transmission lines of 110 kV, with wooden piers to be replaced with reinforced concrete and metal, is also included:

- Kapustin Yar-Pologoe Zaymishche (No.701) — approximate length 26.6 km
- Pologoe Zaymishche-Pokrovka (No.702) — 18.87 km.

In the framework of the program of prospective development of the electric power industry of the region, in 2013 a 235 MW CCGT unit was launched on the territory of the Tsentralnaya boiler-house, «Central», Astrakhan, capacity 235 MW (applicant LUKOIL-Astrakhanenergo, LLC), and for the implementation of technological connection to the power grids, Astrakhanenergo Branch of IDGC of the South, JSC performed the following activities:

- construction of a double circuit transmission line of 110 kV CCGT-235-Kiri-Kili and a loop approach from the 110 kV overhead line CRP-Buzanskaya (No.170).

The program also includes commissioning of the following units:

- a gas turbine power plant in the Municipal Entity Closed Administrative Territorial Entity of Znamensk with the capacity of 44 MW (the applicant is CJSC GK-4) (2014);
- the site A-NPS-5A (the applicant is Caspian Pipeline Consortium — R, CJSC) (2015)

For technological connection of these facilities to the power grids of the Astrakhanenergo Branch of IDGC of the South, JSC in 2014 the following measures will be implemented:

- construction of a 110 kV overhead line for the Kapustin Yar substation of a 110 kV switchboard of the gas turbine power plant and the loop entry from the Kapustin Yar — Sovetskaya 110 kV overhead line (No. 742) to the 110 kV switchboard of the gas turbine power plant, with reconstruction of the Kapustin Yar and Sovetskaya substations;
- reconstruction of the 110/35/10 kV Zenzeli substation.

In addition, the Astrakhanenergo Branch of IDGC of the South, JSC is working extensively on new construction and reconstruction of 6-10 kV distribution grid networks in Astrakhan.

Construction and installation work to transfer the first and second phase of loads from 6 kV to 10 kV from the 110 kV Severnaya substation to the newly built 110 kV Yubileynaya substation will continue in 2014 and in subsequent years.

For the power grids development of the Astrakhanenergo Branch of IDGC of the South, JSC in 2013, cooperation with JSC FGC UES was continued in the framework of the issue of «closed» supply centers, requiring reconstruction of the outdated equipment and increased transformer capacity.

Thus, in accordance with the investment program of JSC FGC UES work started in 2013, and in 2014 work was completed on the replacement of existing 110/10 kV transformers of 2x6.3 MVA with transformers of 2x16 MVA at the 220 kV Harabali substation.

The above measures will ensure a reliable power supply for existing consumers and, in the future, unhampered technological connection of new consumers.

Volgograd Region

Industrial consumers of the services of the Volgograd power sector include oil and gas processing, chemical, metallurgical and engineering plants. The general population and agriculture account for a large proportion of consumption.

Annual measures envisaged by the investment development program of the Volgogradenergo Branch of IDGC of the South, JSC, provide a reliable electricity supply in the region.

In 2013, the 110 kV Razvilka-2 substation was re-built, with replacement of power transformer T-1 with installed capacity of 16 MVA with the 40 MVA in order to increase the reliability of the power supply to socially important facilities in the Volgograd Region (Volgograd perinatal center, Volgograd cardiology center, Sanatorium Volgograd).

Reconstruction of the 110 kV Razvilka-2 met the demand for transformer capacity of the residential microdistrict of Zevina street in the Soviet district, Volgograd, as well as that of a swimming pool in the Kirov district and shopping center Gera, JSC.

As at the end of 2013, substations had been reconstructed and the cross-section of the power lines had been increased, which made it possible to increase the reliability of the power supply and technological connection of new consumers:

- reconstruction of substations with replacement of oil switches 6-10 kV with vacuum switches;
- replaced shielding wire at 110 kV overhead line — 11 km;
- replaced wires at 110 kV overhead line — 31.9 km;
- replaced poles at 110 kV overhead line — 13 pcs, at 35 kV overhead line — 32 pcs;
- replaced insulation at 110 kV overhead line — 9,025 pcs.

It should be noted that in 2013 2,600 new consumers with the declared capacity of 90 MW connected to power grids of the Volgogradenergo Branch of IDGC of the South, JSC.

Building on the results already achieved, in the Volgogradenergo Branch of IDGC of the South, JSC is currently planning activities for the development of the power industry, which is concentrated in the large urban centers of Volgograd and Volzhsky.

Under the investment program of the Volgogradenergo Branch of IDGC of South, JSC for 2014-2018, works on the following major sites are expected:

- reconstruction of the 110 kV Elshanskaya substation with replacement of 28 and 30 MVA power transformers with 2x40 MVA, which is aimed at improving the reliability of the power supply to existing and new consumers in the Sovetskiy district, Volgograd;
- setting the 6 kV block-module at the 110/6 kV Tsentralnaya substation for power supply to the buildings during the football World Cup in Volgograd;
- reconstruction of the 110 kV Gorodskaya-2 substation with installation of an additional power transformer with the capacity of 40 MVA to improve the power supply reliability of existing and newly connected facilities in Volzhskiy;
- reconstruction of the 110kV overhead line No.2, replacement of wires for power supply to the buildings during the football World Cup in Volgograd;
- reconstruction of the 110 kV substation with replacement of the existing two power transformers of 20 MVA with 2x25 MVA each for power supply of buildings during the football World Cup in Volgograd;
- construction of approaches at the 110 kV Fork-2 overhead lines at the 220/110/10/6 kV Sadovaya substation;
- construction of the 110/6 kV Gvardeyskaya with 110 kV approaches for power supply of buildings during the football World Cup in Volgograd;

- reconstruction of the 110 kV Fork-2 overhead line No.3 with replacement of wires aimed at improving reliability of power supply to existing and new consumers;
- reconstruction of the 110 kV Lemeshkino-Zhirnovskaya overhead line No.446 aimed at improving reliability of power supply to existing and new consumers;
- reconstruction of the section from pole No.41 to pole No.50 of the 110 kV Volzhskaya HPP-2-Volzhskaya No.1 with taps (the 110 kV overhead line No.203), with the replacement of poles and wires with those of larger cross section, aimed at improving reliability of power supply to existing and new consumers;
- reconstruction of the 110 kV overhead line No.550 with construction of approaches to the 110/10 kV Shiryai substation;
- reconstruction of the 35 kV overhead line Yelshanka 2 with reconstruction of the 35/6kV Dar-Gora substation and the 110/35/6kV Sovetskaya substation.

The implementation of the above measures will ensure the reliability of power supply for existing consumers, and unhampered technological connection for new consumers.

Republic of Kalmykia

The natural climatic 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 170,000 MW and annual production to 590 bln kW.

The Republic is among the most favorable regions of the Russian Federation for construction of solar power plants and wide use of solar collectors for heating. Based on technical characteristics of proven and operating technological equipment, specific annual generation of electric power, with their implementation, could total up to 145-200 kWh/m² and specific annual production of heat — to 800-900 kWh/m².

The Republic has resources of oil, raw materials for production of construction materials, as well as salt, gas and coal deposits.

Major investor KTK-R CJSC is continuing activities with the aim of constructing two stations, NPS-2 and NPS-3, that will ensure hundreds of mlns of rub. of investments in the Republic and make it possible to implement joint projects in the industrial and social sphere.

The organization of an external power supply is being carried out by the Kalmenergo Branch of IDGC of the South, JSC under contracts concluded on the implementation of a technological connection with KTK-R CJSC for the general attachable capacity of 55,5 MW. The project provides for construction of substations with voltage of 110/10 kV and overhead electric lines of 110 kV on the territory of the Chernozemelsky, Iki-Burulsky, Yashkulsky districts that will make it possible to increase usable output by 350 mln kW/h (settlement period 2013-2014).

During the implementation of the major investment project of IDGC of the South, JSC construction of the 110 kV substations NPS-3 and NPS-2 with 110 kV input power lines and reconstruction of the adjacent grid of 110 kV, in 2013 works on constructing of 110 kV substations NPS-3 and NPS-2 were completed.

In the Western district of Elista in 2014-2018, residential housing construction — a low-rise building — is planned, while construction of high-rise apartment buildings is planned on separate sites in the northwest and eastern districts. The total electric load of the power receivers of customers is estimated at 7.8 MW.

Moreover, in 2013, the Kalmenergo Branch of IDGC of the South, JSC carried out activities as part of the investment program for reconstruction and new construction of overhead lines and substations of 35 kV and above.

The current problem of “closed” power centers that require the reconstruction of obsolete equipment and an increase of transformer capacity at the 110 kV Elista Zapadnaya substation will be resolved in 2020 with the reconstruction and replacement of existing transformers with installed capacity of 2x10 MVA with transformers with 2x25 MVA in accordance with the approved investment program for the development of the Company.

The reconstruction activities provided by the investment program of the Kalmenergo Branch of IDGC of the South, JSC will ensure a reliable and uninterrupted power supply to existing consumers, as well as the connection of new consumers in Elista.

Rostov Region

Rostov-on-Don is both the administrative center of the Rostov Region, and the center of the Southern Federal District of the Russian Federation.

Taganrog, Shakhty, Novocherkassk and Volgodonsk are major cities in the region.

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 Rostov-on-Don.

Due to the number of large investment projects in the Rostov region, Rostovenergo Branch of IDGC of the South, JSC plans implementation of measures for the development of power grids and improving the availability of grid structure for the period 2014-2019.

For electricity supply to the objects of the World Football Cup in Rostov-on-Don in 2018, construction of the 110/10 kV Sportivnaya substation and the 110 kV Koysug-Sportivnaya-R-4 aerial transmission line is planned.

The power supply to the residential buildings of the second stage of the Leventsovskiy district, located in the Western part

of Rostov-on-Don on the 231-hectare territory between Stachki Avenue and Malinovskogo and Dovatora Streets, is planned by connecting a new load from the 110 kV R-35 and PS P-19 substations. Construction of the 110 kV Leventsovskaya substation with 2x40 MVA transformers is planned when the load increases.

The electric supply to the apartment buildings of the residential complex on Sholokhov Avenue in Rostov-on-Don of the applicant "Rostov camping LLC" is planned to perform by connection with the 110 kV AC-15 substation.

To fulfill its obligations under contracts on technological connection to power grids, the Rostovenergo Branch of IDGC of the South, JSC connected 6,569 consumers in 2013 for a total capacity of 204.97 MW.

Future plans include development of power grids of the Rostovenergo Branch of IDGC of the South, JSC in connection with the planned construction of a number of large enterprises in the Rostov Region.

In the western residential part of the city, on the territory of the former DOSAAF airfield (helicopter field), it is planned to connect a high-rise residential complex to the 110 kV R-28 substation of the following applicants:

- SB Invest LLC (customer contract demand of 2.193 MW)
- Komstroy LLC (customer contract demand of 3.383 MW)
- Komstroy-3 LLC (customer contract demand of 2.939 MW)
- Optima-Stroy LLC (customer contract demand of 0.256 MW)
- Nover LLC (customer contract demand of 1.2 MW).

In the Oktyabrsky district of the Rostov Region, connection of the second stage of the turkey raising complex (customer Evrodon-Yug LLC), which will increase productivity to 210,000 tonnes of turkey with a required capacity of about 4 MW, is planned.

Evrodon-Yug LLC also plans to construct a meat processing plant with a maximum capacity of power receivers of 7.5 MW.

Armidale LLC plans to construct, the second stage of a production facility with a capacity of 75 mln hatching eggs per year (1.782 MW) in Volchensky, Kamensky district

MK-Telets LLC in Remontnensky district of the Rostov Region plans to construct a meatpacking house with the maximum declared capacity of 1 MW.

In Volgodonsk, construction of the 110 kV Shchlyuzovaya substation with approaches of 110 kV overhead lines is part of a comprehensive reconstruction program to transfer power consumers from the 35 kV Shchlyuzovaya substation and 110 kV Tsentralnaya substation to the new 110 kV Shchlyuzovaya

substation. Those activities are essential to improve the reliability of the power supply to existing consumers and provide power for the increased loads.

In the industrial zone of the Azovsky district, an increase in the production of the following industrial enterprises is expected:

Donelektrostal CJSC plans construction of a steel mill, with 35 MW demanded capacity;

In Aksaysky district, comprehensive cottage development is planned in Rossijskiy (8.45 MW), Starocherkasskaya (3 MW), Shchepkin (2.2 MW), Ostrovskogo (0.810 MW) and

Temernitskiy (0.63 MW). Housing construction is planned in Rassvet (8.450 MW) and Zolotoy Kolos (2.2 MW).

In Novocherkassk in 2013-2017, construction of housing in GFK Vostochniy with a power load of 2.530 MW and construction of the Sarmat microdistrict, with a power load of 7.5 MW, are planned.

In Taganrog, comprehensive development of microdistrict I, II Northern residential area, with an approximate power load of 30 MW, is planned.

In Krasnosulinskiy Industrial Park, the following potential residents plan to implement investment projects:

- TECHNO Plant LLC plans to construct a plant for production of basalt fiber mineral insulation with a declared capacity of 5.850 MW.

In Novoaleksandrovsky Industrial Park in the Azov district, the following potential residents plan to implement their investment projects:

- Air Products Gas LLC plans to construct an industrial gases plant with a declared capacity of 8 MW.

Intense development of the 110 kV grid requires construction of new 500-220 kV power grid facilities and reconstruction of existing 220 kV supply centers. Moreover, the pace of construction of 220 kV power grid facilities should be higher than that of construction of 110 kV power grid facilities.

The long-term development investment program of the Rostovenergo Branch of IDGC of the South, JSC for 2014-2019 provides for the following activities:

- reconstruction of the 110 kV switchgear of the 110 kV Sh-14 substation and the 110 kV Sh-47 substation to supply the EVRAZ Yuzhniy Stan rolling complex
- reconstruction of the 110/10 kV Promzona substation and 110/35/10 kV GOK substation with replacement of the current line transformers; replacement of a cable in 10 kV overhead line No.1 of the 110/35/10 GOK substation and the 10 kV overhead line No.5 of the 110/10 kV Promzona substation

- technical upgrading of the T-13 substation with installation of 2 line cells (for TCC Taganrog Metallurgical Plant JSC)
- reconstruction of the 110/10 kV Sambek substation (greenhouse complex of Rostov LLC); reconstruction of the 110/10kV Promzona substation with installation of roll-out elements in KM-1M-10-20UZ linear cells (for TCC Donstar)
- technical re-equipment of the R-31 substation to enable electricity supply to Rostovskiy Universalnyy Port LLC
- reconstruction of the 110/10/6 kV AC-6 substation with the replacement of power transformers of 2x16 MVA to connect Golf Invest LLC
- reconstruction of the relay protection and automatic equipment and communication channels of 110/35/10 kV GOK (TCC Aston JSC)
- reconstruction of the 35/6 kV BT-4 substation with the replacement of power transformers and line cells (for TCC Akvainvest LLC)
- reconstruction of the 110/35/10 kV A-12 substation (Donelektrostal)
- reconstruction of the 110 kV GPP-1 substation (for TSS Donmetal)
- reconstruction of the 110 kV Chaltyr substation with the replacement of transformers of 2x25 MVA.

Due to the insufficient development of 220 kV power grids, the northern and northeastern districts of the Rostov power system face a problem maintaining the voltage at the maximum permissible level. Construction of a 220 kV G-20 Donetskaya overhead line (estimated length of 40 km) and Donetskaya-Promzona overhead line, which would significantly increase the reliability of deadlock 220kV Donetskaya and Pogorelovo substations, as well as the construction of the 220 kV Shahta-Donetskaya overhead line, could solve the problem of reliable energy supply to these districts of the Rostov power system.

Implementation of these measures will allow new consumers to connect to the 110-35 kV substations in the northern and northeastern districts of the Rostov region.

The primary aim of the Rostovenergo Branch of IDGC of the South, JSC is to create a database to perform local work on perspective development of the electric power industry on the territory of the Rostov Region (the power output of new and expandable power plants, connecting major consumers to the grid), as well as drafting investment programs and plans for capital construction of power grid facilities and their design.

Section 2 Performance results

770

mln rub.
The estimated income for 2014 according to the approved business plan



Commissioned 972 km of power grids and 299 MVA of transformer capacity

3,161

mln rub.
Capital expenditure development

14,467

technological connections were performed with total capacity of 608 MW

1,583.49

mln rub.
Company capitalization

2.1. Production

Activities on electric power transmission

According to the results of IDGC of the South, JSC of 2013, electric power supply amounted to 26,428.3 mln kWh, that is 601.4 kWh or 2.2% or less as compared to 2012 (27,029.7 kWh).

Production performance results for 2013

Name of the branch	Output to grid, mln kWh	Output from the grid to consumers and integrated TGO within balance and exploitation responsibility, mln kWh	Losses	
			mln kWh	%
Astrakhanenergo	3,821.7	3,215.2	606.5	15.87
Volgogradenergo	11,312.5	10,484.6	827.9	7.32
Kalmenergo	472.5	383.1	89.4	18.92
Rostovenergo	13,891.5	12,648.6	1,242.9	8.95
Total for IDGC of the South, JSC	29,498.2	26,731.6	2,766.7	9.38

Dynamics of power transmission volume in 2012–2013

Name of the branch	Electric power transmission services						
	2012		2013		2013 vs 2013		
	mln kWh	mln rub.	mln kWh	mln rub.	mln kWh	mln rub.	%
Astrakhanenergo	3,190.5	3,519.3	3,188.2	3,912.9	-2.3	393.6	-0.1
Volgogradenergo	10,850.8	7,905.1	10,401.9	9,271.8	-448.9	1366.7	-4.1
Kalmenergo	378.0	579.2	383.1	627.0	5.1	47.8	1.3
Rostovenergo	12,610.3	9,359.0	12,455.0	12,070.0	-155.3	2711	-1.2
Total for IDGC of the South, JSC	27,029.7	21,362.6	26,428.3	25,881.6	-601.4	4519	-2.2

This result is due to the removal (since July 1, 2012) of the consumption of power of the following partners falling under «the last mile» in total volume of 141.3 GWh (Volgogradoblectro, JSC, Municipal Unitary Production Enterprise Volgograd Interregional

Power Grids, Municipal Government Enterprise Volga Interregional Power Grids, Rusenergoresurs, LLC) from the balance sheet of branches of IDGC of the South, JSC, as well as by a reduction in power consumption by heavy industry customers.

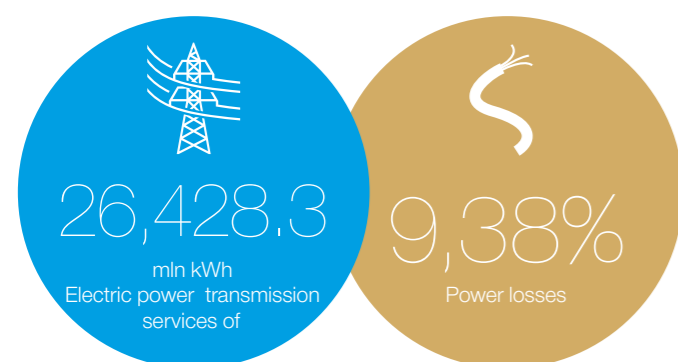
Actual electric power losses in 2012-2013

Branch	Electric Power Losses in 2012-2013						
	2012 actual			2013 actual		2013 vs 2012	
	mln kWh	%	%(in comp cond.)	mln kWh	%	mln kWh*	%
Astrakhanenergo	731.4	18.56	18.56	606.5	15.87	-124.9	-2.69
Volgogradenergo	849.7	7.25	7.29	827.9	7.32	-21.8	0.07
Kalmenergo	94.4	19.98	19.98	89.4	18.92	-5.0	-1.07
Rostovenergo	1,238.7	8.82	8.87	1,242.9	8.95	4.2	0.13
Total for IDGC of the South, JSC	2,914.2	9.66	9.70	2,766.7	9.38	-147.5	-0.28

* Calculations of power losses are done under comparable conditions to 2013. Customers of «the last mile» who were absent in 2013 have been excluded from the 2012 balance sheet.

The most significant decreases in demand occurred among the following customers:

- Gazprom Dobycha Astrakhan, LLC (power supply company of Mezhrefionenergosbyt, JSC), with a decrease of 55.3 mln kWh (by 6.6%);
- Customers of the retail company GARANT ENERGO, LLC with a decrease of 22.5 mln kWh (by 60.4%);
- Bubnovsky LOMD GazpromTransgazVolgograd, LLC (power supply company of Mezhrefionenergosbyt, JSC) with a decrease of 127.8 mln kWh (by 66.8%). This significant decrease of power consumption was due to the reconstruction of the Urengoy-Novoposkov gas pipeline by dismantling the Bubnovskaya compressor station. Since June 2013 power has been used for equipment dismantling only;
- Kaustik, JSC with a decrease of 105.5 mln kWh due to switching load transition to its own lines;
- Volzhsky Orgsintez, JSC a decrease of 19.4 mln kWh (14.8%) due to the commencement of its own generating facility;
- Territorial grid organization Donenergo, JSC with a decrease of 117 kWh.



Actual power losses in power grids of IDGC of the South, JSC made 2,766.7 mln kWh or 9.38% of total output on the grid. Compared to 2012, the power loss decrease was 147.5 kWh or 0.28% at decrease of output to grid by 2.3% in relation to power output to grid under the conditions comparable to 2013.

Power losses decreased by 147.5 mln kWh in 2013 compared with 2012. These savings arose from measures implemented within the energy saving program (94 mln kWh), a fall in nontechnical/commercial losses (49 mln kWh) and a fall in technical losses (4 mln kWh).

Information on activities to cut power losses is given on page 43 of this present Annual Report.

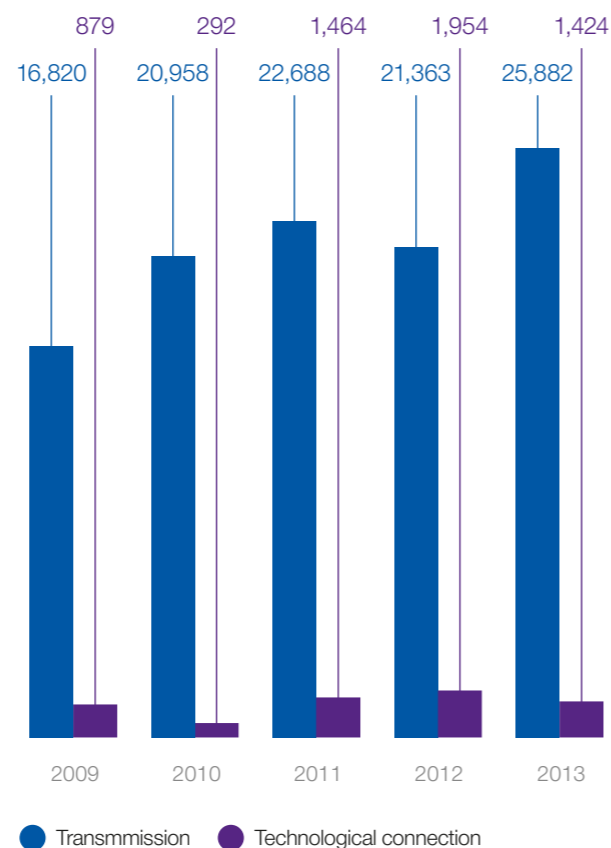
Tariff Policy of the Company

The major activities of IDGC of the South, JSC are:

- providing power transmission services;
- technological connection of consumers to power grids;
- other activities.

Regulation of tariffs on power transmission is conducted by federal authorities (the Federal Tariff Service) and regional executive authorities of the constituent entities of the RF in accordance with the current legislation of the Russian Federation.

Dynamics of revenues arising from regulated activities of IDGC of the South, JSC, mln rub.



IDGC of the South, JSC generated revenue from services on power transmission of 25,882 mln rub., VAT excluded, that is 4,519 mln rub. or 21% more than in 2012 (21,363 mln rub.).

Information on tariffs for power transmission services

In 2013 within the territory of all constituent entities of the RF included into IDGC of the South, JSC area of responsibility there was a unified boiler tariff-setting process for electric power transmission services. A special feature of the boiler tariff is that for all consumers of the same voltage class transmission a unified tariff is applied, irrespective of the organization they are connected with.

According to Decree No. 1178 of the Government of the Russian Federation of December 29 2011 unified boiler tariffs for electric power transmission services for 2013 were approved for six-month periods:

- from January 1, 2013 until June 30, 2013;
- from July 1, 2013 until December 31, 2013.

Astrakhanenergo Branch of IDGC of the South, JSC

The Astrakhanenergo Branch of IDGC of the South, JSC changed to using return on invested capital as the basis for regulation (RAB-regulation) and acted as a pilot company with a regulation period covering 2009-2011.

In 2012 the Federal Tariff Service approved long-term parameters for regulation of the Astrakhanenergo Branch of IDGC of the South, JSC where the return on invested capital method was applied for the period up to July 1 2017.

Thus, tariff regulation of the Astrakhanenergo Branch of IDGC of the South, JSC is carried out by the return on invested capital method with long-term period of 2009-2017.

The accepted system of reciprocal payments in the region is a "boiler from above". Its owner is the Astrakhanenergo Branch of IDGC of the South, JSC. The branch manages all grid RGR from the regional power supply companies (hereinafter PSC) under boiler tariffs and pays for transmission over the grids of territorial grid organizations (hereinafter TGO) under individual tariffs. Customers for electric power transmission services pay the Astrakhanenergo Branch of IDGC of the South, JSC under both dual-rate and flat-rate tariffs.

Boiler tariffs for 2013 were approved by Decree No.273 of the Federal Tariff Service of December 17, 2012.

Volgogradenergo Branch of IDGC of the South, JSC

The Volgogradenergo Branch of IDGC of the South, JSC changed over to regulation on the basis of the long-term indexing method for the period 2011-2013.

Decree No.60/1 of the Tariff Regulation Committee of December 13, 2013 set the next long-term regulation period to be 2014-2018 still using long-term indexing.

In 2013 a reciprocal payments system was introduced in the region using the integrated boiler method, its controller is the Volgogradenergo Branch of IDGC of the South, JSC. The branch receives revenue from consumers of electric power transmission services under boiler and individual tariffs (from Volgogradoblelektro, JSC, Municipal State Production Enterprise "Volga Inter-District Power Grids, Municipal State Enterprise Volgograd Inter-District Grids, Oboronenergo, JSC, VgAZ branch of SUAL, JSC). Consumers of the electric power transmission services pay the branch under both dual-rate and flat-rate tariffs.

Boiler tariffs for 2013 are calculated using the long-term indexing method, which was approved by Decree No. 36/10 of the Ministry for Fuel, Energy and Tariffs Control of the Volgograd Region from December 26, 2012 (in edition of the Decree No. 23/4 of the Ministry for Fuel, Energy and Tariffs Control of the Volgograd Region from May 17, 2013). Individual tariffs for reciprocal payments between the Volgogradenergo Branch of IDGC of the South, JSC and the above mentioned grid organizations for 2013 are approved by Decree No. 36/11 of the Ministry for Fuel, Energy and Tariffs Control of the Volgograd Region from December 26, 2012 (in edition of the Decree No. 23/4 of the Ministry for Fuel, Energy and Tariffs Control of the Volgograd Region from May 17, 2013).

Kalmenergo Branch of IDGC of the South, JSC

The Kalmenergo Branch of IDGC of the South, JSC changed to using return on invested capital as the basis for regulation in 2011 with a long-term regulation period covering 2011-2015.

The Federal Tariff Service approved long-term parameters for regulation of the Kalmenergo Branch of IDGC of the South, JSC where the return on invested capital method was applied for the period up to July 1, 2017.

Thus, tariff regulation of the Astrakhanenergo Branch of IDGC of the South, JSC branch is carried out by the return on invested capital method with long-term period of 2009-2017.

The accepted system of reciprocal payments is a "boiler from below" in the region. The Kalmenergo Branch of IDGC of the South, JSC generates its own revenue under boiler tariffs for productive supply of Kalmenergosbyt, JSC consumers connected to the grids of the branch and under individual tariffs for supply from the grids of the branch in TGO grid. Customers for electric power transmission services pay the branch under both dual-rate and flat-rate tariffs.

Boiler tariffs and individual tariffs were calculated for 2013 by the return on invested capital method (RAB) and approved by Order No. 8 of RMC of the Republic of Kalmykia from February 06, 2013.

Rostovenergo Branch of IDGC of the South, JSC

The Rostovenergo Branch of IDGC of the South, JSC changed to using return on invested capital as the basis for regulation (RAB-regulation) and acted as a pilot company with a regulation period covering 2009-2011.

In 2012 the Federal Tariff Service approved long-term parameters for regulation of the Rostovenergo Branch of IDGC of the South, JSC where the return on invested capital method was applied for the period up to July 1 2017.

Thus, tariff regulation of the Rostovenergo Branch of IDGC of the South, JSC is carried out by the return on invested capital method with long-term period of 2009-2017.

The accepted system of reciprocal payments in the region is a "integrated boiler". Its owners are two large power grid companies — the Rostovenergo Branch of IDGC of the South, JSC and Donenergo, JSC. the Rostovenergo Branch of IDGC of the South, JSC manages all grid RGR from the PSC and Donenergo. the Rostovenergo Branch of IDGC of the South, JSC gathers its part of the grid joint operations from all PSC under boiler tariffs and from Donenergo, JSC under individual tariffs and gives the part of the grid revenue to the subordinate TGO under individual tariffs. Donenergo, JSC gathers its part of the grid joint operations from Donenergosbyt, JSC, Rostovenergo under boiler tariffs and gives the part of the grid revenue to the Rostovenergo Branch of IDGC of the South, JSC and to the subordinate TGO under individual tariffs. Customers for electric power transmission services pay the Rostovenergo Branch of IDGC of the South, JSC under both dual-rate and flat-rate tariffs.

According to the Decree No.614 of the Government of the Russian Federation as of July 22, 2013 «On the order of establishment and use of social norm of consumption of electric energy (power) and on modification of some acts of the Government of the Russian Federation concerning establishment and use of social norm of consumption of electric energy (power)», a pilot project on introduction of social norm of power consumption for the population and the consumers was realized in the Rostov Region as of September 1, 2013.

According to the current legislation the Regional Tariff Service of the Rostov Region established:

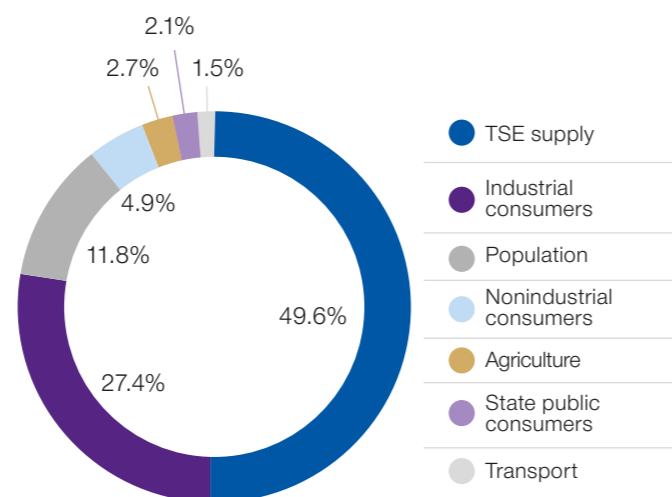
- social norm of consumption of electric power (capacity) concerning groups of households and types of premises in the Rostov Region (the Decree No. 28/1 of RTS of the Rostov Region from August 5, 2013). According to the Decree No. 28/1 the social norm for household of one group (1 inhabitant) made 96 kWh a month;
- unified boiler tariffs for electric power transmission for the «population» group (the Resolution No. 32/1 of RTS of the Rostov Region from August 23, 2013);

- tariffs on electrical power for the population and other eligible categories in the Rostov Region (the Decree No. 32/2of the RTS of the Rostov Region from August 23, 2013);
- individual tariffs for reciprocal payments between Donenergo, JSC and the Rostovenergo Branch of IDGC of the South, JSC (the Decree No. 32/3 of the RTS of the Rostov Region from August 23, 2013).

Boiler tariffs for 2013 were calculated by the method of return on invested capital (RAB) and approved by decrees No.55/7 of the RTS of the Rostov Region from December 27, 2012 (in the edition of the Decree No.32/1 of RTS of the Rostov region from August 23, 2013).

Individual tariffs for payments between the Rostovenergo Branch of IDGC of the South, JSC and Donenergo, JSC were approved by the Decree No.55/8 of the RTS of the Rostov Region from December 27, 2012 (in the edition of the Decree No. 32/3 of the RTS of the Rostov Region from August 23, 2013).

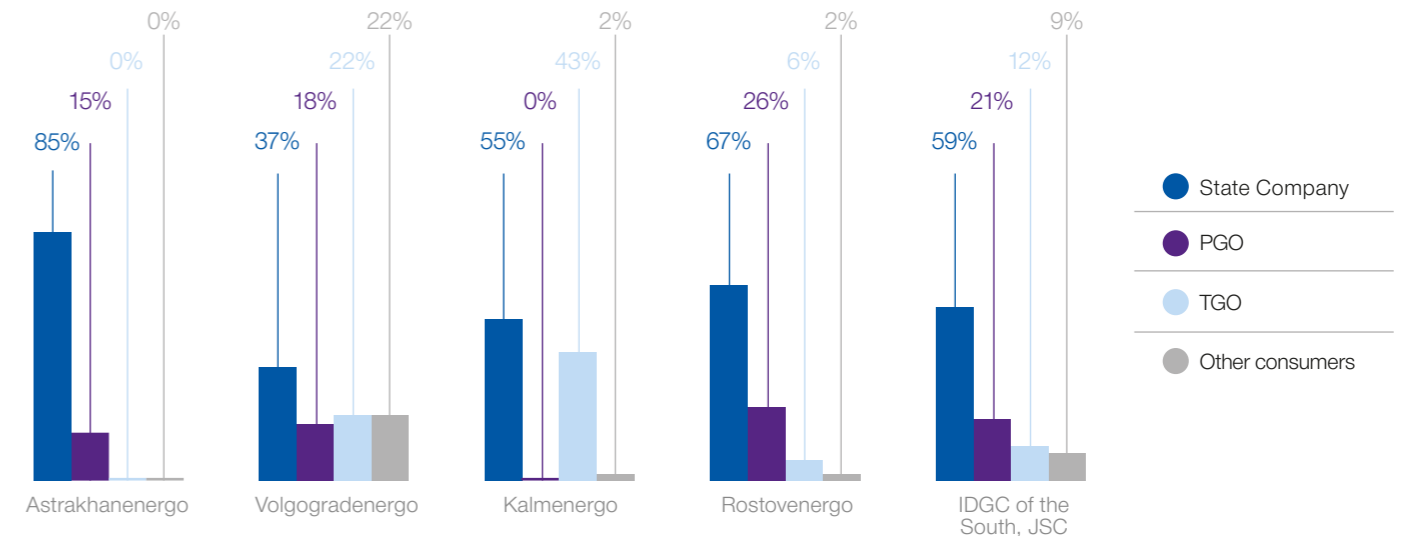
Structure of revenues from the activity on electric power transmission in general in IDGC of the South, JSC in 2013 in the context of consumer groups



Distinction of revenue structure for services on power transmission in the context of consumer groups in the branches of IDGC of the South, JSC is connected with various schemes of reciprocal payments in the region between subjects of the retail power market and held in the Company's policy on the conclusion of direct contracts on rendering services on power transmission.

In the Astrakhanenergo Branch there is no system "boiler from below", so there are no profitable contracts with TGO and the main share in the revenues is made by guaranteeing suppliers.

Structure of revenues from the activity on electric power transmission in 2013 for branches



The analysis of change of the average tariff for services on electric power transmission according to the decisions of the regulators in branches, kop/kWh

Name	2009	2010	2011	2012	2013
Astrakhanenergo	78.00	98.75	114.12	118.06	126.49
Volgogradenergo	46.80	79.00	75.15	76.53	85.75
Kalmenergo	112.54	128.06	148.78	160.15	171.64
Rostovenergo	67.44	79.54	92.96	93.55	104.85
IDGC of the South, JSC	59.32	82.40	88.99	90.705	101.15
Growth, %		138.92	108.0	101.98	111.52

In the Volgogradenergo Branch there is a big share of services under «direct» service contracts in connection with the Company's campaign on conclusion of contracts on rendering services on power transmission in the regions directly with the consumers due to systematic non-payment of guaranteeing supplier Volgogradenergosbyt, JSC. In total by January 1, 2014 the Volgogradenergo Branch had concluded directly with consumers 711 contracts on rendering services on electric power transmission.

Due to the absence of large industrial enterprises in the Republic of Kalmykia the share of services on power transmission by power supply organizations in the structure of Kalmenergo branch is insignificant.

Relatively low share of services on power transmission of TGO in the structure of Rostovenergo branch is caused by the region's tariff and balance decisions to establish individual tariffs for calculations of Dalenergo, JSC with the Rostovenergo Branch. As a result the joint operations revenues of the region is distributed between Donenergo, JSC and the Rostovenergo Branch disproportionately to the number of conventional units of operated electrical equipment.

Significant increase in the average tariff of 2013 in relation to 2012 among branches of IDGC of the South, JSC — Volgogradenergo (12.05%) and Rostovenergo (12.08%) is also caused by the way of accounting by regulatory bodies in the required gross revenue 2013 of decisions taken by the FTS of Russia within consideration of applications on pre-trial disputes.

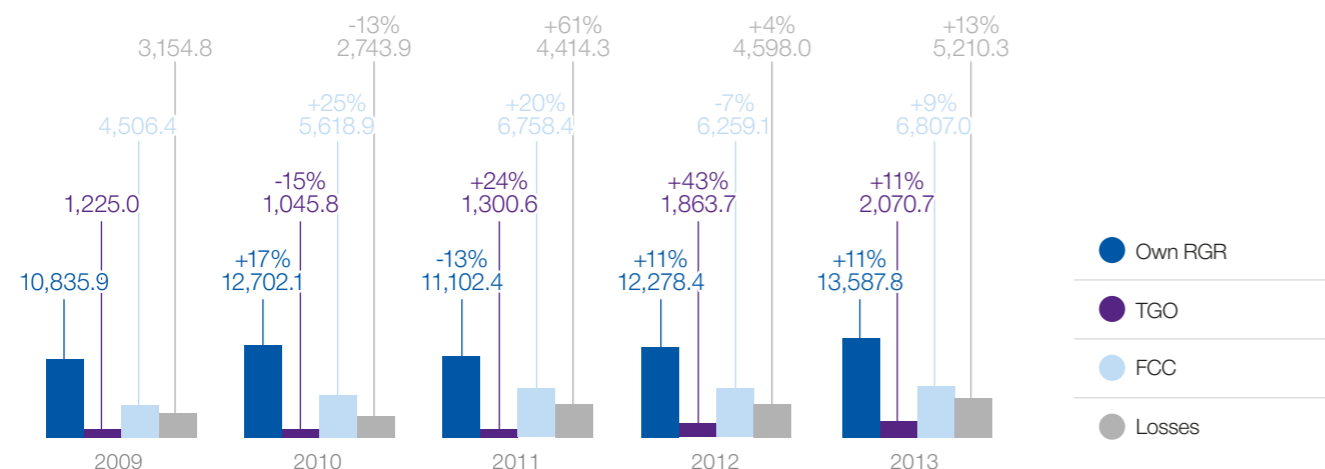
Growth in private required gross revenue on rendering services on power transmission in 2013 vs. 2012:

- Astrakhanenergo — 5.2%;
- Volgogradenergo — 12.7% due to the consideration in RGR 2013 of decisions taken by the FTS of Russia within examination of the application of pre-trial dispute settlement;
- Kalmenergo — 34.3% due to consideration of consumed power volumes by CJSC KTK-R in tariff and balance decisions;
- Rostovenergo — 9.9% due to consideration in RGR 2013 of decisions taken by the FTS of Russia within consideration of the application of pre-trial dispute settlement.

Dynamics of gross revenue required for the provision of services on power transmission according to the decisions of the regulators for branches, mln rub.

Name	2009		2010		2011		2012		2013	
	total	prop.	total	prop.	total	prop..	total	prop.	total	prop.
Astrakhanenergo	2,577	1,629	3,267	2,172	3,627	2,125	3,947	2,238	4,342	2,355
Volgogradenergo	7,327	3,939	8,141	4,746	8,181	3,569	8,331	3,974	9,188	4,479
Kalmenergo	450	319	497	344	573	356	597	364	751	489
Rostovenergo	9,367	4,950	10,206	5,439	11,195	5,053	12,124	5,702	13,395	6,266
IDGC of the South, JSC	19,722	10,836	22,111	12,702	23,576	11,102	24,999	12,278	27,676	13,588

Dynamics of RGR components for services on electric power transmission IDGC of the South, JSC according to the decisions of the regulators in terms of branches, mln rub.



The required gross revenue volume from the activity on electric power transmission IDGC of the South, JSC in 2013 exceeds the RGR approved in 2012 by 10.7%:

- the share of private RGR increased by 11% (at Astrakhanenergo — by 5.2%, at Volgogradenergo — by 12.7%, at Kalmenergo — by 34.3%, at Rostovenergo — by 9.9%);
- the share of expenditures on purchase electricity for loss compensation increased by 13% (at Astrakhanenergo — by 15.5%, at Volgogradenergo — by 11.5%, at Kalmenergo — by 11.6%, at Rostovenergo» — by 13.7%);
- expenditures on payment for services of JSC FGC UES deviation made about 9% (Astrakhanenergo branch increased by 14.5%, at Volgogradenergo — by 5.2%, at Kalmenergo — by 13.6%, at Rostovenergo — 10.2%);
- the share of expenses to pay for services of the territorial grid organizations in general in the Company increased by 11% (at Astrakhanenergo the growth made 25.5%, at Volgogradenergo — 12.0%, at Kalmenergo there are no territorial grid organizations, at Rostovenergo — 8.3%).

Technological connection to the power grids

Operating rate for technological connection to power grid of the Company

In order to address issues of technological connection of electrical installations of consumers to the power grid of branches of IDGC of the South, JSC the Department of technological connection and the Department of prospective development were created.

Responsibilities for construction or reconstruction of power grids necessary for performance of contractual terms on technological connection of IDGC of South, JSC executes via attracting contractors. Functions of technical supervision over construction and reconstruction of power grids of contractors by the Department of capital construction of IDGC of the South, JSC. General Governance for technological connection is assigned to the Deputy Director General for development and implementation of services of IDGC of South, JSC.

Applications for technological connection are accepted in the Executive body of the Company's branches and Customer service centers of production departments of power grids of branches of IDGC of the South, JSC.

The list of normative documents regulating the activity on technological connection is available on the corporate web-site of the Company in the Internet under the link: www.mrsk-yuga.ru.

Information on tariffs for technological connection

Payment for technological connection is calculated in cases of connection of the previously connected reconstructed devices that are launched for the first time and the maximum power of that is increasing, and also in cases, when in respect of previously connected devices the category of reliability of electricity supply, connection points, types of activity not involving the revision of the magnitude of maximum power change without modifying the scheme of external power supply for such devices.

Payment for technological connection with changing reliability category is calculated for the amount of maximum capacity of power receiving devices of the applicant with unchangeable category of reliability.

Payment for technological connection in case of change of the scheme of external power supply, not entailing the revision of the magnitude of maximum power in the result of change of the connection points, productive activities, is calculated for the amount of maximum power specified in the application for technological connection.

Executive authorities of subjects of the Russian Federation in the field of state regulation of tariffs (hereinafter RTS) for calculation of payment for technological connection to the territorial distribution grids shall approved:

1. For the regulated period:

- standardized tariff rates (the cost for approval by the regulatory authority standardized tariff rates are determined on the basis of estimated pricing of 2001);

- rate per unit of maximum capacity (rub./kW);
- the payment formula for technological connection;
- the payment for the applicant submitting an application for technological connection of power receivers of maximum capacity not exceeding 15 kW (considering previously connected in the given point of connection capacity) makes no more than 550 rub. (including VAT) upon accession of subjects of the third category of reliability (one source of power supply) under condition that the distance from the boundary of the Applicant's ground to the power grid facilities necessary for the Applicant's voltage of the grid organization, where the application has been submitted to, is no longer than 300 meters in cities and urban-type settlements and no longer than 500 meters in the countryside.

2. Payment for technological connection to the territorial distribution power grids of power receivers of individual consumers and facilities for the production of electric power of maximum capacity of no less than 8,900 kW and voltage level no less than 35 kV, and also at accession under individual project.

Payment rates for power grids are approved by categories of consumers, voltage levels, and (or) the volume of maximum connected power, and can be approved for the municipalities and regions.

For the branches of IDGC of the South, JSC tariff menus for technological connection are approved for 2013.

Analysis of changes in average cost per unit of power in the branches, rub./kW *

Name	Approved in 2011	Approved in 2012	Approved in 2013
Astrakhanenergo			
RGR "for ink" (without 15 kW), thous. rub.	1,161.32	1,296.39	1,701.51
Volume of power (without 15 kW), kW	22,151.56	21,651.32	28,054.00
The average rate rub./kW	52.43	59.88	60.65
Volgogradenergo			
RGR "for ink" (without 15 kW), thous. rub.	9,002.88	4,467.94	8,304.20
Volume of power (without 15 kW), kW	27,804.00	36,011.00	28,182.50
The average rate rub./kW	323.80	124.07	294.66
Rostovenergo			
RGR "for ink" (without 15 kW), thous. rub.	197,298.4	87,852.8	87,045.9
Volume of power (without 15 kW), kW	101,775.1	98,729.3	105,902.00
The average rate rub./kW	1,938.57	889.84	821.95
Kalmenergo			
RGR "for ink" (without 15 kW), thous. rub.	557.88	1,505.93	1,229.00
Volume of power (without 15 kW), kW	1,112.00	3,365.00	2,134.00
The average rate rub./kW	501.69	447.53	575.91
IDGC of the South, JSC			
RGR "for ink" (without 15 kW), thous. rub.	208,020.53	95,123.10	98,280.57
Volume of power (without 15 kW), kW	152,842.62	159,756.62	164,272.50
The average rate rub./kW	1,361.01	595.43	598.28
Increase/decrease in the average rate rub./kW, %		43.7%	100.5%

* The table contains the approved RTS parameters for 2011-2013 for organizational activities (except the cost of activities of «the last mile») among applicants not related to preferential categories of applicants up to 15 kW (for this category the established payment made 550 rub. for connection, VAT excluded).

As one may see in the table, the average growth rate was 0.5% in 2013.

The volume of shortfall in income of IDGC of the South, JSC from rendering services on technological connection included in accordance with the decision of the regulators on the tariff for services on electric power transmission and the amount of cost-effective payment rates was:

- in 2011, 156,003.55 thous. rub.;
- in 2012 189,600.34 thous. rub.;
- in 2013, 257,221.71 thous. rub. (including tariff decisions of Volgogradenergo on electric power transmission for 2014, which approved the amount of falling out on TA for 2013).

Type of standardized tariff rate approved for 2013

Connection category		Measuring unit	Rate of payment (VAT excluded)
Capacity range, kW/ Type of conductor/ Transformer capacity	Voltage level at connection point, kW		
Volgogradenergo Branch of IDGC of the South, JSC			
Standard tariff rate for costs on technological connection of power receivers of power consumers, electrical grid facilities pertaining to grid organizations and other stakeholders specified in Clause 16 of the Guidelines for the Determination of the Amount of Payment for Technological Connection to Power Grids approved by the Warrant of the FTS of Russia dated 11 September 2012 No.209-э/1 (excluding subclauses "b" and "c") (at current prices, VAT excluded):			
Preparation and issue of technical specifications by the grid organization and their alignment with the system operator		rub./kW	296.70
Monitoring by the grid organization of technical specification implementation by the Applicant			53.14
Inspection (investigation) of attachable Devices by an official from the federal technology supervisory authority with the participation of the grid organization and the proprietor of such devices			59.22
			9.73
Execution by the grid organization of the actual connection of the Applicant's objects to power grids and commutation device			174.61
Standardized tariff rate to cover the costs of the grid organization for construction of overhead electric lines (at prices as of 2001, excluding VAT):			
OL	0,4	rub./km	187,663.04
OLI	0,4		180,621.22
OL	6-10		399,508.92
OLI	6-10		229,988.05
Standardized tariff rate to cover the costs of the grid organization for construction of cable electric lines (at prices as of 2001):			
—	0,4	rub./km	368,490.99
—	6-10		694,314.85
Standardized tariff rate to cover the costs of the grid organization for construction of substations (at prices as of 2001):			
Up to 250 kVA inclusive	6-10	rub./kW	423.97
400 kVA	6-10		421.63
630 kVA	6-10		408.16
2*400 kVA	6-10		513.93
2*630 kVA	6-10		474.38
2*1000 kVA	6-10		519.18
2*1250 kVA	6-10		373.95

Connection category		Measuring unit	Rate of payment (VAT excluded)	
Capacity range, kW/ Type of conductor/ Transformer capacity	Voltage level at connection point, kW			
Rostovenergo Branch of IDGC of the South, JSC				
Rate to cover the costs of technological connection exclusive of events connected to construction of the «last mile» and elaboration of design documentation (in current prices):				
Rate total, including:		rub./kW	821.95	
Preparation and issuance of technical requirements by the grid organization			337.56	
The grid organization's inspection of the technical requirements met by the Applicant			210.84	
Participation of Rostehnadzor officer in the inspection of connected devices			—	
Actual connection procedures and support of device operation in the power grids			273.54	
Standardized tariff rate to cover the costs of the grid organization for construction of overhead electric lines on «i» voltage level (at prices as of 2001):				
—	LW	rub./km	290,532.31	
	MV2		457,243.61	
Standardized tariff rate to cover the costs of the grid organization for construction of cable electric lines on «i» voltage level (at prices as of 2001):				
—	LW	rub./km	291,225.00	
	MV2		764,360.92	
Standardized tariff rate to cover the costs of the grid organization for construction of substations (at prices as of 2001), including:				
Construction of sectionalization points (reclosers, DP-distribution points, PP- distribution points)		rub./kW	—	
			273.75	
Construction of complete transformer substations (CTS) and distribution transformer substations (DTS) with voltage levels up to 35 kV			820.00	
			—	
Construction of supply points and substations with voltage levels of 35 kV and above (SS)		LW	—	
		MV2	1,508.21	
Astrakhanenergo Branch of the IDGC of South, JSC				
Standardized tariff rate to cover the costs of technological connection of power receivers belonging to power consumers and electrical grid facilities pertaining to grid organizations and other stakeholders, excluding construction and reconstruction of electrical grid facilities (in current prices)				
Up to 15 kW inclusive, provided that the distance from the Applicant's section's boundaries to power grid facilities having a voltage level appropriate to the Applicant and pertaining to the grid organization to which the application is submitting is more than 300 meters in towns and urban-type settlements and more than 500 meters in rural areas		rub./kW	672.00	
			LW	124.00
From 15 up to 150 kW inclusive		MV2	107.60	
From 150 up to 670 kW inclusive		LW	24.3	
		MV2	21.65	
670 kW and more		LW	9.9	
		MV2		
Standardized tariff rate to cover the costs of construction and reconstruction of electrical grid facilities pertaining to services for technological connection of power receivers of power consumers and electrical grid facilities belonging to grid organizations and other stakeholders as related to the costs of construction and reconstruction of overhead power lines in accordance with III category of power supply reliability (at prices as of 2001)				
Up to 15 kW inclusive, provided that the distance from the Applicant's section's boundaries to power grid facilities having a voltage level appropriate to the Applicant and pertaining to the grid organization to which the application is submitting is more than 300 meters in towns and urban-type settlements and more than 500 meters in rural areas		rub./km	,163,388	
			MV2	225,594
From 15 up to 100 kW inclusive			LW	182,576
			MV2	225,594
From 100 up to 670 kW inclusive			LW	184,914
			MV2	234,612
Not less than 670 kW			LW	184,914
			MV2	234,612

Connection category		Measuring unit	Rate of payment (VAT excluded)	
Capacity range, kW/ Type of conductor/ Transformer capacity	Voltage level at connection point, kW			
Standardized tariff rate to cover the costs of construction and reconstruction of electrical grid facilities pertaining to services for technological connection of power receivers of power consumers and electrical grid facilities belonging to grid organizations and other stakeholders as related to the costs of construction and reconstruction of overhead power lines in accordance with III category of power supply reliability (at prices as of 2001)				
Up to 15 kW inclusive, provided that the distance from the Applicant's section's boundaries to power grid facilities having a voltage level appropriate to the Applicant and pertaining to the grid organization to which the application is submitting is more than 300 meters in towns and urban-type settlements and more than 500 meters in rural areas	LW	rub./km	146,568	
	MV2		191,133	
From 15 up to 100 kW inclusive	LW		150,377	
	MV2		203,721	
From 100 up to 670 kW inclusive	LW		201,977	
	MV2		214,664	
Not less than 670 kW	LW		249,125	
	MV2		488,055	
Standardized tariff rate to cover the costs of construction and reconstruction of electrical grid facilities pertaining to services for technological connection of power receivers of power consumers and electrical grid facilities belonging to grid organizations and other stakeholders as related to the costs of construction and reconstruction of overhead power lines in accordance with III category of power supply reliability (at prices as of 2001)				
Construction of 1 substation pertaining to services for the connection of Applicants up to 15 kW inclusive, provided that the distance from the Applicant's section's boundaries to electrical grid facilities having a voltage level appropriate to the Applicant and pertaining to the grid organization to which the application is submitted, is more than 300 meters in towns and urban-type settlements and more than 500 meters in rural areas	LW		rub./kW	2,962.97
	MV2			
Construction of 1 substation pertaining to services for the connection of Applicants from 15 up to 100 kW inclusive	LW	rub./kW	748.75	
	MV2			
Construction of 1 substation pertaining to services for the connection of Applicants from 100 up to 670 kW inclusive	LW		608.01	
	MV2			
Construction of 1 substation pertaining to services for the connection of Applicants of 670 kW and more	LW		281.50	
	MV2			
Construction of a distributing point pertaining to services for the connection of Applicants of 670 kW and more	LW		701.35	
	MV2			
Construction of 1 sectionalizing point pertaining services for the connection of Applicants from 15 up to 150 kW inclusive	LW		2,165.97	
	MV2			
Construction of 1 sectionalizing point pertaining services for the connection of Applicants from 150 to 670 kW	LW	379.49		
	MV2			
Construction of 1 sectionalizing point pertaining services for the connection of Applicants of 670 kW and more	LW	129.42		
	MV2			

Type of rates per unit of maximum capacity for services pertaining the technological connection approved for the year 2013

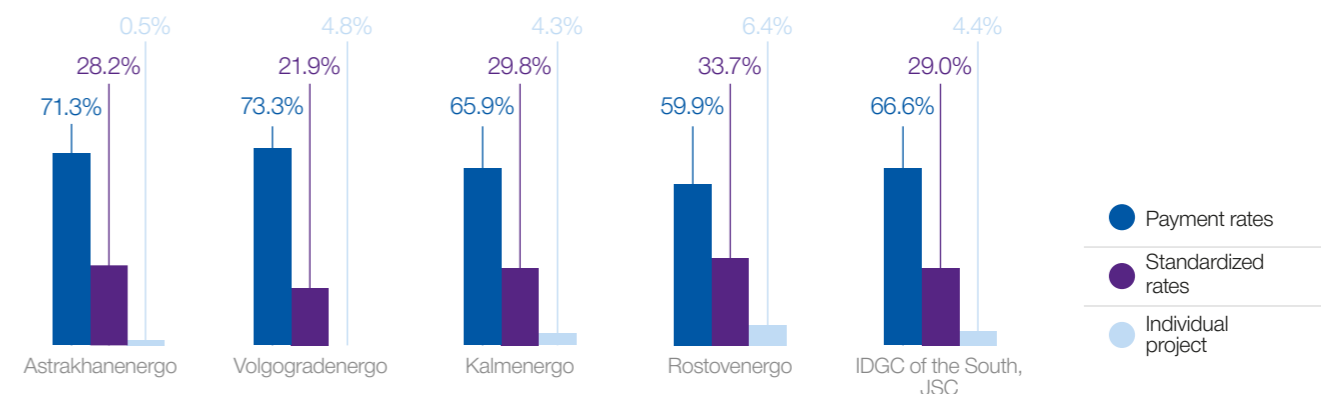
Date of tariff resolution	Connection category		Rate of payment (VAT excluded)
	Capacity range, kW/ Type of conductor/ Transformer capacity	Voltage level at connection point, kV	
Volgogradenergo Branch of IDGC of the South, JSC			
Decision by the Ministry of Fuel, Energy and Tariff Regulation of Volgograd Region dated 26.12.2012 No.36/13 (source: «Volgogradskaya pravda», No.247, December 29, 2012) as revised in the Decision dated July 31, 2013 No.38/1 (source: «Volgogradskaya pravda», No.143, August 7, 2013). Decision by the Regional Tariffs Authority of Volgograd Region dated 23.05.2012 No.19/2 (source: «Volgogradskaya pravda», No.99 dated June 6, 2012) as revised in the Decision dated July 31, 2013 No.38/2 (source: «Volgogradskaya pravda», No.143, August 7, 2013)	Rates of payment per unit of maximum capacity for services pertaining the technological connection including:		
	Rates per unit of maximum capacity for covering costs on technological connection as related to measures specified in Clause 16 of the Guidelines for the Determination of the Amount of Payment for Technological Connection to Power Grids approved by the Warrant of the FTS of Russia dated 11 September 2012 No.209-э/1 (excluding subclauses "б" and "в"), per 1 kW of maximum capacity (rub./kW); (at current prices excluding VAT):		296.70
	Preparation and issuance of technical requirements by the grid organization and their negotiation with the system operator		53.14
	The grid organization's inspection of the technical requirements met by the Applicant		59.22
	Participation of Rostehnadzor officer in the inspection of connected devices with the participation of the grid organization and the proprietor of such devices		9.73
	Execution by the grid organization of the actual connection of the Applicant's objects to power grids and turning on of the switch-over device		174.61
	Rates per unit of maximum capacity for performing measures by the grid organization related to the construction of electrical grid facilities to attachable power receivers and (or) power industry objects (rub./kW) (at current prices, VAT excluded)		
	Construction of overhead lines with 0,4 kV voltage		5,490.00
	Construction of overhead lines with 6-20 kV voltage		5,012.71
	Construction of cable lines with 0.4 kV voltage		4,674.90
	Construction of cable lines with 6-20 kV voltage		4,761.50
	Construction of complete transformer substations, distribution transformer substations with voltage level up to 35 kV		
	Construction of TSS-6(10) kV up to 250 kVA inclusive		2,475.98
	Construction of TSS-6(10) kA 400 kVA		2,462.32
Construction of TSS-6(10) kA 630 kVA		2,383.65	
Construction of TSS-6(10) kA 2x400 kVA		3,001.35	
Construction of TSS-6(10) kA 2x630 kVA		2,770.38	
Construction of TSS-6(10) kA 2x1000 kVA		3,032.01	
Construction of TSS-6(10) kA 2x1250 kVA		2,183.87	

Date of tariff resolution	Connection category		Rate of payment (VAT excluded)
	Capacity range, kW/ Type of conductor/ Transformer capacity	Voltage level at connection point, kV	
Kalmenergo Branch of IDGC of the South, JSC			
Warrant of RST (Regional Tariff Authority) of Kalmykia Republic dated December 25, 2012 No.146-п/э (posted on the RST KR official website as of December 27, 2012, published in Halmg Unn newspaper dated December 29, 2012 No.238 (16608)) with amendments (Warrant of RST of Kalmykia Republic dated February 6, 2013 No.9 — posted on the RST KR official website as of 06.02.2013, published in Halmg Unn newspaper dated February 20, 2013 No.29 (16637))	Rates per unit of maximum capacity for services pertaining to the technological connection (in current prices), including:		
	1. Preparation and issuance of technical specifications by the grid organization to the Applicant		
	from 15 up to 150 kW	0.4	281.12
		6-20	459.52
	from 150 up to 670 kW	0.4	97.72
		6-20	49.16
	2. Elaboration by the grid organization of design documentation pertaining to the construction of «last mile»		
	—	—	—
	3. Fulfillment of measures related to the «last mile» construction by the grid organization		
	3.1. Construction of overhead lines		
	from 15 up to 150 kW	0.4	3,392.52
		6-20	5,044.87
	from 150 up to 670 kW	0.4	—
		6-20	—
	3.2. Construction of cable lines		
	—	—	—
	3.3. Construction of sectionalization points		
	—	—	—
	3.4. Construction of complete transformer substations (CTS), distribution transformer substations (DTS) with voltage level up to 35 kV		
	from 15 to 150 kW	0.4	196.78
		6-20	—
	from 150 up to 670 kW	0.4	—
		6-20	—
	3.5. Construction of supply points, substations with voltage level 35 kV and above		
	—	—	—
	4. The grid organization's inspection of the technical requirements met by the Applicant		
	from 15 to 150 kW	0.4	229.55
		6-20	342.20
from 150 up to 670 kW	0.4	62.59	
	6-20	32.97	
5. Participation of Rostehnadzor officer in the inspection of connected devices			
from 15 to 150 kW	0.4	—	
	6-20	—	
from 150 up to 670 kW	0.4	—	
	6-20	—	
6. Actual connection procedures and support of device operation in the power grids			
from 15 to 150 kW	0.4	299.66	
	6-20	537.51	
from 150 up to 670 kW	0.4	82.58	
	6-20	58,53	

Date of tariff resolution	Connection category		Rate of payment (VAT excluded)
	Capacity range, kW/ Type of conductor/ Transformer capacity	Voltage level at connection point, kV	
Rostovenergo Branch of IDGC of the South, JSC			
Decree of the RTS RD No.55/1 from December 27, 2012 (published in the Our Time newspaper, No.788-794 (21444-21450), December 29, 2012)	Rates of payment per unit of maximum capacity for technological connection		
	Rate per unit of maximum power for organizational activities, excluding activities related to construction of the "last mile" and development of the design documentation performed by the organization (in current prices):		
	Rate total, including:	—	821.95
	Preparation and issuance of technical requirements to the Applicant by the grid organization	—	337.56
	The grid organization's inspection of the technical requirements met by the Applicant	—	210.84
	Participation of Rostehnadzor officer in the inspection of connected devices	—	—
	Actual connection procedures and support of device operation in the power grids	—	273.54
	The rate for activities of the «last mile» for the construction of overhead lines (in 2001 prices)		
	—	LV	1,500.94
		MV2	3,104.28
	The rate for activities of the «last mile» for the construction of cable lines (in 2001 prices):		
	—	LV	—
		MV2	7,800.32
	Rates per unit of maximum capacity for the implementation of activities related to construction of section stations, completed transformer substations (CTS), distribution transformer substations (DTS) with voltage up to 35 kV, power supply centers and substations with voltage of 35 kV and above (SS) (in 2001 prices):		
	Rate for the construction of section stations (reclosers, DS — distribution stations, SS-switching stations)	LV	—
		MV2	273.75
	The construction of complete transformer substations (CTS) and distribution transformer substations (DTS) with voltage up to 35 kV	LV	820.00
		MV2	

Date of tariff resolution	Connection category		Rate of payment (VAT excluded)
	Capacity range, kW/ Type of conductor/ Transformer capacity	Voltage level at connection point, kV	
Astrakhanenergo Branch of IDGC of the South, JSC			
Decree of the RTS RD No.286 from December 28, 2012 (published on the official website of Astrakhan Tariff Services, as well as in the "Statute and normative legal acts roll of the Astrakhan Region" No.1, January 1, 2013)	Rates of payment per unit of maximum capacity for technological connection, calculated without the investment component (funds for construction and reconstruction of power grid facilities)		
	For power supply to an Applicant that requires electric power up to 15kW, under conditions that the distance from the boundary of the applicant's section to power grid facilities necessary for the Applicant's voltage class of the grid organization where the Application is submitting is more than 300 meters in cities and urban-type settlements and more than 500 meters in rural areas, in total, including:	—	671.52
	Preparation and issuance of technical requirements by the grid organization	—	246.75
	Development of project documentation on construction of the "last mile" by the grid organization	—	—
	Performing activities associated with the construction of the "last mile" by the grid organization	—	—
	The grid organization's inspection of the technical requirements met by the Applicant	—	133.68
	Participation of Rostekhnadzor officer in the inspection of connected power receivers	—	—
	Actual connection procedures and support of device operation in the power grid	—	291.09
	For power supply to an Applicant that requires electrical capacity of over 15 up to 150 kW inclusive, in total, including:	LV	123.67
		MV2	107.60
	Preparation and issuance of technical requirements by the grid organization	LV	45.44
		MV2	39.54
	Development of project documentation on construction of the "last mile" by the grid organization	LV	—
		—	—
	Performing activities associated with the construction of the "last mile" by the grid organization	LV	—
		MV2	—
	The grid organization's inspection of the technical requirements followed by the Applicant	LV	24.62
		—	21.42
	Participation of Rostekhnadzor officer in the inspection of connected power receivers	LV	—
		MV2	—
Actual connection procedures and support of device operation in the power grid	LV	53.61	
	MV2	46.64	

Date of tariff resolution	Connection category		Rate of payment (VAT excluded)
	Capacity range, kW/ Type of conductor/ Transformer capacity	Voltage level at connection point, kV	
	For power supply to an Applicant that requires electrical capacity of over 150 and less than 670 kW inclusive, in total, including:	LV	24.27
		MV2	21.65
	Preparation and issuance of technical requirements by the grid organization	LV	8.22
		MV2	7.38
	Development of project documentation on construction of the «last mile» by the grid organization	LV	—
		MV2	—
	Performing activities associated with the construction of the «last mile» by the grid organization	LV	—
		MV2	—
	The grid organization's inspection of the technical requirements met by the Applicant	LV	4.30
		MV2	3.82
	Participation of Rostekhnadzor officer in the inspection of connected power receivers	LV	2.39
		MV2	2.13
	Actual connection procedures and support of device operation in the power grid	LV	9.36
		MV2	8.32
	For power supply to an Applicant who requires electrical capacity of no less than 670 kW, in total, including:	—	9.95
		Preparation and issuance of technical requirements by the grid organization	—
	Development of project documentation on construction of the "last mile" by the grid organization	—	—
	Performing activities associated with the construction of the «last mile» by the grid organization	—	—
	The grid organization's inspection of the technical requirements met by the Applicant	—	1.37
	Participation of Rostekhnadzor officer in the inspection of connected power receivers	—	1.53
Actual connection procedures and support of device operation in the power grid	—	2.99	

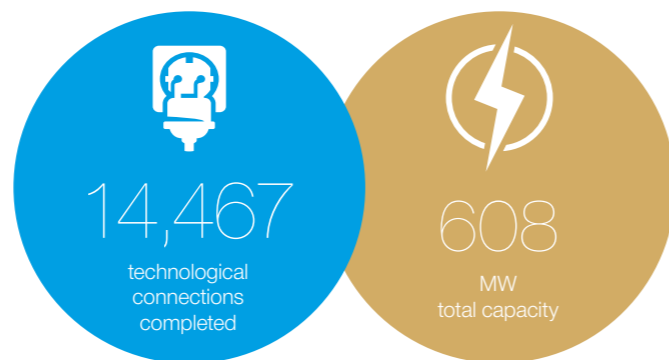


Under contracts on implementation of technological connection, excluding privileged categories of applicants for up to 15 kW, executed in the reporting period (2013), a frequency analysis (selected by the applicant) or other method of calculation of payment for technological connection was carried out. The analysis is presented in columnar cumulative histogram for each branch and IDGC of the South, JSC as a whole.

As the histogram shows, applicants in most cases chose set RUB./kW payment rates for branches of IDGC of the South, JSC at implementation of technological connection to the grids of IDGC of the South, JSC.

Information on demand volumes for technological connection and its degree of satisfaction

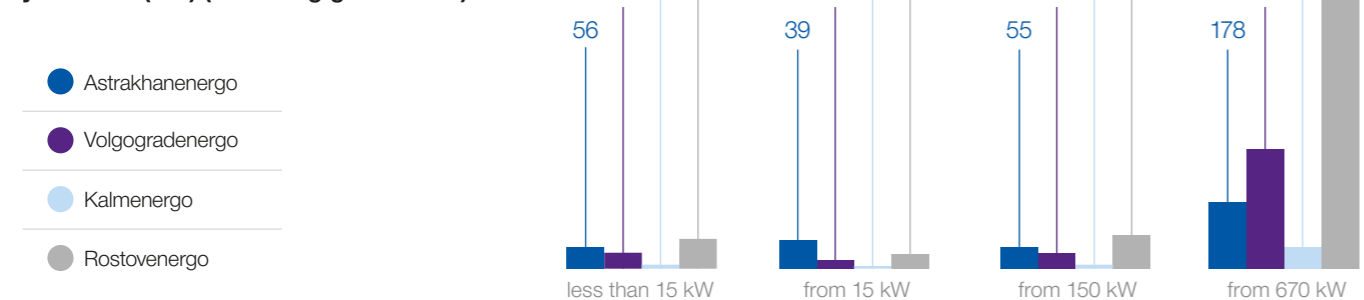
In the 12 months of 2013, 21,091 applications were accepted for technological connection to power grids of the Astrakhanenergo, Volgogradenergo, Rostovenergo and Kalmenergo branches of IDGC of the South, JSC, for total capacity of 1,829,362.59 kW. The number of contracts concluded for technological connection was 17,038, for total capacity of 671,69.58 kW.



Structure of applications by capacity and voltage classes

Categories of applicants	Number of applications filed for TC (accepted for processing), including power generating facilities									
	Astrakhanenergo		Volgogradenergo		Kalmenergo		Rostovenergo		IDGC of the South, JSC	
	pcs	for total capacity (N) kW	pcs	for total capacity (N) kW	pcs	for total capacity (N) kW	pcs	for total capacity (N) kW	pcs	for total capacity (N) kW
up to 15 kW in total	7,498	56,246	3,007	31,223	357	2,145	7,050	73,033	17,912	162,647
including individuals	6,457	49,232	2,314	25,869	232	1,192	5,725	60,901	14,728	137,195
from 15 to 100 kW in total	641	39,381	247	14,265	30	1,236	516	32,729	1,434	87,611
including the applicants who used extension of payment	0	0	3	73	1	18	4	491	8	582
from 100 up to 670 kW	179	55,028	150	49,081	12	3,120	312	83,849	653	191,077
670 kW and more	60	178,273	273	311,683	6	50,091	753	84,982	1,092	1,388,028
Total	8,378	328,928	3,677	406,252	405	56,592	8,631	1,037,593	21,091	1,829,363

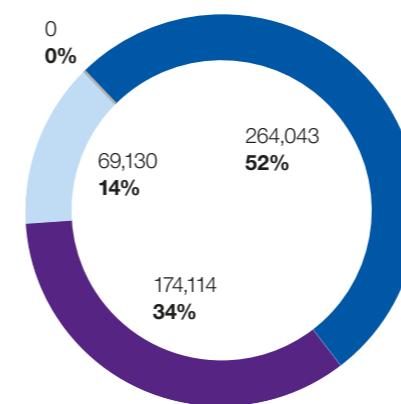
Dynamics of the declared capacity in terms of business type for the branches of IDGC of the South, JSC in the reporting year 2013 (kW) (including generation)



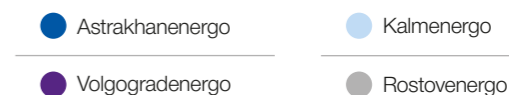
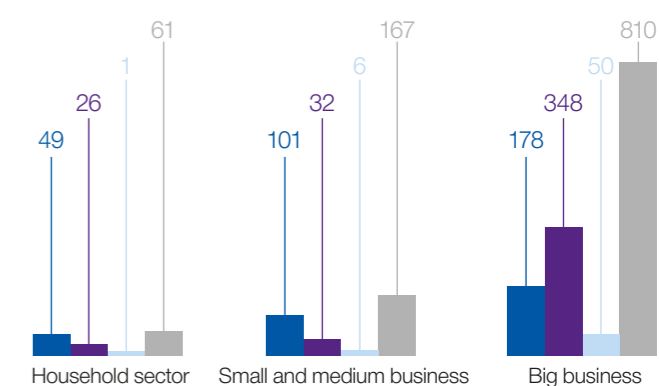
Structure of applications by type of business (including generation)

Categories of applicants	Number of applications filed for TC (accepted for processing), including power generating facilities									
	Astrakhanenergo		Volgogradenergo		Kalmenergo		Rostovenergo		IDGC of the South, JSC	
	pcs	for total capacity (N) kW	pcs	for total capacity (N) kW	pcs	for total capacity (N) kW	pcs	for total capacity (N) kW	pcs	for total capacity (N) kW
Household sector	6,457	49,232	2,314	25,869	232	1,192	5,725	60,902	14,728	137,195
Small and medium business	1,861	101,423	1,087	31,900	168	5,979	2,158	166,848	5,274	306,149
Big business	60	178,273	276	348,483	5	49,421	748	809,842	1,089	1,386,019
Total	8,378	328,928	3,677	406,252	405	56,592	8,631	1,037,593	21,091	1,829,363

Dynamics of the declared capacity in terms of business type for the branches of IDGC of the South, JSC in the reporting year 2013 (MW) (including generation)



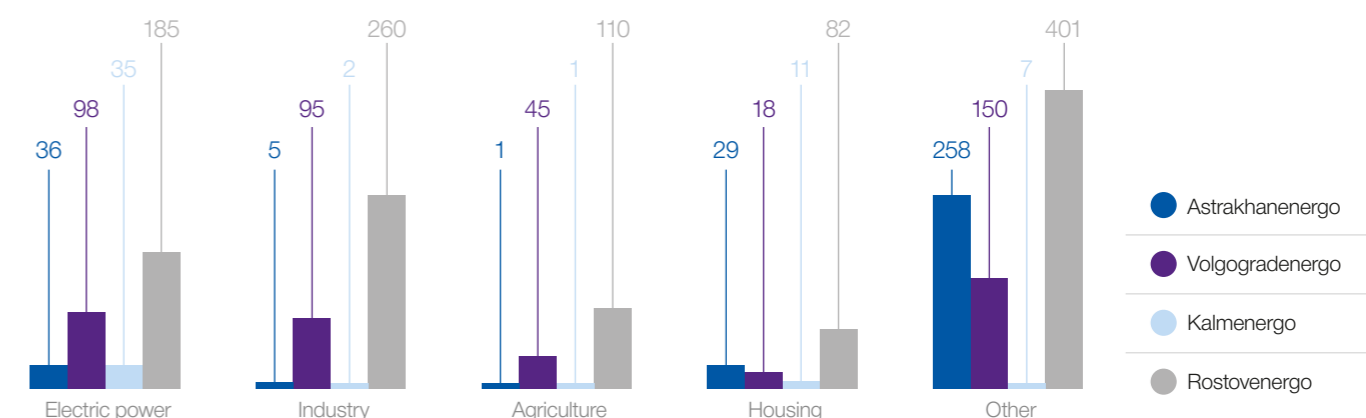
Ratio of the declared capacity by types of business in terms of branches of IDGC of the South, JSC for 12 months of 2013 (MW)



Structure of applications by industry (including generation)

Categories of applicants	Number of applications filed for TC (accepted for processing) including power generation facilities									
	Astrakhanenergo		Volgogradenergo		Kalmenergo		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 Power	148	36,428	257.00	98,078.21	5	35,420	711	185,258.94	1,121	355,185.15
Industry	21	4,661	81.00	94,615.9	13	1,622.8	109	260,467.46	224	361,367.16
Agriculture	26	1,365	61.00	44,784.6	45	966.6	154	110,305.39	286	157,421.59
Housing construction	89	28,654	90.00	18,445.09	11	11,495.6	127	81,888.66	317	140,483.35
Others	8,094	25,7820	3,188.0	150,327.6	331	7,087	7530	400,940.15	19,143	814,905.75
Total	8,378	328,928	3,677.00	406,251.4	405	56,592	8,631	1,038,860.6	21,091	1,829,363

The ratio of declared power by industries in terms of the branches of IDGC of the South, JSC in 2013 (kW) (including generation)



Energy saving and power efficiency improvement

In the field of energy saving and energy efficiency the target indexes according to the Program of power savings and increase of power efficiency of IDGC of the South, JSC for the period of 2013-2018 (hereinafter — the Program), are accepted as follows:

- loss of electric power at transmission and distribution in electric grids;
- power resource consumption for economic needs;
- implementation of modern devices for electricity metering in the retail market in accordance with the Program of PRPME.

Quantitative values of target indicators of the Program are set for 2013-2018.

In 2013 the effect of the Program was planned to amount 59.51 GWh or 168,302 mln rub., and the effect of subprograms was the following:

- Target organizational measures to decrease power losses — 29.79 GWh or 80.44 mln rub.
- Target technical measures to decrease power losses — 4.51 GWh or 8.51 mln rub.
- Accounting system development program — 24.43 GWh or 77.55 mln rub.
- Technical re-equipment and reconstruction program 0.78 GWh or 1.36 mln rub.

Planned and actual values of target indices in 2013

Index title	Measuring units	2013	
		planned	actual
Electric power losses including:	GWh	2,876.42	2,766.66
	% to OS	9.43	9.38
consumption for proprietary substation needs	GWh	45.87	39.06
resources consumption for economic needs, including by types of resources	mln rub.	249.46	225.47
fuel and energy, including:	thous. tons of coal equivalent	29.6	23.53
	mln rub.	240.14	219.03
	tons of coal equivalent per m ² of floor space	0.05	0.04
electric energy	GWh	65.49	55.06
	mln rub.	184.92	173.34
heat energy	Gcal	17,993.4	13,764.92
	mln rub.	15.44	13.07
gas	Thous. m ³	2,256.81	1,350.31
	mln rub.	11.19	3.83
other (diesel fuel, kerosene, gasoline and other)	Thous. tons of coal equivalent	1.76	0.96
	rub. mln	28.59	28.78
hot water supply	thous. m ³	3.87	14.91
	Gcal	0.8	474.23
	mln rub.	0.28	0.95
cold water supply	thous. m ³	222.41	216.48
	mln rub.	9.04	5.49
Implementation of modern devices for electricity metering in the retail market	%	40.37	37

By the end of 2013, the effect of the Program came to 206.69 GWh or 469.53 mln rub. overall, in addition to subprograms:

- Target organizational measures to decrease power losses — 151.15 GWh or 368.76 mln rub.
- Target technical measures to decrease power losses — 3.24 GWh or 5.47 mln rub.
- Accounting system development program — 46.74 GWh or 78.44 mln rub.

- Technical re-equipment and reconstruction program — 5.56 GWh or 16.43 mln rub.

The effect of activities to support the existing level of losses came to 113.149 GWh for the amount of 266.509 mln rub.

Activities costs amounted to 330.57 mln rub. Financing sources for the energy saving program were the investment program, in the amount of 224.96 mln rub., and the repair and maintenance program, in the amount of 105.61 mln rub.

Target activities in the field of energy saving and energy efficiency

In 2013, implementation of target measures to decrease power losses in the Company as a whole came to 93.541 GWh for a total amount of 203.021 mln rub. More details on the target measures implemented to decrease power losses are specified in the section «Activities to decrease power losses.»

The main target activities that made possible a reduction of resource consumption for economic needs are installation of energy-efficient lighting fixtures, replacement of incandescent bulbs with energy saving ones, replacement of windows by plastic or wooden with multi-chamber glass units and installation of thermostats.

In 2013, target measures to reduce resource consumption for economic needs in the entire Company came to 121.4 tons of coal equivalent to 0.44 mln rub. in comparison with the planned 121.12 tons of coal equivalent.

Measures to decrease power losses

In IDGC of the South JSC, comprehensive priority actions to optimize (decrease) the level of losses are being taken.

Due to comprehensive actions to optimize losses in 2013, the amount of savings came to 206.7 GWh (469.5 mln rub.), while the amount of savings via organizational measures came to 151.2 GWh (368.8 mln rub.), via technical measures — 8.8 GWh (21.9 mln rub.), via measures to improve energy accounting — 46.7 GWh (78.4 mln rub.).

In 2013, with a modernization plan for 33,200 metering points and planned costs of 423.9 mln rub., 28,200 metering points

were modernized for 171.7 mln rub. Remote data collection from more than 22,000 metering points (the plan was 31,500 metering points) was arranged.

The electric power losses decrease plan for 2013 (in physical units) performed at 191%.

Obligatory power inspection

Pursuant to the requirements of federal legislation in the field of energy saving and energy efficiency improvement, IDGC of the South JSC arranged an obligatory energy audit in 2011-2012. The Company obtained energy passport No. EP-095-026/002 based on the results of the energy audit in 2013.

The total number of facilities inspected was 2,139, including 1,197 grid facilities.

The total number of energy saving and energy efficiency measures developed was 1,214, including 514 measures to decrease power losses.

The energy saving and energy efficiency identified potential was 666 mln rub., including 280.63 GWh (634 mln rub.) of power losses decrease.

Improvement of operational reliability and electric power system efficiency

Repair and maintenance activities

The implementation of the repair and maintenance program in general in IDGC of the South, JSC by the end of 2013 made 784,781 thous. rub. in comparison with the planned 723,543 thous. rub. or 108%.

The implementation of the repair and maintenance program in 2013, thous. rub.

Title of grid organization	planned	actual	% of progress under the annual plan
IDGC of the South, JSC	723,543	781,784	108
Astrakhanenergo	135,697	147,965	109
Volgogradenergo	180,255	202,633	112
Kalmenergo	45,730	51,895	113
Rostovenergo	361,861	379,291	105

Achievement of planned indices for physical volume of the repair and maintenance program of IDGC of the South, JSC in 2013

	Measuring units	planned	actual	%
Complex repairs of substations of 35 kV and of higher capacity	pcs	165	165	100
Repair of transformers of 35 kV and of higher capacity	pcs	41	41	100
Repair of power lines of 35-220 kV	km	3,757	3,821	102
Repair power lines of 0.38-20 kV	km	10,400	10,713	103
Repair of transformer substation 6(10)-35/0.4 kV	pcs	3,689	3,748	102
Clearing of forest corridors VL 0,38 kV and of higher capacity	pcs	964	1,016	105

Timely implementation of repair and maintenance works provided high quality preparation of the branches and the Company in general for the autumn-winter season 2013/2014.

Information technology development

Development of the Company's information technology is an integral part of the implementation of the general development strategy of IDGC of the South, JSC. For task-oriented systemic influence of information technologies and telecommunications (ITT), a set of cross-related objectives was formulated:

1. increasing the observability of electric grid facilities
2. improving automatied process control systems
3. increasing the efficiency of management processes for interacting with consumers using the respective automated systems
4. improving processes and implementing automated systems for asset management
5. improving processes and efficiency of automated systems for investment planning and capital construction
6. improving the power transmission process through development of automated systems for commercial and technical accounting of electric power
7. improving efficiency and developing systems for complex automation of production and financial and economic activity
8. improving the quality of management information by effective implementation of automated systems for management accounting and reporting
9. improving the organization, quality and efficiency of IT services
10. improving the quality of internal and external information exchange.

The Board of Directors of the Company developed and approved the Company's development strategy for information technologies and telecommunications (ITT) for the period till 2016. In the process of strategy development, the key factors in achieving the specified business goals were identified, and these served as the basis for formulation of the key objectives and development priorities, detailed in specific initiatives and projects, which were grouped into the Company's ITT development program.

The strategy includes a description of the target state and a transition program for the following fields:

- implementation of corporate information systems based on SAP
- optimization and development of ITT infrastructure
- development of information security systems

- development of automated process control systems
- development of telecommunications infrastructure
- optimization of ITT business processes.

IT infrastructure project development

Telecommunications

As a part of reconstruction of communication and data transmission systems in 2013 four radio relay lines were built, reconstruction of cable lines was performed with arrangement of digital communication channels, a new cable line from the wind power station to the 110 kV Tsimlyanskaya substation was built with arrangement of digital communication channels and automated telephone stations of the latest generation were installed.

IT infrastructure

In 2013, a virtual environment was built to create and run virtual servers which allowed the sustainable use of available equipment resources without new purchases. In total, 134 servers were launched in the virtual environment.

In 2013, IT structure management system based on the System Center Configuration Manager 2012R2 was implemented. Configuration Manager allows to perform centrally the following functions:

- updates management
- deployment of software and operating systems
- integration with NAP, inventory of hardware and software
- remote control, control of virtualized and mobile Windows-based systems.

Corporate and technological business applications

In 2013, there was launched a unified control system for financial and economic activities of the Company, based on 1C: Enterprise 8.2, combining regulatory guides and business, tax and management accounting modules, as well as payroll and personnel management.

The Company introduced an information system for certification of electric grid equipment using SAP software. The system was designed for planning, management and control of the process of repair and maintenance of electric power equipment. Commissioning is scheduled for 2014.

In 2013, as a part of the SAP iS-U module development software and hardware were implemented for management and calculation of actual and reserved power as well as reporting on non-contracted power consumption. Commissioning is planned for 2014.

IT organization and management

In 2013, the Company developed and commissioned a Service Desk system. Introduction of the system ensured the continuity and smooth functioning of business processes in the Company via:

- transition to rendering IT services based on the principles of the process-oriented management support model
- unification and automation of acceptance, approval and execution procedures of the Company's IT user applications
- arranging life-cycle management of all of the Company's IT user applications
- creation of an information resources catalog
- formation of templates for the application catalog and list of applications
- provision of IT control and management processes with required statistical information.

Brief results and development plans for ITT in the future

The main results achieved by the ITT Strategy in 2013 are:

- the Company uses the Cognos system of management reporting
- the Company commissioned a Service Desk system
- purchase of the PLS CADD system to design high-voltage lines
- creation and launch of a unified automated control system for management of the Company's financial and economic activities based on 1C 8.2
- reconstruction of communication and data transmission systems at the Rostovenergo branch
- 22 110-KV substations teleautomated, digital channels for data transfer on fiber-optic communication lines, radio relay and HF arranged as a part of communication and information transfer system

- projects as a part of reconstruction of communication and data transmission systems: «Arrangement of digital channels of the Rostovenergo branch of IDGC of the South, JSC on the level of PD-RPG,» «Reconstruction of the communication facilities of the Rostovenergo branch of the IDGC of South, JSC, PD-FPS stage 1,» «Construction of 110/35/10 kV Tsimlyanskaya — PD-SIS wind power station cable communication lines,» «Technical re-equipment of back-up communication channels using fiber-optic communications lines between the administrative building of Rostovenergo at the address: Rostov-on-don, B. Sadovaya street, 49 and the facility of A type at the address: Rostov-on-don, 2nd Krasnodarskaya street, 147.».

Development of automatic process control systems (APCS)

In 2013, the Company put into experimental-industrial operation the system for accident registration — the Accident software complex. This system is centralized at the level of Russian Grids, JSC and is being implemented in other subsidiaries of Russian Grids, JSC. The system is designed for automation of the following processes: entering the acts of accident investigation in equipment operation, administering operator's log of power equipment, analysis of investigation results of accident causes in PD and DPG.

In 2013, the Company procured the PLS-CADD system for designing high-voltage lines. The system is a tool for solving specific tasks of design, operation, repair and modernization of high-voltage power lines.

In 2013 under the Program of modernization of facilities for collecting and transmitting information (FCTI) the Company teleautomated 22 substations of 110 kV substation, with the arrangement of digital communication channels.

- Astrakhanenergo branch of IDGC of South, JSC: in 2013 completed modernization of teleautomatics of three 110 kV substations with arrangement of connecting digital information channels. In 2014 it is planned to teleautomate two 110 kV substations;
- Volgogradenergo branch of IDGC of the South, JSC: modernization of teleautomatics of seven 110 kV substations with arrangement of connecting digital information channels;
- Rostovenergo branch of IDGC of the South, JSC: modernization of teleautomatics of 10 and 110 kV with arrangement of connecting digital information channels. Additionally the volume of the transferred information expanded;
- Kalmenergo branch of IDGC of the South, JSC: teleautomation of two 110 kV substations performed.

Procurement activity

Regulation of procurement activities

The main administrative documents regulating the procurement activities of IDGC of the South JSC are:

- Provision on the procedure for procurements of goods, works and services for the needs of IDGC of the South, JSC
- Methodology of calculation and estimation of KPI implementation for the Director General and top management of IDGC of the South, JSC
- Rules on interaction between structural subdivisions of IDGC of the South, JSC while carrying out regulated procurements of goods, works and services
- Rules on carrying out centralized (combined) procurements for the needs of subsidiary and dependent companies of Russian Grids, JSC
- The Provision on the operation of the Central Tender Committee of IDGC of the South, JSC
- The Provision on the permanent Procurement Committee of IDGC of the South, JSC.

Since September 13, 2013, procurement activities have been regulated by the Provision on procurement of goods, works and services for the needs of IDGC of the South, JSC, approved by the Board of Directors of the Company (Minutes No.115/2013 dated 13.09.2013), establishing the procedure for procurement of goods, works and services, regardless of their cost.

In order to organize a high-quality process of KPI reporting and calculation, «Reduction of the cost of acquisition of goods (works, services) per unit of production by at least 10% per year for three years in real terms of 2010 prices» in the Company by results of the reporting period, determination of the terms and the course of its formation, the order «On the procedure of KPI reporting and calculation «The reduction of the cost of acquisition of goods (works, services) per unit of production by at least 10% per year for three years in real terms of 2010 prices» was approved.

Principles of procurement arrangement

Procedural regulation of procurement is applied to ensure the targeted and efficient spending of Customer's funds, as well as gaining economic justification of expenses (in the form of market prices for the products) and prevention of possible abuses from the Customer.

Regulation of procurement activities is based on the sustainable use of special techniques for targeted enhancement of the effects of market laws in each case of purchase and is performed by application of mandatory procedures to be followed by Customer's staff for each purchase with a value above a certain amount (such procedures can also be applied for smaller purchases if deemed appropriate).

These procedures include:

- market analysis
- product needs planning
- informational procurement transparency
- equality, justice, non-discrimination and freedom from unreasonable restrictions on competition in relation to purchase participants
- fair and reasonable selection of the most preferable offers after comprehensive analysis of benefits and costs (first of all, price and quality of products)
- targeted and cost-effective expenditure of funds for the purchase of goods, works and services (including, if required, life-cycle cost of purchased products) and implementation of measures aimed at reducing the Customer's expenses
- no restrictions on participation in procurement through the establishment of immeasurable requirements for the purchase participant
- systematic approach, which means availability of a regulatory environment for the Customer, an established organizational structure for purchasing control and monitoring, trained personnel for procurement, an established procurement infrastructure (informational support, means of e-commerce, certification, professional consultants)
- observance of corporate unity of procurement rules
- control over the volume of powers and responsibilities of purchasing staff.

The structure of purchases conducted in 2013

In the 12 months of 2013, 525 purchases for a total amount of 7,007,134 thous. rub. (98.6% of the value planned) were made.

The structure of purchases by procurement methods:

- open tender — 91 pieces for the amount of 3,154,958 thous. rub. including VAT (17.3% of the total number of purchases, 45.0% of total purchases in value terms)
- closed price enquiries and proposals according to the results of open competitive negotiations — 162 pieces for a total amount of 1,415,470 thous. rub. (30.8% of the total number of purchases, 20.9% of total purchases in value terms)
- open request for proposals — 196 pieces for the amount of 644,424 thous. rub. (37.3% of the total number of purchases, and 9.1% of total purchases in value terms)
- open price enquiries — 7 pieces for the amount of 15, 616 thous. rub. (1.3% of the total number of purchases, 0.2% of total purchases in value terms)
- open competitive negotiations — 3 pieces for the amount of 125, 622 thous. rub. (0.5% of the total number of purchases, 1.7% of total purchases in value terms)
- closed competitive negotiations — 1 piece for the amount of 10,360 thous. rub. (0.2% of the total number of purchases, 0.1% of total purchases in value terms)
- purchases from a sole supplier (executor, contractor) — 50 pieces for the amount of 243, 071 thous. rub. (3.4% of total purchases in value terms)
- purchases from a sole supplier (executor, contractor) according to the results of failed open procedures — 15 pieces for the amount of 1, 339,667 thous. rub. (19.1 % of total purchases in value terms).

The structure of purchases by type of activity:

- New construction and expansion of the power grid facilities - 160 pieces for the amount of 796,496,000 rub. (30.4% of the total amount of purchases, 11.3% of total purchases in value terms)
- Reconstruction and technical re-equipment of power grid facilities — 121 pieces for the amount of 1,927,294 thous. rub. (23.04% of the total amount of purchases, 27.5% of total purchases in value terms)
- Power repair (repair) production, maintenance — 113 pieces for the amount of 590,050 thous. rub. including VAT (21.5% of the total number of purchases, 8.4% of total purchases in value terms)

- IT purchases — 24 pieces for the amount of 296, 230 thous. rub. (4.5% of the total number of purchases, 4.2% of total purchases in value terms)
- Consulting services — 1 piece for the amount of 10, 360 thous. rub. (0.2% of the total number of purchases, 0.1% of total purchases in value terms)
- Other purchases — 106 pieces for the amount of 3, 383, 705 thous. rub. (20.1% of the total number of purchases, 48.2% of total purchases in value terms).

The share of open procurement procedures (open tenders, requests for quotations, competitive negotiations, closed price enquiries according to the results of open competitive negotiations) in the structure of purchases amounted to 90.2% of the total number of completed procurement procedures and 96.3% of total purchases in value terms.

The number of purchases **using e-commerce** came to 455 pieces for the amount of 6, 580, 571 thous. rub. (97.2% of total purchases in value terms (excluding purchases from UEB)).

The economic effect according to the results of procurement procedures for the period came to 596, 793 thous. rub. or 7.8% of the planned cost of competitive purchases (with regard to the requirement of a 10% decrease of the 2010 price level).

The structure of purchases of small and medium enterprises

A requirement that procurement participants and subcontractors engaged provide documentation making it possible to determine the distribution of small and medium businesses among procurement participants (engaged subcontractors) has been included in the documentation for a purchase since the CCC of the Company approved the amendments in the appendix of the Provision on procurement of goods, works and services for the needs of IDGC of the South, JSC, that is, from 26.12.2013 (Minutes No.58). Proposal evaluation and selection of winners in procurement procedures declared after 27.12.2013 is planned for 2014.

Activities intended to improve procurement activities

To improve efficiency, the procurement policy is directed at the acquisition of goods, works and services on a transparent, competitive basis from suppliers, offering an optimal ratio of price and quality. By decision of the Board of Directors of the Company (Minutes No.121/2013 dated 19.12.2013), the Company's performance management program for 2014-2018 was approved, and it specifies the following actions to improve efficiency in procurement procedures:

- increasing the share of open competitive procedures
- introduction of mandatory re-bidding in tender procedures.

Investment activity

Parameters of investment activity

The volume of capital investment in 2013 made 3,161 mln rub. New funds were introduced — 5,190 mln rub. 972 km were put into operation and 299 MVA were expressed in physical terms.

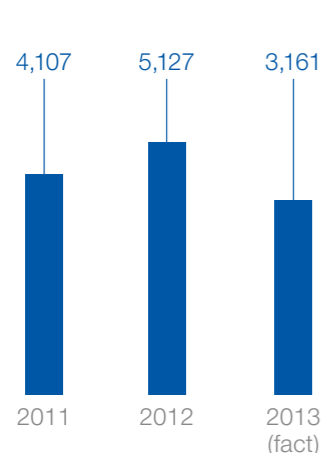
Cost and physical parameters of investment activity in 2013

Branch of IDGC of the South, JSC	Capital investments mln rub. excl.VAT	Working assets deployment mln rub. excl VAT	Funding mln rub. incl. VAT	Increase of power capacities	
				MVA	km
Astrakhanenergo	1,030	1,326	970	49	212
Volgogradenergo	401	592	701	63	126
Kalmenergo	230	1,221	185	161	200
Rostovenergo	1,492	2,052	1,921	27	434
Executive Body	7	0	10	0	0
Total	3,161	5,190	3,787	299	972

Dynamics of capital investments volumes

As seen from the charter, physical capital investments volumes exploration in 2013 decreased by 38% in comparison with 2012 and by 23% in comparison with 2011. A decrease of investment program was approved by the Resolution of the Board of Directors of IDGC of the South, JSC as of April 11, 2013 (minutes No.107/2013) considering financial state of the Company.

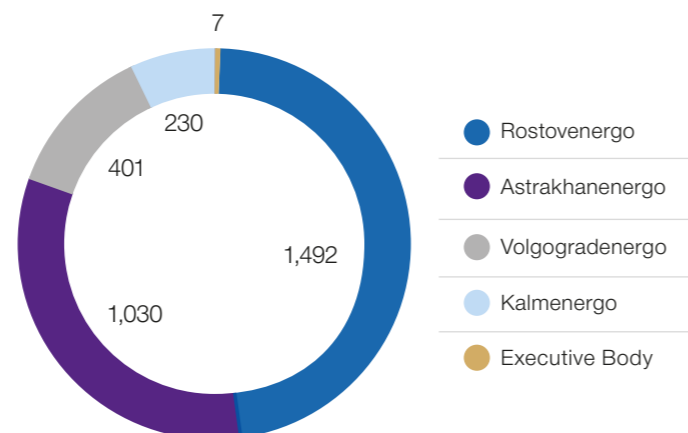
Dynamics of capital investments, mln rub., excl. VAT



Capital investments volumes by branches

The physical exploration of capital investments in branches is distributed in the following way: Astrakhanenergo Branch — 33%, or 1,030 mln rub. of total volume of capital investments; Volgogradenergo Branch — 13%, or 401 mln rub.; Kalmenergo Branch — 7%, or 230 mln rub.; Rostovenergo Branch — 47%, or 1,492 mln rub.; the Executive body of IDGC of the South, JSC accrues 7 mln rub. from the volume of actual capital investments exploration in 2013.

Capital investments volumes in 2013 by branches, mln rub., excl. VAT



Direction and structure of capital investments

According to the results of the Company's performance in 2013, 3,161 mln rub. were actually explored, including in the following fields:

- technical re-equipment and reconstruction — 1,588 mln rub.;
- new construction — 1,567 mln rub.;
- other acquisition of the fixed assets — 6 mln rub..

In the reporting year capital investments volumes, forwarded to technical re-equipment and reconstruction of electric grid facilities made 50.2% from total capital investment volume, to new construction — 49.6%, to other acquisition of the fixed assets — 0.2 % from total volume of exploration.

The following facilities were launched:

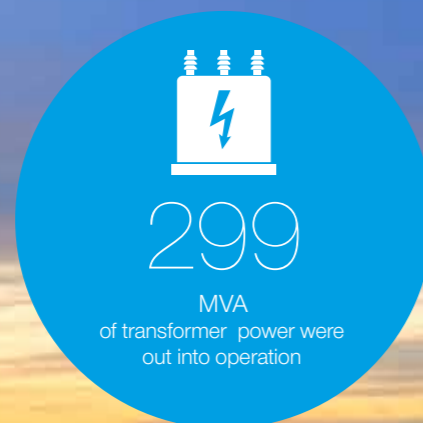
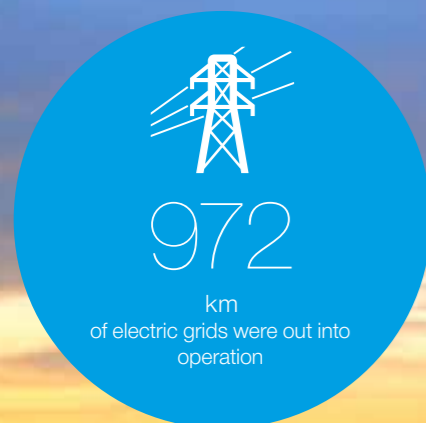
- "Reconstruction of 110/10 kV SS Razvilka-2 with changed T1, T2 by 40 MVA": installation of 110 kV SF6 gas breaker, TT-110 kV and 110 kV dividers, which allows to increase the SS's capacity by 24 MVA;
- "Reconstruction of 110/10 kV SS Solodniki with changed T1 transformer": with changed power transformer of 2.5MVA capacity to the transformer of 10.0 MVA capacity;
- "Reconstruction of distribution 0.4-10 kV power grid facilities of Zaboldinsky PD "Astrakhan power grids" of IDGC of the South, JSC Branch — Astrakhanenergo to install ADMC CMEP, Astrakhan — 1 stage": length of 28.807 km (incl. CL-0,4 kV — 0.517 km, CL-10 kV — 0.441 km, OL-0.4 kV — 24.77 km, OL-10 kV — 3.079 km);
- "Reconstruction of 110 kV distribution grid, adjoined to GTP CHPP in Znamensk": according to the Agreement of technological connection (individual tariff) with an applicant CJSC "GC-4" — OL 110 kV Kapustin Yar-RU 110

kV GTP CHPP; stub overhang of OL110 kV OL Kapustin Yar-Sovetskaya (No. 742) on RU 110 kV GTP CHPP; Reconstruction of 110/35/10 kV SS Kapustin-Yar;

- "Reconstruction of 110 kV SS "Karginskaya-V. Cvechikovskaya": reconstruction of 11.715 km 110 kV OL was implemented. Works on OL-110kV "Karginskaya-V. Svechikovskaya" increased reliability of power supply of 110/35/10kV SS Karginskaya and 110/35/10kV SS V. Svechikovskaya, from which household and agricultural consumers of the Bokovsky and Kasharsky Regions of the Rostov Region electrified with total load of 17 MW;
- "Construction of OL-35kV "Vinogradnaya-Potapovskaya" with reconstruction of ORU-35kV SS Vinogradnaya and SS Potapovskaya": according to the results of works completed 21.458 km of 35 kV lines were put into operation;;

In order to realize technological connection of LLC "LUKOIL Astrakhanenergo" (CCP-235) to power grids of IDGC of the South, JSC on the territory of the Leninsky region of the Astrakhan Region from November 2012 to March 2013 construction of a facility "distribution grid of 110 kV of power supply plan of CCP-235" was implemented. The facility was constructed and put into operation for 9 months with usual realization term of 24 months, which allowed to meet obligations on technological connection of combined cycle turbine unit CCP-235 to power grids and, consequently, to reduce significantly the existent deficit of power supply in the region. The volume of supply in 2013 amounted to 491.5 mln rub.

In June, 2013 IDGC of the South, JSC Branch — Kalmenergo completed the construction of a facility in the territory of the Republic Kalmykia: "Construction of 110/10 kV SS PP-3 with 110 kV distribution feeders and reconstruction of adjoined 110 kV grid", and in September 2013 — of the facility "Construction of 110/10 kV SS PP-2 with 110 kV distribution feeders and reconstruction of adjoined 110 kV grid". Investment projects are realized with the purpose of technological connection of PPs CJSC "KTK-R" PP-3 to the Branch's grid.



"Reconstruction of 110/10 kV SS Razvilka-2 with changed T1, T2 by 40MVA": installation of 110 kV SF6 gas breaker, TT-110 kV and 110 kV dividers, which allows to increase the SS's capacity by 24 MVA

As a result of this project the following facilities were constructed and put into operation:

1. SS 110/10 kV PP-3 with transformer power of 2x40 MVA;
2. SS 110/10 kV PP-2 with transformer power of 2x40 MVA;
3. New overhead lines of 110 kV:
 - SS PP-3-SS Iki-Burul — 39.249 km.
 - SS PP-3-SS Raguli — 11.75 km.
 - SS Iki-Burul-SS Partizanskaya — 53.433 km.
 - overhangs for SS PP-2 — in a cross cut Chernozemelskaya-Adyk — 8.3 km;
4. Communication hub Kalmenergo.

capacity of the pipe line “Tengiz-Novorossyisk”, which meets strategic goals of Russia and Kazakhstan, but to increase reliability of the Branch’s grid and power supply of consumers in the Republic of Kalmykia, as well as to provide hundreds of mlns of rub. investments to the Republic’s economy, which will allow to realize joint projects in the industrial and social sphere.

Reconstruction of the system PA “ALAR” in the IDGC of the South, JSC Branch — Rostovenergo with input of the fixes assets in the volume of 49.9 mln rub., as well as the creation of automated limitations of voltage reducing (ALRV) in the northern and north-eastern power regions of the Rostov Region with input of the fixes assets in the volume of 56.7 mln rub.

Reconstruction of the 110/35/10 kV SS Martynovskaya (in 2012 the 10 MVA power transformer T2 was substituted, in 2013 works on SCB were carried out, the reconstruction of PPC, AB montage, RPAE equipment).

As the table demonstrates, the actual scope of the capital contributions in investments grew in 2013 by 51% against 2012 and by 82% against 2011.

The events implemented allow not only to expand transmission

Capital investments structure, mln rub.

IDGC of the South, JSC	2013 actual	2014	2015	2016	2017	2018
Total	3,161	1,001	1,632	1,689	1,723	1,772
List of key facilities	203	36	1	1	1	1
TR&P						
SB	203	36	1	1	1	1
Priority programmes	0	41	97	0	0	0
TR&P						
SB		41	97			
Programmes	470	288	457	776	902	938
TR&P	289	252	423	720	872	910
SB	181	36	34	56	31	28
Technological connection	1,127	368	375	403	428	446
Technological connection facilities with capacity over 750 kW	529	0	0	0	0	0
Technological connection facilities with capacity from 100 to 750 kW	243	5	50	58	36	45.61
Technological connection facilities with capacity from 15 to 100 kW	1	7				
Technological connection facilities with capacity below 15 kW	354	356	324	345	392	400.304
Distribution grids	463	100	458	296	137	117
TR&P	409	86	392	240	108	68
SB	54	14	66	56	29	49
Technological process control automation (apart from ASEMC)	337	126	190	194	231	244
Energy metering and control systems	182	2	30	5	7	7
Security assurance programs	32	28	6	0	1	5
Acquisition of power grid assets, land and other facilities	6	0	0	0	0	0
Other programs and events	341	12	17	15	18	14

Working assets implementation dynamics

IDGC of the South, JSC branch	2011			2012			2013		
	Working assets deployment, mln rub, excluding VAT	lead-in power		Working assets deployment, mln rub, excluding VA	lead-in power		Working assets deployment, mln rub, excluding VA	lead-in power	
		km	MVA		km	MVA		km	MVA
Astrakhanenergo	679	335	91	570	261	83	1,326	212	49
Volgogradenergo	224	90	59	347	42	45	592	126	63
Kalmenergo	74	75	6	809	275	21	1,221	200	161
Rostovenergo	1,819	684	252	1,700	738	55	2,052	434	27
Executive establishment	50	0	0	13	0	0	0	0	0
Total	2,846	1,184	408	3,439	1,316	203	5,190	972	299

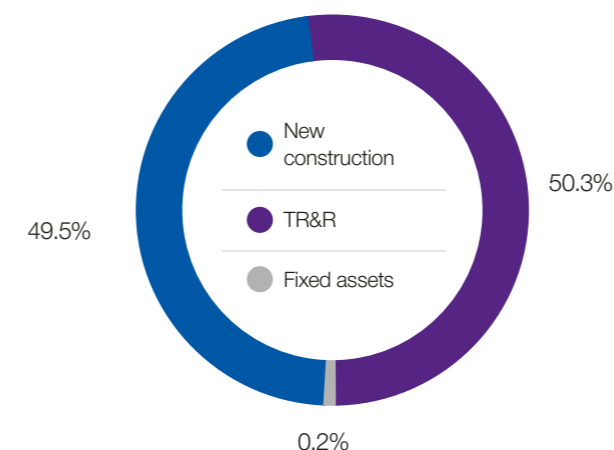
In fact, in 2013 RUB 3161 mln. (VAT excluded) of capital investments were developed, and fixed assets deployment amounted to RUB 5190 mln. excluding VAT. The commissioned capacities totaled at 972 km and 299 MVA.

Capital investments have been made in the amount of 3,787 mln rub. including VAT.

The investment program implementation includes the following issues:

1. equipment availability maintenance, necessary for reliable, continuous and quality power supply to consumers;
2. implementation of measures to cut down production costs, including by improving the equipment efficiency, the development of accounting systems of energy consumed;
3. fixed assets upgrade;
4. providing of equipment and personnel safe operations;
5. ensuring output capacity of electric grids for sustainable functioning of the power industry and providing connection to customers.
6. improving anti-sabotage and anti-terrorist security of power facilities.
7. development of communication systems, remote control and data transmission to improve manageability of the grids and reduce the time of accident response.
8. inclusion of investment projects for the reconstruction of power facilities in connection with the requirements of UES, JSC.

Capital investments structure of IDGC of the South, JSC



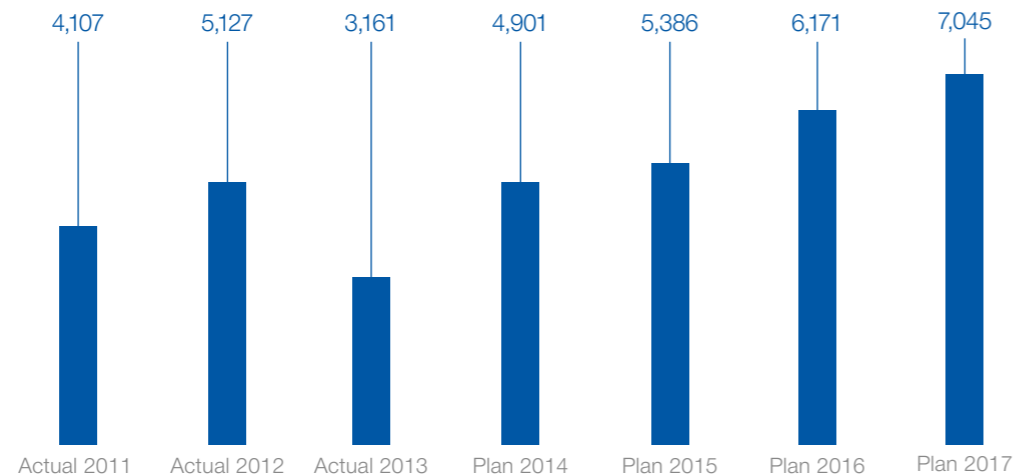
Long-term investment program

The investment program of IDGC of the South, JSC for 2014-2018 was developed in accordance with the development plans of the territories and technical condition of local power grids, also taking into account the importance of the power supply facilities, and the forecasts of revenues from power transmission and applications for the technological connection. The program was developed based on the government-approved socio-economic development forecast of the Russian Federation in 2014-2016.

The long-term investment program provides for the capital investments development in the amount of 23,504 mln.rub. (excluding VAT), the funding — 27,826 mln. rub. (including VAT), deployment of fixed assets — 24,017 mln. rub. in 2014-2017. Rebuilding and reconstruction of 2,430 km of power lines and commissioning transformer capacity of 1,625 MVA is scheduled for this period.

In 2014, the development of capital investments will amount to 4901 mln. rub. (excluding VAT), funding — 5,784 mln. rub. (including VAT), deployment of fixed assets — 4,895 mln. rub., the plans include building and reconstructing 397 km and introducing 169 MVA.

Planned volume of capital investments for 2013-2017, mln rub., excl. VAT



In compliance with the order No.PR-2657 of the President of the Russian Federation V.V. Putin as of November 13, 2013 on the optimization of investment programs of natural monopolies in the conditions of keeping tariffs for power transmission in 2014 at the 2013 level and limiting the tariff growth by the inflation rate in 2015 and 2016 the approval of the sequestered investment programs is currently in progress. As a part of investment programs reduction initiative the priorities of the investment projects implementation were refocused on complying with the minimum necessary level of reliability and security of technological connection of consumers.

Innovation-driven growth

Program of the innovation-driven growth of IDGC of the South, JSC for 2011–2016 (IDG) was developed in 2011 and approved on July 29, 2011 by the Board of Directors of IDGC of the South, JSC meeting (minutes of the Board of Directors of the Company of August 1, 2011 No. 69/2011).

The plan of activities of the program of the innovation-driven growth of IDGC of the South, JSC for 2011–2016 was developed in 2011 and approved by the order No.528 of IDGC of the South, JSC on August 31, 2011 «On the implementation of the 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 of the Skolkovo Institute of Science and Technology corrections were made to the IDG.

The main IDG activities in 2013 were aimed at creating a system of innovation development control at IDGC of the South, JSC, including construction of communication platforms involving basic industry institutes of higher education. Currently, the innovation and technology development management system is being formed, the mechanism for implementing pilot projects to introduce innovative technologies is being improved and the transition of IDGC of the South, JSC to a new grid complex management structure is underway.

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 the IT infrastructure;
- energy efficiency improving;
- developing and executing labor-saving activities.

R&D first priority trends:

- maintaining uninterrupted power supply to the consumers and minimizing the risks of technological disruptions in power grids;
- power loss decrease in distribution grids;
- optimization of management, improving the efficiency of financial, economic, operational and maintenance activities (development of advanced solutions and measures to improve the power grid complex maintenance systems);
- more efficient control over the parameters of ice and wind loads applied to the phase conductors and lightning protection cables for HVLs, improving the quality of field personnel decisions and preventing its mistakes during electric mode management, reduction of material costs for HVL maintenance with minimal material costs for icing early detection system maintenance;

- reduction of material costs for power grid complex facilities technical reequipment;
- performing trial runs of next-gen electrotechnical equipment;
- modern diagnostics methods development and implementation in the power grid complex facilities;
- energy efficiency improving (introduction of energy-efficient equipment, lighting and microclimate control systems, power loss decrease in distribution grids, costs optimization);
- using power complex switchgear simulators to train personnel;
- perfection of the regulatory-and-technical and methodological base;
- development of organizational and technical measures to improve the sustainability of facilities in emergency situations;
- perfection of environmental and information security.

Corrected IDG includes the «Plan of research, development and technological works of IDGC of the South, JSC 2011-2016», providing for the implementation of the research and development activities during 2013 performed by contractors in accordance with the terms of contracts concluded with them for total value of 100.225 mln rub. which will allow IDGC of the South, JSC to introduce bleeding edge equipment and effective technologies to its power grid complex.

R&D stages completion as of December 31, 2013

1. The agreement to perform R&D on the topic «Research and development of methods of determination of indicators of efficiency of power supply in accordance with reactive power flows and parameters of quality of electric power in electric grids of 110 kV, concluded with FSBEI HPE «National research Tomsk Polytechnic University» on September 19, 2011 No.2-476/u/742 and providing for the implementation of the three stages of R & D, total value of 9.0 mln rub. (including VAT), is valid.
 - As of December 31, 2013 all R&D stages are completed.
 - The actual payment from IDGC of the South, JSC for the R&D execution by the contractor was processed and amounted to 9.0 mln. Rub. at the cost value of electric power.
 - R&D activities resulted in acquisition of fundamental knowledge and adopting the «Method to assess the energy transport efficiency in connection to reactive power flows and electric power quality indicators in 110 kV grids» in IDGC of the South, JSC branches based on order No.253 from June 11, 2013 «On adopting the R&D results».

2. The agreement to perform R&D on the topic: «Developing technical requirements and specifications for distributing SS power supplies installed in distributing substations 6-10 kV, substations 35-110 kV, using modern components including development of reusable projects» signed with «Interregional Production pooling of technical recruitment TEKHOKOMPLEKT, CJSC» on September, 16, 2011 No.706 and providing for 5 R&D stages with total value of 3.15 mln.rub. (including VAT) is valid.
 - As of December 31, 2013 all R&D stages are completed.
 - The actual payment from IDGC of the South, JSC for the R&D execution by the contractor was processed and amounted to 3.15 mln. Rub. at the cost value of electric power.
 - R&D activities resulted in adopting the «Re-use project 706-001-TM.011 «Developing technical requirements and specifications for DC power supplies installed in distributing substations 6-10 kV, substations 35-110 kV, using modern components including development of re-use projects», approved and implemented in IDGC of the South, JSC branches in accordance with orders No.253 of June 11, 2013 «On implementing the R&D results» and No.101 «On approving and implementing the re-use project, developed by «Interregional Production pooling of technical recruitment TEKHOKOMPLEKT», CJSC to assure its optimal application during investment program activities execution in 2013 and later with a mandatory connection to specific power grid complex facilities subject to reconstruction and technical reequipment».

3. The agreement to perform R&D on the topic: «Implementing a modern icing early detection system for HVLs 35-110 kV (in the Volgogradenergo, Rostovenergo branches of IDGC of the South, JSC)» signed with «RDC-Micro Tool», LLC on September 19, 2011 No.745 and providing for 5 R&D stages with total values of 18.78 mln.rub. (VAT included) is valid.
 - As of December 31, 2013 all R&D stages are complete.
 - The actual payment from IDGC of the South, JSC for the R&D execution by the contractor was processed and amounted to 18.78 mln. rub. at the cost value of electric power.
 - R&D activities resulted in installation and commissioning an icing early detection system on supports, phase conductors and lightning protection cables for HVLs 35-110 kV in IDGC of the South, JSC Rostovenergo, Volgogradenergo branches in field dispatch control services, in production divisions and in dispatch services in grid control centers in accordance with the orders from IDGC of the South, JSC No.287 of June 15, 2013 «On implementing an icing early detection system on phase conductors and lightning protection cables for HVLs 35-110 kV», No.405 of August 12, 2013 «On introducing changes to the order from IDGC of the South, JSC No.287 of June 25, 2013 «On implementing an icing early detection system on phase conductors and lightning protection

cables for HVLs 35-110 kV» and No.5 of January 14, 2014 «On performing a trial run of icing early detection system installed on phase conductors and lightning protection cables for HVLs 35-110 kV in IDGC of the South Rostovenergo and Volgogradenergo branches».

- Based on application No.2011148052/07 of November 28, 2011 submitted to the Federal service for intellectual property the Company acquired a patent for a utility model No.116705 of an «anchor span cables deposits early detection system for overhead power lines» which was published and registered in the Utility Model Register of the Russian Federation on May 27, 2012 (the patent expires on November 28, 2021).
 - The utility model description: «A device to detect various deposits on anchor span cables of an overhead power line containing an Y-shaped catenary with icing sensors and multichannel controllers with an additional dynamometer which is installed to create a V-shaped catenary with one of the existing icing sensors and its output is connected to the corresponding sampling controller input».
4. The agreement to perform R&D on the topic: «Analyzing traction and other non-linear loads in 110 kV power grids effect on quality and loss level of power supply» signed with FSBEI HPE «National Research Tomsk Polytechnic University» on September 19, 2011 No.2-475/11y/741 and providing for 3 R&D stages with total value of 12.0 mln.rub. (including VAT) is valid.
- As of December 31, 2013 all R&D stages are complete.
 - The actual payment from IDGC of the South, JSC for the R&D execution by the contractor was processed and amounted to 12.0 mln.rub. at the cost value of electric power.
 - R&D activities resulted in acquisition of fundamental knowledge and implementing the «Method to analyze traction and other non-linear loads in 110 kV power grids effect on quality and loss level of the power supply» based on order No.253 from June 11, 2013 «On adopting the R&D results».
5. The agreement to perform R&D on the topic: «Introducing of microelectronic and microprocessor electromagnetic blocking system with a benchmark package installation on one of the substations of IDGC of the South, JSC Rostovenergo branch» signed with National Research University for Energy, LLC on September 27, 2011 No.727 and providing for 3 R&D stages with total value of 2.9 mln. rub.(excluding VAT) is valid.
- As of December 31, 2013 all R&D stages are complete.
 - The actual payment from IDGC of the South, JSC for the R&D execution by the contractor was processed and amounted to RUB 2.9 mln. at the cost value of electric power.

- R&D activities resulted in development of a microelectronic and microprocessor electromagnetic locking system which was installed and commissioned with a 10 kV switchgear at the Nosovskaya 110/10 kV substation located on the territory of South-western Power Grid Rostovenergo branch in accordance with orders No.359 of July 22, 2013 «On developing and commissioning a microelectronic and microprocessor electromagnetic locking system for the Novikovskaya 110/35/10 kV substation», No.392 of August 07, 2013 «On introducing changes to the order No.359 of July 22, 2013 «On developing and commissioning a microelectronic and microprocessor electromagnetic locking system for the Novikovskaya 110/35/10 kV substation» and No.20 of January 21, 2014 «On conducting a trial run of a microelectronic and microprocessor electromagnetic locking system installed at the Nosovskaya 10-10 kV substation».

6. The agreement to perform R&D on the topic: «Using modern components to develop and implement a selective single-phase earthed short circuit protection system in resonant and non-resonant earthed 6-35 kV grids based on single-phase earthed short circuit detection in transient and stabilized processes» signed with «Research and engineering center of interregional distribution grid companies», JSC on May 10, 2012 No. 12/027/628 providing the implementation of the six stages of R & D, total cost of 33.0 mln rub. (including VAT), is valid.

- As of December 31, 2013 all R&D stages are complete.
- The actual payment by IDGC of the South, JSC for the 6th R&D stage implementation by contractor is planned to implement according to the results of complete evaluation of operational testing of all the devices mentioned above in 2024, necessary to experience accumulation of their operation and providing opportunities to obtain the best results from R&D realization.
- R&D activities resulted in the implementation will be the input into operational testing of installed on equipment of closed switchgear 6 kV SS 110/6 kV Olympyskaya production department «Right bank power grids» Volgogradenergo and three prototype models of individual protection device from a single-phased earth short circuit (ESC) and two prototype models of centralized device of ESC selective signaling.

7. The agreement to perform R&D on the topic: «Development of regulatory documents system of IDGC of the South, JSC on the basis of requirements of the International Standard ISO 50001:2011», concluded with «FINEX quality», CJSC as of October 31, 2012 No.17/12-K/897 and covering implementation of five R&D stages, with total cost of 5.894 mln rub. (including VAT), is valid.

- As of December 31, 2013 all R&D stages are complete.
- The actual payment from IDGC of the South, JSC for the R&D execution by the contractor was processed and amounted to 1,179 mln rub. at the cost value of electric power.
- The actual payment by IDGC of the South, JSC for the 6th R&D stage implementation by contractor wasn't implemented, consequently, total actual current accounts payable of IDGC of the South, JSC to the contractor amounted to 4,715 mln rub.
- R&D activities resulted in the «Regulations on energy management system» of IDGC of the South, JSC and «Regulations on energy management system of the branches of the Russian Grids, JSC, approved and put into operation in the branches of IDGC of the South, JSC on the basis of IDGC of the South, JSC's orders as of December 26, 2013 No.732 «On approving and implementation of the Regulation on energy management system of IDGC of the South, JSC as of December 30, 2013 No.760 «On implementation of the Regulation on energy management system of the branches of the Russian Grids, JSC.

8. The agreement to perform R&D on the topic «Development of methodologic materials to train technical personnel on equipment of distribution devices with the use of simulators of distribution devices power systems», concluded with «Interregional production union of technical completing «Technocomplex» CJSC on November 9, 2012 No.891 and covering implementation of five R&D stages, with total cost of 15.501 mln rub. (including VAT), is valid.

- As of December 31, 2013 all R&D stages are complete.
- The actual first and second advance payments by IDGC of the South, JSC for the R&D execution by the contractor was processed and amounted to 7.75 mln rub. at the cost of electric power cost value.
- Also, the actual payment by IDGC of the South, JSC for non-implementation of the second R&D stage amounted to 2,768 mln rub. at the cost of electric power cost value, with planned amount of 4,429 mln rub., consequently, total actual current accounts payable of IDGC of the South, JSC to the contractor amounted to 1,661 mln rub.
- R&D activities resulted in the installation of training equipment of distribution devices of power systems in one of the classes in the first floor hall of an administrative building of IDGC of the South, JSC, located in: Rostov-on-Don, Sovetsky region, 2nd Krasnodarskaya street, 147, as well as development of methodological materials to train electric and technological personnel on equipment of distribution devices with the use of abovementioned simulator.

In 2013, there were no events of the IDGC of the South, JSC joint foreign economic activity, performed within its international cooperation with foreign organizations in the sphere of implementation of R&D works and projects, as well as creating of innovative activities, R&D centers, etc. with their participation.

Implementation of innovative equipment, materials, structures and technologies

Category	Number of facilities where implementation was performed, units.	Quantity of in-stalled equipment and technologies, pcs.	Total cost (investments), mln rub.	Additional info
Equipment, materials, structures	54	197	58,198	—
Including those developed in the course of R&D activities	54	197	58,198	—
Technologies	4	4	25,329	—
Including those developed in the course of R&D activities	4	4	25,329	—

Researches and developments

Quantity of R&D, pcs		Funding scope, mln. rub		Number of registered intellectual property objects, pcs.	Quantity of publications, pcs.
Contracted	Completed	Contracted	Actually paid		
8	6	100,225	83,527	1	1

On March 3, 2014 IDGC of the South, JSC issued an order No.119 "Russian Grids, JSC regulation on a unified technological policy in the power grid complex" which was approved at the Russian Grids, JSC Board of Directors meeting (minutes No.138/2013as of October 23, 2013).

According to the aforementioned regulation, using low-maintenance energy efficient electrotechnical equipment and materials satisfying the regulatory requirements and climatic regionalization is deemed beneficial in the power grid complex of IDGC of the South, JSC. Basic types of the previously mentioned electrotechnical equipment and materials include:

- insulated wire line 6-10 kV;
- GIS and compact SF6 cells 110 kV;
- 110 kV power lines with cross-linked polyethylene insulation (intended for urban environments);
- hermetically sealed power transformers;
- power transformers with dry insulation;
- compact cells;
- low-maintenance aseismic compact TSS 10(6)/0.4 kV and DS 10(6) kV;
- sectioning nodes and reclosers.

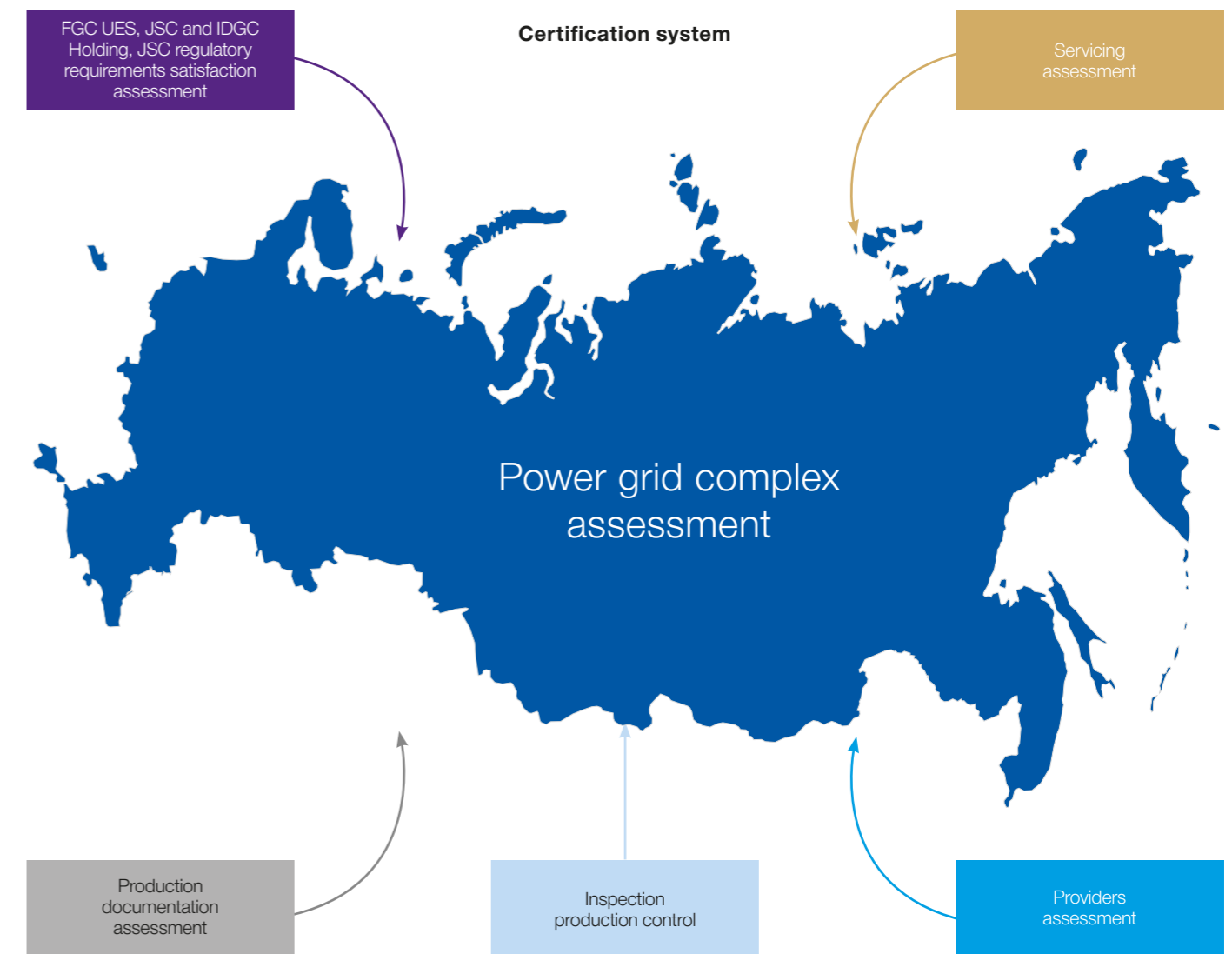
The main task of the "Russian Grids, JSC regulation on a unified technological policy in the power grid complex" is defining up-to-date and progressive requirements and solutions in capital construction of the Unified National Power Grid (hereinafter — UNPG), maintaining its innovative growth and organizing events which serve to achieve the following objectives:

- assuring energy security for the stable development of the Russian Federation;
- maintaining required reliability levels for power transmission services;
- safeguarding the free energy market;
- improving UNPG operation and development efficiency;
- minimizing UNPG negative environmental effects.

The "Russian Grids, JSC regulation on a unified technological policy in the power grid complex" is a prospective line of development based on modern reliable methods and technologies for power grid complex facilities modernization which defines the management, technological and organizational short- and long-term measures package focused on boosting the efficiency, reliability and security of distributed power grids implementing production-certified and scientifically proved technologies and solutions.

This regulation was developed for all basic power grid objects including:

- main power grids 35-110 kV;
- distribution grids 0.4-10(6) kV;
- relay protection and anti-emergency automatic equipment;
- teleautomatrics, communication, information and measuring systems;
- Energy metering and control systems;
- management and production facilities;;
- metrological maintenance.



2.2. Finances

Basic provisions of the accounting policy

The provision “On the Company’s Accounting Policy” was 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 December 6, 2011. No. 402-FZ “On Accounting”, the Provisions on accounting and financial reporting in the Russian Federation, approved by the order No.34n of the Ministry of Finance of the Russian Federation of June 29, 1998, the Plan of Bookkeeping Accounts approved by the order No.94n of the Ministry of Finance of the Russian Federation of October 31, 2000 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;
- sequential application of the accounting policy.

To accept the assets and liabilities for accounting the Company performs 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 branches of the Company is valued at the prime cost of manufacturing (the actual costs associated with the production of the property);
- tangible assets, write-off of the remaining fixed assets and equipment, spare parts unfit for recovery and further use, 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 for free and assets identified during the inventory of assets and liabilities is valued at fair market value on the date of acceptance of this 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.

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

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

For those investments where the current market value may be determined in the prescribed manner corrections are made to the registered cost value bringing it up to the market cost value.

Inventory of assets and liabilities is performed by the Company in accordance with Article 11 of the Federal Law of December 06, 2011 No. 402-FZ “On Accounting” and the Guidelines for the inventory of assets and liabilities, approved by the order No. 49 of the Ministry of Finance of June 13, 1995.

Assets for which the following conditions are met simultaneously are recognized as fixed by the Company:

- they are planned to be used in production, operations, 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 exists, and the organization has no intention to resell the assets.

Assets for which the above conditions are met, and the value is below 40,000 rub. per unit are recorded in the inventory, with the exception of electrical equipment, motor vehicles, mobile and portable radios, backup power sources. In order to ensure the safety of these facilities in production or operation, quantitative accounting will be employed.

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

The Company employs 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” (RAS 14/2007) approved by the order No.153H of December 27, 2007 of the Ministry of Finance of the Russian Federation.

Intangible assets will not be revaluated.

Accounting for the R&D activities of the Company is performed in accordance with the Accounting Provisions “Accounting for R&D activities” (RAS 17/02), approved by the order No.115 of November 19, 2002 of the Ministry of Finance of the Russian Federation. Deduction of R&D expenses is performed via the 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 of an exchange, obligation extinction or increasing the current market value are recognized by the Company as 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 the investments if they have been incurred prior to or at the time of accounting and are written off to other expenses, if they are incurred after financial investments accounting.

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

The uniform cost with use period exceeding 12 months is deducted through linear method based on the useful life determined in accordance with regulations. The deduction is performed starting with the month the uniform was issued.

Inventories written off in production, sold externally, retiring on other grounds, including by transfer between the branches and within the branch are valued at the average cost of each reserve type using the database in the local accounting and tax department.

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

Inventories (including spare parts), debited as a result of withdrawals from fixed assets at the recovery stage, are recognized as other income, and are evaluated at the cost values of the most recent acquisitions of similar parts taking into account the actual wear level of debited objects (not below the cost value of scrap metal), and if such information is not available — at the current market value. The Company divides its earnings into income from ordinary activities and other income.

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

- income from power transmission services;
- income from technological connection to the grid services provision;
- lease income;
- income from other activities and services:
- of industrial nature;
- of non-industrial nature.

Other income includes all income not related to ordinary activities and services provision.

All income of the Company, in accordance with the accrual method, is to be recognized in the accounting period when it was generated, regardless of the actual time the funds associated with these facts were received.

Costs incurred by the Company in the reporting year but attributable to the next reporting periods, are reflected in the balance sheet in accordance with the terms of the recognition of the assets, determined by normative legal acts on accounting, and should be written off in the order established to allocate the cost of assets of this type.

Significant commercial expenses are recognized by the Company in the accounting statements.

The Company creates its reserve capital from its profit according to the Constituent documents and the resolution of the founders (shareholders).

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

The amounts of assets cost gain from the revaluation are used for discounting those property items that were subject to final appraisal, and only up to the amount accumulated by each individual inventory item. At the time of an object dismissal (for any reason) the aggregated sum from revaluations is deducted to retained earnings of the Company.

Accounts payable to suppliers of goods 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 borrowings are recognized as other expenses of the respective reporting period. The exception to this procedure is the interest on borrowings to be included in the cost value of investment assets.

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

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

The Company recognizes the evaluation liability for the 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 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 are included in the financial statement of the Company.

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 subjects on taxes and levies and local legislative acts on taxes and levies.

For the purposes of the income tax the recognition of revenues and expenses by the accrual method is applied.

The Company does not perform profit distribution in each separate unit in one subject of the Russian Federation, but pays corporate income tax to the budget of the subject of the Russian

Federation through a separate unit in charge for all units that are registered for tax purposes in the same region of Russia.

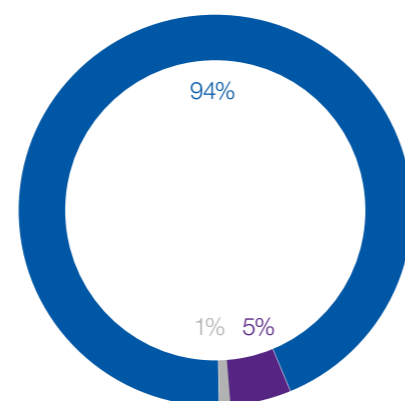
Financial situation analysis and operational results

In 2013 the Company took specific measures to compensate the 2012 losses particularly to minimize intramural expenditure. The original business plan included a breakeven mode of operation, financial and liquidity activities improvement and enforcing financial sustainability.

At the end of 2013, net profit of the Company totalled 27 mln rub., which is 3, 331 mln higher as compared to the year 2012. As of the year-end 2012, the loss amounted to 3, 303 mln rub. Revenues from the services pertaining to power transmission 25, 881.6 mln rub.

In 2013 total revenue volume of IDGC of the South, JSC amounted to 27,426 mln rub., which is 3,962 mln rub. (17%) higher as compared to the previous year. Revenues from power transmission constitute the largest portion (94%):

Revenues structure of IDGC of the South, JSC in the year 2013



- Power transmission
- Technological connection
- Other key activities

Financial results and operating rate of the Company, mln rub.

Index	2010	2011	2012	2013	Deviation (against 2013-2012)	
					abs.	%
Sales proceeds	21,976	24,356	23,464	27,426	3,962	16.9%
from power transmission services	20,958	22,688	21,363	25,882	4,519	21.2%
from technological connection services	292	1,464	1,954	1,424	-529	-27.1%
Prime cost	19,423	20,068	21,056	23,351	2,295	10.9%
from power transmission services	18,699	19,760	20,425	23,002	2,577	12.6%
from technological connection services	134	181	509	240	-269	-52.8%
Net profit	2,553	4,288	2,408	4,075	1,666	69.2%
Management expenses	587	751	876	657	-219	-25.0%
Sales proceeds (losses)	1,966	3,537	1,532	3,418	1,885	123.0%
Interest to receive	7	14	18	46	28	154.4%
Interest to pay	1,733	1,493	1,622	1,853	231	14.3%
Income from participation in other organizations	0	0	64	1	-63	-98.9%
Other income	773	1,056	1,302	2,982	1,680	129.0%
Other expenses	4,294	2,684	4,756	4,205	-551	-11.6%
Income (loss) before tax	-3,280	430	-3,461	388	3,849	-111.2%
Profit tax and other similar mandatory payments	-241	349	-158	360	518	-328.1%
Net profit (loss)	-3,411*	81	-3,303	27	3,331	0.8%
from power transmission services	-3,547	-847	-632.4	-976.9	-345	54.5%
from technological connection services	211	862	643	1066.9	424	65.9%

* Adjustment of the Company's financial performance in 2012, retrospectively.

Revenue from the services pertaining to technological connection as of year-end 2013 amounted to 1 424 mln rub., which is 529 mln rub. higher, or 27.1% less than the revenue from the services pertaining to technological connection at the end of 2012. Present decrease is due to the implementation of major technological connection of counter partner CJSC KTK-R in the branch of Kalmenerego in the year 2012.

Actual expenses of IDGC of the South, JSC at the end of 2013 amounted to 23, 351 mln rub. which exceeds expense amount for the year 2012 being 21,056 mln rub. The rise in expenses amounted to 2,295 mln rub., or 11%, of which 2 577 mln rub., or 12.6% is due to costs pertaining to power transmission.

Cost of technological connection decreased, as compared to the actual data as of the year 2012, for the amount of 269 mln rub., or 52.8%.

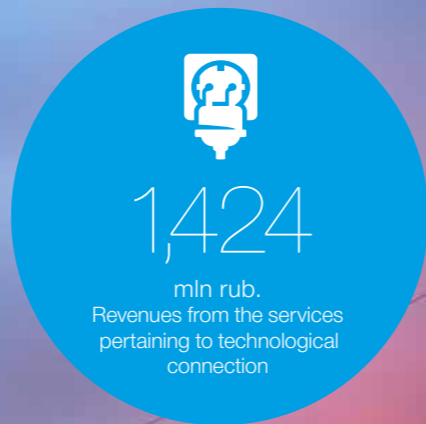
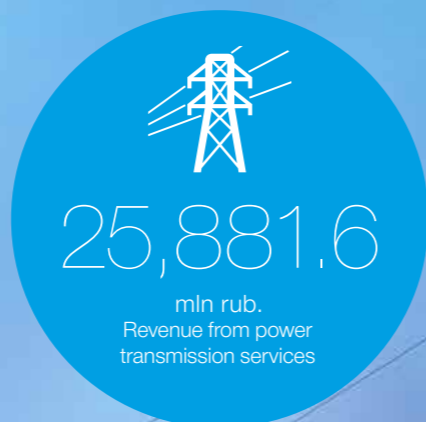
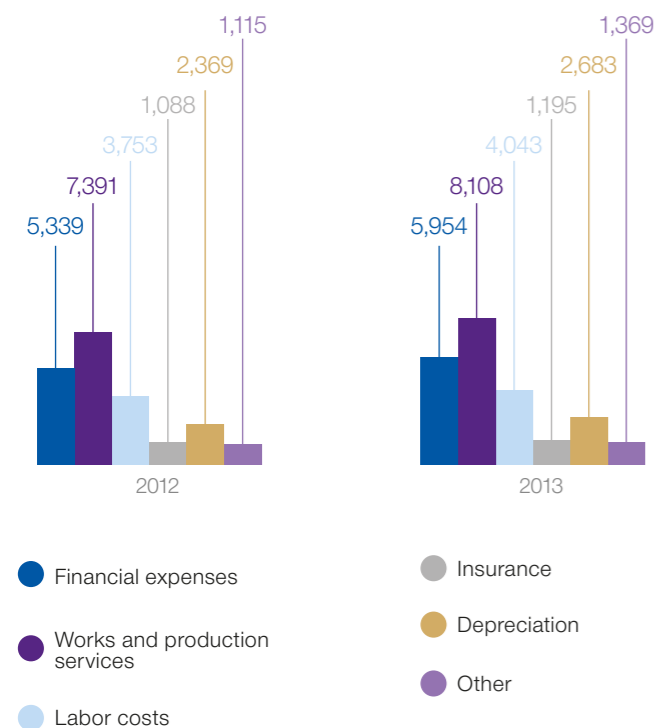
Cost value dynamics of IDGC of the South, JSC mln rub.

Description of expenses item	2010	2011	2012	2013	Deviation (2013-2012)	
					abs.	%
Expenses on production and sales of products	19,423	20,068	21,056	23,351	2,295	11%
Tangible costs	5,099	5,277	5,339	5,954	615	12%
Work and production services	6,280	7,008	7,391	8,108	717	10%
Labor costs	3,781	3,458	3,753	4,043	290	8%
Insurance premiums	912	1,110	1,088	1,195	107	10%
Depreciation	2,145	2,190	2,369	2,683	314	13%
Others	1,206	1,025	1,115	1,369	254	23%

In the Company's cost structure the main cost increase, as compared to the year 2012, is observed under the following expense items:

- increase of financial expenses for the amount of 615 mln rub., or 12%, is mainly due to the rise in the energy costs to compensate losses in the year 2013 for the amount of 544 mln rub., or 12.7%;
- increase in the «work and production services» item for the amount of 717 mln rub., or 10%. Maximum deviation was recorded in the area of power transmission through UNPG grids — increase for the amount of 520 mln rub. and through the grids of third parties (TGO) — for the amount of 128 mln rub.;
- expenses growth on remuneration for the amount of 290 mln rub., or 8%, at the expense of tariff rates (salaries) adjustment 6.6%, effected in accordance with the Clause 3.3 of the Tariff Agreement for the power industry as well as at the expense of the transfer to the new Compensation and Benefit Policy and Remunerative Incentives Policy of the branches of IDGC of the South, JSC — for 0.6%;
- growth in the «Depreciation» item for the amount of 314 mln rub., or 13%, which is due to the fulfillment of the investment program measures.

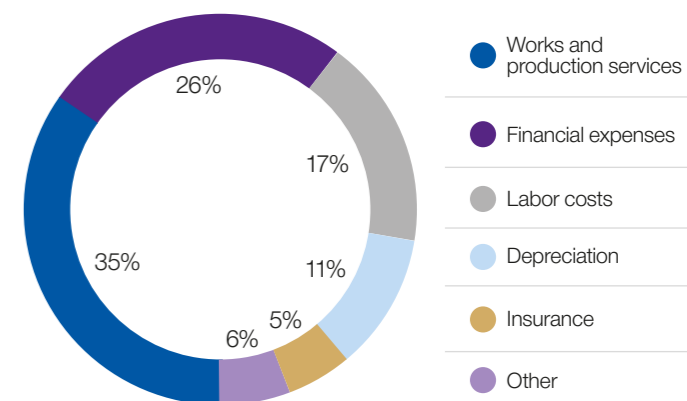
Expenses structure of IDGC of the South, JSC in the years 2012 and 2013, mln rub.



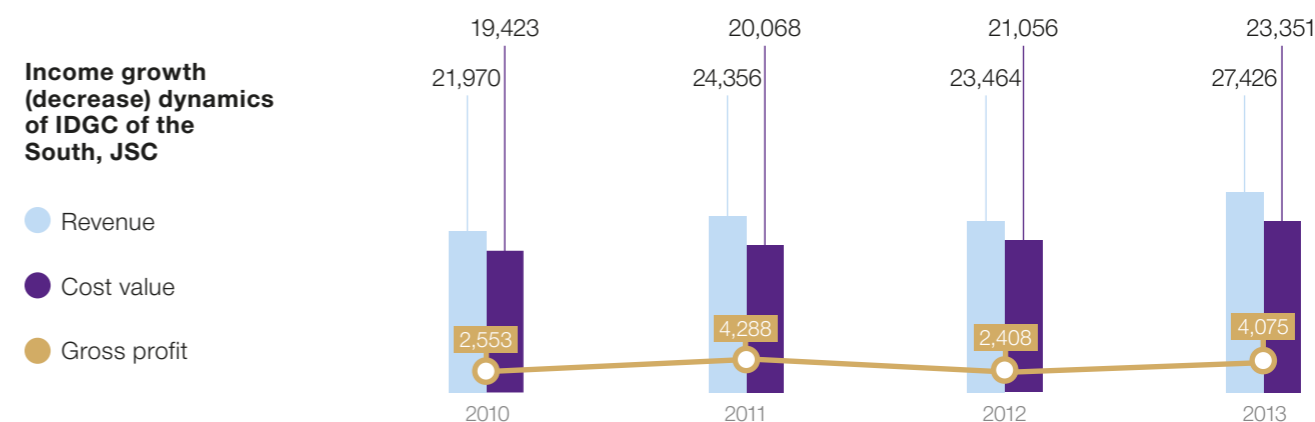
At the end of 2013, the major expenses of IDGC of the South, JSC (61%) constituted:

- production works and services (35%): services of grid organizations pertaining to power transmission, services of FGC UES, JSC expenses on fulfillment of repair and maintenance program, maintenance of fixed assets in operable condition, as well as services pertaining to HSE;
- tangible costs (26%): purchased energy to compensate energy losses and economic needs, materials, fuel and lubricants, necessary for production operations of the Company.

Expenses structure in 2013



Actual gross profit of the Company as of the year 2013 is 1,667 mln rub. higher as compared to the previous year.



Distribution of net profit according to assignments

Name of indicator	Distribution of profit			
	2010	2011	2012	2013
Net profit (thous. RUB)	-3,410,983	80,819	-3,302,948	27,190
Reserve fund (thous. RUB)	—	5,869	—	—
Accumulation fund (thous. RUB)	—	74,950	—	—
Dividends (thous. RUB.)	—	—	—	—
Profit allocation for current-year investments (thous. RUB.)	—	—	—	—
Dividends per 1 share, kop.	—	—	—	—

At the end of 2013 net profit allocation will be effected based on the results of the annual meeting of shareholders.

Main indicators of the Balance sheet mln rub.

Indicator	Line code	31.12.2011	31.12.2012	31.12.2013
ASSET				
I. NON-CURRENT ASSETS				
R&D results, including:	1120	26	54	81
Fixed assets	1150	28,928	31,302	31,617
Financial investments	1170	419	245	220
Deferred tax assets	1180	161	196	281
Other non-current assets	1190	746	598	492
TOTAL on section I	1100	30,279	32,396	32,692
II. CURRENT ASSETS				
Reserves, including	1210	1,064	1,161	1,228
Accounts receivable	1230	7,944	8,263	11,483
Payments expected in more than 12 months after the reporting date	1231	466	351	221
Payments expected during 12 months after the reporting date	1232	7,478	7,912	11,262
Monetary funds and monetary equivalents	1250	1,404	1,739	1,177
TOTAL for section II	1200	10,582	11,447	13,968
BALANCE	1600	40,862	43,843	46,659
LIABILITIES				
III. CAPITAL AND RESERVES				
Equity capital (share capital, equity fund, contributions of partners)	1310	4,981	4,981	4,981
Revaluation of non-current assets	1340	14,758	14,745	14,727
Reserve capital	1360	143	149	149
Undistributed profit (uncovered loss)	1370	(4,582)	(7,878)	(7,833)
of previous years	1371	(4,582)	(7,878)	(7,860)
of the reporting period	1372			27
TOTAL for section III	1300	15,299	11,996	12,024
IV. LONG-TERM LIABILITIES				
Loaned funds	1410	13,750	16,500	13,241
TOTAL for section IV	1400	16,776	16,799	13,550
V. SHORT-TERM LIABILITIES				
Loaned funds	1510	2,839	2,842	8,748
Accounts payable	1520	5,408	10,462	10,969
Estimated liabilities	1540	470	1,682	1,314
TOTAL for section V	1500	8,786	15,047	21,085
BALANCE	1700	40,862	43,843	46,659

Fixed assets make up the greatest portion in the structure of assets. Their specific value amounts to 67.7 % together with the construction in progress. This is due to the specificities of the industry.

In the structure of liabilities, the major portion takes the long-term loaned funds, totalling 28.4%. However, the share of own funds is quite high: share capital and additional capital, retained profits and undistributed profits and losses total to 25.8 %.

Ratio of Efficiency, Liquidity, Profitability and Financial Stability

Indicator	Meas. unit	2010	2011	2012	2013	Deviation to 2012
ROE	%	- 18.38%	0.01%	- 22.66%	0.23	22.89
Sales profitability	%	8.95%	14.52%	6.53%	12.46%	- 6.41
ROTA	%	- 8.86%	1.05%	- 7.89%	0.83%	- 7.88
Current liquidity ratio*		0.49	1.20	0.76	0.66	- 0.1
Quick liquidity ratio*		0.42	1.02	0.64	0.59	- 0.05
Absolute liquidity ratio*		0.0196	0.16	0.12	0.06	- 0.06
Equity Ratio (Financial Independence)		0.411	0.374	0.274	0.26	- 0.014
Working Capital Ratio		- 1.41	0.13	- 0.35	-0.53	- 0.18
Correlation of the accounts receivable and accounts payable		1.140	0.976	0.79	1.047	0.257
Correlation of own and borrowed funds		0.698	0.599	0.377	0.347	-0.03
EBITDA	Mln rub.	244.33	4,179.37	560.794	4,916.70	4,355.91
Total Debt to EBITDA		57.98	3.97	34.49	4.47	- 30.02
EBITDA profitability	%	4.5	17.2	2.4	17.9	15.5

* Liquidity ratios calculated in accordance with the Credit policy

In general, all the indicators tend to decrease, which confirms current position of the Company. Decrease in liquidity was caused by the growth of accounts receivable due to non-fulfillment by guaranteeing suppliers and power sales companies of the contract obligations which resulted in the growth of accounts payable and raised credits.

The reporting period was marked by growth in EBITDA, in proportion to the financial result and consequently, Total Debt to EBITDA.

Year 2013, compared to 2012, saw increase in profitability. Thus, the return on equity describes the level of profitability of owned capital, which is of the greatest interest for shareholders, and is one of the main indicators of investment potential of an

enterprise. ROTA indicator (return on total assets) shows the total yield, in relation to total assets of the Company. EBITDA margin shows the company's profitability before various deductions (interest, taxes, amortization), i.e. on EBITDA.

Dynamics and structure of accounts payable and receivable of the Company

Year 2013 saw an increase in accounts receivable compared to 2012 by 3,220 mln rub. and, as a consequence, growth of the volume of loaned funds by 2,647 mln rub.

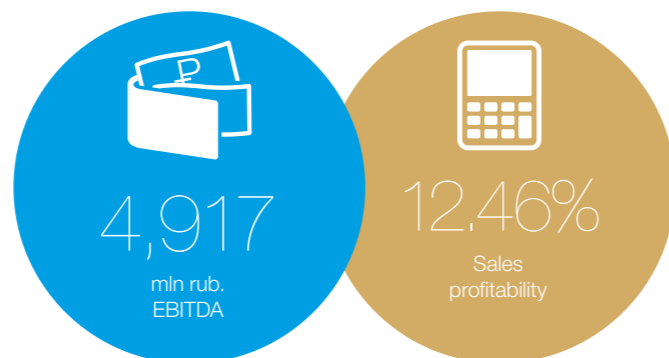
Increase in accounts payable totaled 507 mln rub.

Dynamics and Structure of the Company's Receivables

Item	As of the end of 2011	As of the end of 2012	As of the end of 2013	Deviation against the previous year, RUB thous
Total Long-Term:	577,372	351,114	220,572	-130,542
Including buyers and customers	31,542	14,519	2,726	-11,793
Advanced payments	853	16,368	11,688	-4,680
Other debtors	544,977	320,227	206,158	-114,069
Total short-term:	8,353,074	7,911,754	11,261,855	3,350,101
Including buyers and customers	6,592,443	6,307,790	10,285,579	3,977,789
Advanced payments	700,407	117,932	69,888	-48,044
Other debtors	1,060,224	1,486,032	906,388	-579,644
Total	8,930,446	8,262,868	11,482,427	3,219,559

Comparing to 2012, receivables in 2013 increased by 3,219,59 thous. rub. The largest share in the structure of the accounts receivable is taken by the short-term debt — 98.1 %.

In the short-term receivables, the largest share of receivables is taken by the buyers and customers, amounting to 89.6%, equivalent to 10,258,579 thous. rub. Comparing to the same period in 2012 receivables as of December, 31, 2013 increased by 3,977,789 thous. rub.



Dynamics and Structure of the Company's Liabilities, thous. rub.

Item	As of the End of 2011	H As of the End of 2012	As of the End of 2013	Deviation against the previous year, RUB thous
Long-term liabilities				
Total	16,791,279	16,500,000	13,241,321	-3,258,679
Loans and credits	14,062,900	16,500,000	13,241,321	-3,258,679
Other long-term liabilities, including	2,728,379	0	0	0
To suppliers and contractors	4,715	0	0	0
Other long-term liabilities	2,723,664	0	0	0
Short-term liabilities				
Total	7,932,169	13,303,949	19,716,887	6,412,938
Loans and credits	2,526,220	2,841,890	8,748,032	5,906,142
Accounts payable, including	5,405,949	10,462,059	10,968,855	506,796
To suppliers and contractors	2,967,061	5,092,305	6,989,965	1,897,660
Personnel salary debts	188,665	10,888	197,138	186,250
Debts towards State and extra-budget funds	84,023	106,084	104,136	-1,948
Tax and levies debts	88,363	37,530	445,506	407,976
Advanced payments received	1,801,147	1,752,790	1,292,226	-460,564
Other creditors	276,690	3,462,462	1,939,884	-1,522,578
Total	24,723,448	29,803,949	32,958,208	3,154,259

According to the results of 2013, Company's liabilities increased by 3,154,259 thous. rub.

Long-term liabilities decreased by 3,258,679 thous. rub. Short-term liabilities increased as a whole by 6,412,938 thous. rub., or by 48.2%, where 1,897,660 thous. rub. (37.3%) is attributed to growth of debts to suppliers and contractors.

The growth of Company's short-term liabilities in Loans and Credits for 5,906,142 thous. rub. relates to transition of long-term liabilities on credits and loans to the short-term category (according to item 19 of PoA 4/99).

Basically, all indicators of business activity of the Company tend to increase. Significant excess of accounts receivable over accounts payable threatens financial stability of the Company. The main reason for growth of accounts receivable is the payment discipline violations from the part of guaranteeing suppliers and power sales companies.

Dynamics of business activity indices

Item	As of the End of 2011	As of the End of 2012	As of the End of 2013	Deviation from the Previous Year
Correlation of Growth Rates of Accounts Receivable and Accounts Payable	1.13	0.54	1.33	0.79
Correlation of Total Accounts Receivable and Accounts Payable	0.98	0.79	1.05	0.26
Correlation of the Most Liquid Accounts Receivable and Accounts Payable	2.09	1.39	1.52	0.13

Structure and Dynamics of the Credit Portfolio of IDGC of the South, JSC, RUB thous

Credit (loan) type/debt source	2011	2012	2013	Share in the common liabilities' structure
Short-term credits	2,400,000	2,400,000	3,750,000	17%
Long-term credits	9,192,322	11,942,322	13,241,321	61%
Promissory note of IDGC of the South, JSC	312,900	312,900	312,900	1%
Bond loan	4,557,678	4,557,678	4,557,678	21%
Total	16,462,900	19,212,900	21,861,899	100%

Bond loan

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

Issue volume — 6 mln pcs of the face value 1,000 rub. each.

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

Date of issue — September 01, 2009. The emission is distributed in full.

The maturity of the bond loan — 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 raises medium-and long-term loans (from 3 years) to refinance previous loans and finance the investment program of the Company.

Comparing to the beginning of the current year, average weighted interest rates decreased from 9.17 to 8.99% (including the debenture loan) and from 9.51 to 9.23 % (excluding the bond loan). This decrease is due to the substitution of highest-interest loans with reduced-interest loans, thus reducing the interest burden on the Company.

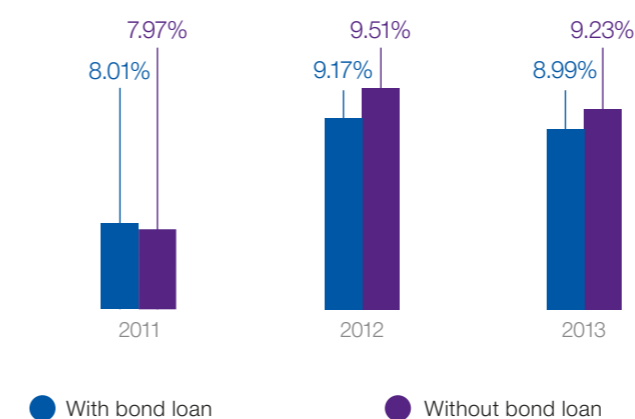
At the end of 2013, the Company owns bonds for the amount of 1,442,322 thous. rub.

Analysis of results for 2013

Thus, all indices in 2013 demonstrated positive trend, thanks to quality performance of the Company management.

However the negative trend in some items of the receivables in 2013 continued, receivables turnover totalled 154 days against 74 planned. Receivables grew by 39% in comparison with the beginning of the year. Increase of accounts receivable for services for power transmission was due to non-performance by counterparties, especially by guaranteeing suppliers and power supply companies, of their contractual obligations in terms of payments, as well as discrepancies in the calculations.

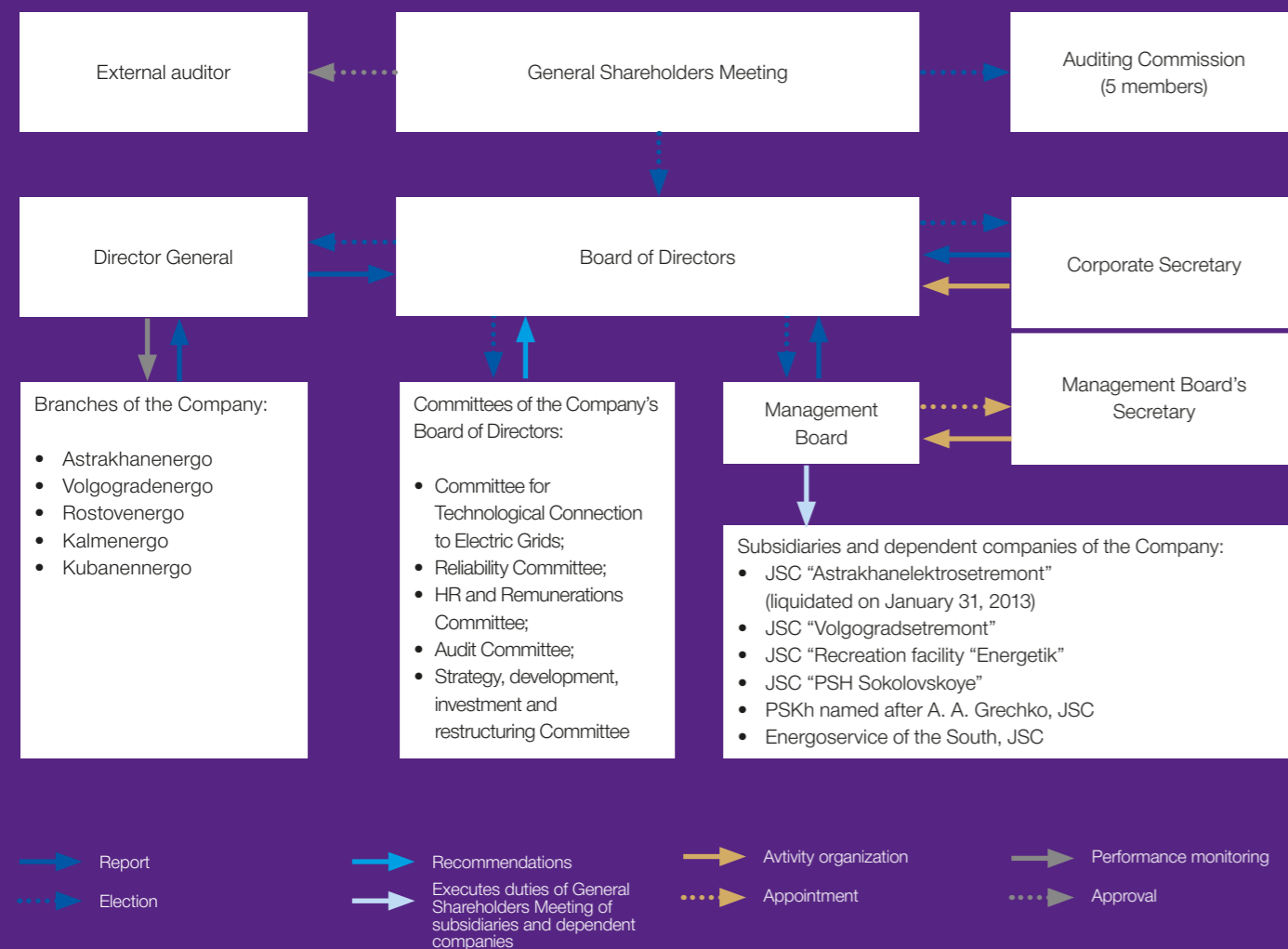
Dynamics of the Weighted Average Interest Rate for Loaned Funds Service



Section 3

Corporate governance

Corporate governance of IDGC of the south, JSC



3.1. 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 sees corporate governance as a tool of improving business efficiency, enhancing its reputation and reducing costs 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:

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.

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 entire 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 in the Internet at: www.mrsk-yuga.ru.



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

On November 18, 2013 a non-profit partnership Russian Institute of Directors assigned IDCG of the South, JSC corporate governance rating equivalent to 7, which stands for Developed Practice of Corporate Governance, according to the scale of the National corporate governance rating.

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 at the corporate website of the Company in the Internet at: http://mrsk-yuga.ru/stock/corporate_management/reiting/.

General Shareholders Meeting

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

The Company conducts an annual General Shareholders Meeting every year 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 Shareholders Meeting 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 Shareholders Meeting is shown in the article 10 of the Charter of IDGC of the South, JSC, which is available at the web-site of the Company in the Internet.

In 2013, the Company held the annual General Shareholders Meeting on June 25, 2013 (in accordance with the requirements of the Federal Law On joint-stock companies and the Charter of the Company).

On December 18, 2013, IDGC of the South, JSC received a claim of a Company's shareholder Russian Grids, JSC, owning more than 10% of the voting shares of the Company of convocation of an Extraordinary General Shareholders Meeting of IDGC of the South, JSC and putting on agenda an issue of early termination of office of the members of the Company's Board of Directors and election of the members of the Company's Board of Directors, and early termination of office of the members of the Company's Auditing Commission and election of the members of the Company's Auditing Commission.

Based on the decision of the Board of Directors of the Company dated December 20, 2013, an extraordinary General Shareholders Meeting of IDGC of the South, JSC, convened on 14 March 2014.

The full text of the Resolutions of the General Meetings of Shareholders of the Company can be found at the website of the Company in the 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 Shareholders Meeting 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 Shareholders Meeting of IDGC of the South, JSC.

The Board of Directors of the Company

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

Number of the members of the Board of Directors of the Company according to section 16.1 of Article 16 of the Charter of the Company, equals to 11 (eleven) people.

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

- to determine the priority directions of the Company's business activities and the Company's development strategy;
- to call annual and extraordinary General Shareholders Meetings of the Company as well as to inform about the date of the forthcoming General Shareholders Meeting to be held instead of a Meeting declared invalid due to absence of quorum, to approve of agenda of the General Shareholders Meeting;
- 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 labor contract with him on an early basis;
- to review the reports of Director General regarding the Company's activity (including reports on his or her own performance) and on compliance with the decisions adopted by the General Shareholders Meeting and the Board of Directors of the Company;
- to determine the number of the members of the Company's Management Board, to elect the 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 of the Company are described in the Charter of IDGC of the South, JSC in the Provision on Preparing and holding the General Shareholders Meeting.

The Company believes that the presence of independent directors in the Board of Directors is an important factor. In addition, the Board of Directors of the Company elected A.V. Shevchuk and I.N. Repin, representatives of a non-profit organization Investor Protection Association which serves as an additional guarantee of protection of interests of minority shareholders.

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

Procedure of convoking of the Board of Directors meetings and inclusion of issues to 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 in the Internet.

In 2013, the Company's governance was performed by two sets of the Boards of Directors of IDGC of the South, JSC that corresponded to the requirements of MICEX, LLC trade organizer to maintain securities of the Company in B quotation list.

The Board of Directors acting till the annual General Meeting of Shareholders, term of powers is from August 24, 2012 to June 26, 2013 (titles are indicated at the time of the election):

Valery Anatolyevich Goncharov, Chairman
Deputy Chairman of the Management Board of FGC UES, JSC, Deputy Executive Director for investment activity of IDGC Holding, JSC

Sergey Aleksandrovich Arkhipov
Director General of IDGC of the South, JSC

Aleksandr Markovich Branis
Director of Prosperity Capital Management (RF) Ltd

Fedor Aleksandrovich Dyakov
Director General of the South Branch of Trunk Power Grids of FGC UES, JSC

Anna Yurievna Katina
Deputy Head of the Department for Corporate Governance and Shareholder Relations of IDGC Holding, JSC

Valeria Dmitrievna Kuvaeva
Consultant of the Department for Corporate Governance, Pricing and Auditing of the Energy Sector of the Ministry of Energy of the Russian Federation.

Aleksandr Mikhailovich Osipov
Vice-President of the All-Russian Public Organization Business Russia, Chairman of the Expert Council

Egor Vyacheslavovich Prokhorov
Chief Finance Officer of FGC UES, JSC; Chief Finance Officer of IDGC Holding, JSC

Roman Alekseevich Filkin
Co-director, electric power industry, engineering industry, of the Representative office of Prosperity Capital Management (RF), Ltd.

Aleksandr Viktorovich Shevchuk
Deputy Executive Director of a non-profit organization Investor Protection Association

Igor Nikolaevich Repin
Non-profit organization Investor Protection Association, Deputy Executive Director

The Board of Directors elected by the annual General Shareholders Meeting of IDGC of the South, JSC on June 25, 2013, Minutes No.9 dated June 26, 2013 (titles are indicated as of the date of nomination):



Dmitry Mikhailovich Gurevich

Chairman of the Board of Directors of IDGC of South, JSC, Deputy Executive Director of IDGC holding, JSC

Year of birth: 1971

Nationality: Russia

Higher education:

- Leningrad State Electrotechnical Institute named after M.A. Bonch-Bruевич, profession Radio Engineering.

Extended education:

- MBA from the St. Petersburg international management Institute (IMISP) and Master Certificate of the University of G.Washington in project management.

Titles in the last 5 years:

- Director General of Roszheldorproject, JSC;
- Director of Telecommunications of FGC UES, JSC;
- Member of the Board of Directors of Moscow Communication Center of Power Industry, JSC, member of the Board of Directors of Chitatechnoenergo, JSC, IT Energy Service, JSC
- Director of Telecommunications and Information Technologies of FGC UES, JSC;
- Member of the Board of FGC UES, JSC;
- Deputy Chairman of FGC UES, JSC;
- Deputy Executive Director (part-time) of IDGC Holding, JSC, Russian Grids, JSC;
- Member of the Board of Directors of IDGC of the Central and Volga Regions, JSC.



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 the Representative office of Prosperity Capital Management (RF), Ltd.;
- Specialist in asset management for private pension funds at Prosperity Capital Management, CJSC;
- Member of the Board of Directors of TGC-6, TGC-4, TGC-2 JSCs;
- Director of the Analytical Department of Representative office of Prosperity Capital Management (RF), Ltd.;
- Member of the Board of Directors of Sevzapelectrosetstroy, JSC; Zavod Saransk-kabel, JSC; IDGC of the Central Region, JSC; Bashkirenergo, JSC; Prokatmontazh, JSC; Bashkirenergo, Novgorod Energy Sales Company, JSC;
- Director General, 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..



Vladimir Frantishkovich Vashkevich

Member of the Board of IDGC of the South, JSC, Director General of IDGC of the South, JSC

Year of birth: 1972

Nationality: Russia

Higher education:

- Yu. Andropov Leningrad Higher Military Political School of Air Defence, profession Command Tactical Air Defence;
- Saint-Petersburg State University, profession Law;
- Kuban State Technical University, profession Power Supply, qualification Engineer.

Extended education:

- professional development in the non-state educational institution of additional professional education SpetsProekt Training center, program Official Secrets Protection.

Titles in the last 5 years:

- Deputy Director General for Materials and Equipment, Acting Director General of Elektrogaz, JSC; Deputy Director General for Materials and Equipment at Elektrogaz, JSC;
- Deputy Director General for General Affairs of Elektrogaz, JSC;
- Acting Deputy Director General of IDGC of the South, JSC;
- Deputy Director General for Capital Construction, Board Member of IDGC of the South, JSC;
- Member of the Strategy, Development, Investments and Reform Committee of Board of Directors of IDGC of the South, JSC;
- Acting Director General, Chairman of the Management Board of IDGC of the South, JSC.



Pavel Yurievich Korsunov

Member of the Board of Directors of IDGC of the South, JSC, Director General of R&D Center at UES FGC, JSC

Year of birth: 1971

Nationality: Russia

Higher education:

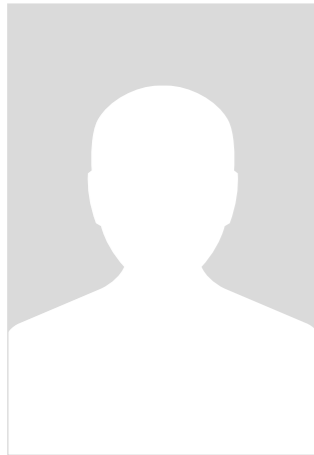
- Moscow Engineering and Physics Institute.
- Ph.D. in Economics.

Extended education:

- Institute of financial and banking retraining and advanced training of managerial staff of the Financial Academy under the Government of the Russian Federation, Economist in Banking and Insurance.

Titles in the last 5 years:

- Deputy Director General of Nerudresurs LLC;
- Director General of R&D Center at UES FGC, JSC;
- Deputy Director General for innovative development, Russian Grids, JSC (part-time).



Khasan Mushtafaevich Likhov

Member of the Board of Directors, IDGC of the South, JSC, Deputy Director of the Department for Corporate Governance, Price Environment and Control and Revision in Fuel and Power Industry of the Ministry of Energy Russia

Year of birth: 1983
Nationality: Russia



Ruslan Raisovich Magadeev

Member of the Board of Directors, IDGC of the South, JSC, Head of the Department for Operational and Technological Management of IDGC holding, JSC

Year of birth: 1977
Nationality: Russia



Igor Nikolaevich Repin

Member 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



Aleksandr Viktorovich Solod

Member of the Board of Directors of IDGC of the South, JSC, Deputy Chief Engineer of FGC UES, JSC

Year of birth: 1976
Nationality: Russia

Higher education:

- Academy of Economic Security of the Ministry of Interior of Russia

Titles in the last 5 years:

- Deputy Director of the Department of Economic and Property Regulation in Fuel and Power Industry of the Ministry of Energy Russia;
- Member of the Board of Directors of Kubanenergo JSC, Dagenergoset JSC, Nurenergo JSC, Kabbalkges JSC, KamGEK JSC, Kabbalkenergo JSC, DVUEK JSC, Ust-Srednekanskaya HPP JSC, IDGC of North Caucasus, JSC.

Higher education:

- G.I.Nosov State Technical University in Magnitogorsk, profession Electric Engineer, Power Supply of Industrial Enterprises.

Extended education:

- MCC Energy, Saint-Petersburg; RAO UES of Russia, JSC, Branch of SO UES JSC, Interregional Dispatching Office of the North Caucasus

Titles in the last 5 years:

- Head of the Department for Operational and Technological Management, Head of the Division for Operational and Technological Management of IDGC of Centre, JSC (until 2008 — IDGC of Center and North Caucasus, JSC);
- Head of the Department for Operational and Technological Management of IDGC Holding, JSC;
- Director of the Department for Development of Operational and Technological Management of Russian Grids, JSC.

Higher education:

- Moscow State University, Faculty of Geography, profession Land Hydrology.

Extended education:

- Federal Commission for the Securities Market of Russia (a certificate of the 1st category). Higher School of Economics, training program for the members of the Board of Directors of the Company.
- Russian Legal Academy of the Ministry of Justice of the Russian Federation, comprehensive program of arbitration managers' training.

Titles in the last 5 years:

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

Higher education:

- Novocherkassk Polytechnic Institute, profession Electric Systems and Grids, qualification Electric Engineer.

Extended education:

- Pyatigorsk State Linguistic University, Moscow Energy University.

Titles in the last 5 years:

- Deputy Chief Engineer of the South branch of Glavsetservis Federal Grid Company, JSC;
- Director for Investments and Assets of the South Branch of FGC UES MES, JSC;
- Deputy Director General — Executive Director of the South Branch of Glavsetservis Federal Grid Company JSC;
- Deputy Director General for Technical Maintenance and Repair of the South Branch of FGC UES MES, JSC;
- Deputy Chief Engineer of FGC UES, JSC;
- Director of the Branch of FGC UES, JSC — Sochi enterprises of the main power grids;
- Director General of the Branch of FGC UES, JSC — enterprises of the main power networks of the South.



Roman Alekseevich Filkin

Member of the Board of Directors of IDGC of the South, JSC, Co-director, electric power industry, engineering industry, of Representative office of the 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, profession 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; Mosenergosetstroy, JSC; Oryol Retail Company, JSC; Kursk Energy Company, JSC; Territorial Generating Company No. 2, JSC; Voronezh Energy Retail Company, JSC; Novgorodsetstroy, JSC; Chemical-Pharmaceutical Plant Akrikhin, JSC; Smolenskenergosbyt, JSC; Tambov Energy Retail Company, JSC; Krasniy Kotelschik, SCC.

- Member of the Board of Directors of Dalenergmontazh, NE OJSC; NOVGORODOBLKOMUNELEKTRO, JSC; Energospetsmontazh, JSC; Bank Southern Region, JSC; Spetssetstroy, 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; Dalenergmontazh, JSC; Smolensk Energy Company, JSC; Kurgan Machine-Building Plant, JSC.
- Member of the Strategy, Development, Investments and Restructuring Committee; Member of the Auditing Commission; Member of Human Resources and Rewards Committee of the Board of Directors of IDGC of the South, JSC.



Aleksandr Viktorovich Shevchuk

Member 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:

- Financial Academy under the Government of the Russian Federation, profession Finance and Credit.

Titles in the last 5 years:

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



Oksana Vladimirovna Shatokhina

Member of the Board of Directors of IDGC of the South, JSC, Director of Economy of IDGC holding, JSC

Year of birth: 1975

Nationality: Russia

Higher education:

- Finance Academy under the Government of the Russian Federation, profession Finance and Credit, qualification Economist.

Titles in the last 5 years:

- First Deputy Head of the Department of Economic Planning and Budgeting of FGC UES, JSC;
- Head of the Department of Economic Planning and Budgeting of FGC UES, JSC;
- Director for Economy of FGC UES, JSC;
- Director for Economy of IDGC Holding, JSC;
- Deputy General Director for Economy and Finance of Russian Grids, JSC.

The members of the Board of Directors of the Company either do not own shares in IDGC of the South, JSC, shares in subsidiaries/affiliates 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 2013

During the reporting year 2013, 21 meeting of the Board of Directors have been held in absentia, and more than 250 issues were considered.

Information on participation of the members in the meetings of the Board of Directors held in 2013:

2013 (to 25.06)	14.02	26.02	06.03	28.03	11.04	14.05	15.05	31.05	11.06
S.A. Arkhipov									
A.M. Branis									
F.A. Dyakov									
V.A. Goncharov									
A. Y. Katina									
V.D. Kuvaeva									
A.M. Osipov									
E.V. Prokhorov									
I.N. Repin									
R.A. Filkin.									
A.V. Shevchuk									

2013 (after 25.06)	02.08	15.08	30.08	10.09	30.09	15.10	31.10	15.11	29.11	19.12	20.12	28.12
D.M. Gurevich												
R.R. Magadeev												
A.M. Branis												
V.F. Vashkevich												
P.Y. Korsunov												
K.M. Likhov												
A.V. Solod												
O.V. Shatokhina												
I.N. Repin												
R.A. Filkin												
A.V. Shevchuk												

■ participation in the meeting

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

Obtaining data on the maximum allowed capacities of consumers previously connected to the Company's electric grids.

On June 11, 2013, the Company's Board of Directors decided to designate the organization of work to obtain data on the maximum allowed capacities of consumers previously connected to the Company's electric grids as a priority activity of IDGC of the South JSC (Minutes No. 111/2013 dated 14.06.2013).

In the Company, work on obtaining the maximum capacity is organized under Order No. 280, dated 20.06.2013. This order envisages a re-registration of the technological connection and reporting on the differentiation of electric grids with obtaining of maximum power in them by consumers connected to the Company's power grids. Based on the available data on maximum capacity and in accordance with the requirements of the "Regulations of non-discriminatory access to electric energy transmission services and the provision of such services" (approved by RF Government Decree No. 861, dated 27.12.2004), the branches organized an accounting of reserve maximum power for consumers with maximum capacity of no less than 670 kW.

Implementing the provisions of Decree of the Government of the Russian Federation No. 403 dated 08.05.2013 «On amendments to certain acts of the Government of the Russian Federation on the functioning of territorial network organizations.»

As a part of the implementation of this priority activity, on June 11, 2013, the Board of Directors of the Company ordered a complex of organizational measures on the agreement with the Regional Tariff Service of the Rostov region and JSC FGC UES and the submitting of a statement on the adjustment of the consolidated forecast balance of electric power for 2013 for the Rostov region within the terms established by the RF Government decree to the Federal Tariff Service of Russia.

In addition, it ordered the coordination of tariff and balance solutions taking into consideration the adjustment of the consolidated forecast balance of electric power for 2013 with the Regional Tariff Service of the Rostov region.

A number of working meetings with the heads and experts of the RTS and the Government of the Rostov region were arranged and held on the initiative of IDGC of the South, JSC to coordinate the specified proposals with the RTS of the Rostov Region. All technical aspects of proposals and calculations were coordinated with the experts of the RTS of the Rostov Region. However, the regional authorities have not made a decision on implementing RF Government Instruction No.403 on the territory of the Rostov region, and consequently approval from the regional authorities to update the consolidated forecast balance of production and supply of electric energy (power) for 2013 has not yet been received.

On May 30, 2013, IDGC of the South, JSC sent an address to the Ministry of Energy of the Russian Federation on the current status of approval of the request to change the consolidated forecast balance on the territory of the Rostov region and assist in coordination of the proposals of IDGC of the South JSC in the region.

The Ministry of Energy of the Russian Federation endorsed the proposals and submitted them to the RTS of Russia on May 31, 2013.

On June 3, 2013, a meeting was held in the Ministry of Energy of the Russian Federation headed by the Deputy Minister of Energy of the Russian Federation M. Yu. Kurbatov on implementation on the territory of the Rostov region of Decree of the Government of the Russian Federation No. 403, dated May 8, 2013, with participation of the administration of the Rostov region, Russian Grids, JSC and IDGC of the South JSC.

On June 4, 2013, the Ministry of Energy of Russia sent an address to Deputy Chairman of the Government of the Russian Federation A.V. Dvorkovich with a proposal

for further consideration of implementing RF Government Decree No.403 in the Rostov region.

On June 28, 2013, representatives of IDGC of the South JSC took part in a board meeting of the Federal Tariff Service (Agenda No. 34-e) on making changes in the consolidated forecast balance of production and supply of electric energy (capacity) within the Unified Energy System of Russia by the subjects of the Russian Federation for 2013.

Following the board meeting, the Federal Tariff Service issued Order of the FTS of Russia No.124-e/2, dated June 28, 2013, under which changes in the consolidated forecast balance of production and supply of electric energy (capacity) within the Unified Energy System of Russia in the Rostov region for 2013 were not made.

In addition, the following decisions taken by the Board of Directors of the Company in 2013 should be noted:

- New editions of the Regulations on Investment Activities, the Code of Corporate Ethics, the Corporate Governance Code, the Provisions Ensuring Insurance Protection, the Regulation on the Information Policy of IDGC of the South JSC, the Provision on the Committee for Personnel and Remuneration of the Board of Directors of IDGC of the South JSC and other internal documents of the Company were approved.
- The organizational structure of the executive office of IDGC of the South JSC was approved.
- The scientific research and development plan (R&D) of IDGC of the South JSC for 2013-2017 was approved.
- The list of positions of the executive body of the Company, endorsement of candidates for which is referred to the competence of the Board of Directors of IDGC of the South JSC, was approved.
- Members of five committees of the Board of Directors of the Company and their chairmen were elected.
- Schedules of Company activities to reduce overdue accounts receivable for services on electric power transmission and dispute settlement were approved.
- The Register of non-core assets of IDGC of the South, JSC in a new edition and the Provision on the Credit Policy of the Company were approved.
- The action plan on the concept for issue solution for the «last mile» in IDGC of the South, JSC was approved.
- The decision was made to terminate participation of the Company in the Open Joint Stock Company Football Club Rostov JSC (FC Rostov) through exclusion of owned shares (0.4967%) in the authorized capital, and to terminate IDGC of the South JSC participation in Volgogradsetremont.

- The draft of the long-term investment program of IDGC of the South JSC for the period starting 2014 was reviewed.
- IDGC of the South, JSC Provision on Ensuring Insurance Protection was approved in the new edition.
- The collective agreement of IDGC of the South JSC for 2013-2015 was approved.
- The adjusted business plan of the Company, including the investment program for 2013, was approved.

- The unified technical policy of the power grid complex was approved.
- The Procurement Plan of IDGC of the South, JSC for 2014 was approved.

In addition, reports were considered as scheduled at the sessions of the Board of Directors, including those of the General Director on various areas of Company activity and on implementation of decisions previously made by the Board of Directors, preliminary approval of transactions, the conclusion of which requires compliance with a special course of corporate procedures, were also considered; the Company's position on meeting the agendas of the Boards of Directors and general meetings of shareholders of subsidiaries and dependent companies of IDGC of the South, JSC was determined.

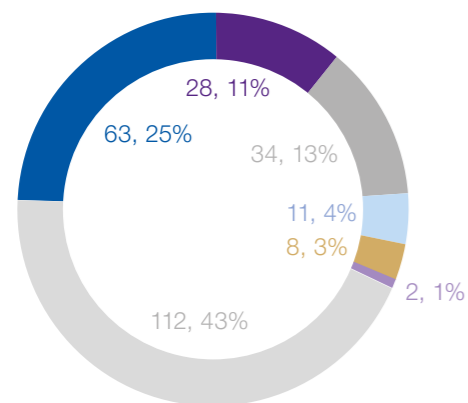
Information on payment of remuneration (refund of charges) to the members of the Board of Directors

The course of calculation and payment of remuneration to the members of the Board of Directors of the Company are established by the Regulation on payment of remunerations and refund of charges for the members of the Board of Directors of IDGC of the South, JSC approved by the annual General Shareholders Meeting of the Company on 30.05.2008 (Minutes No.1 dated 04.06.2008) and posted on the corporate web-site of the Company.

Debts on payment of remuneration to the members of the Board of Directors by the results of work for the last completed fiscal year does not exist.

In 2013, the training of the members of the Board of Directors was not conducted.

The analysis of decision-making by the members of the Board of Directors of the Company in 2013



- Reports
- Issues on SDCs performance
- Deals
- Document approval
- Personnel issues
- Priority activities
- Other

The calculation of the remuneration of the members of the Board of Directors according to the Regulations on payment of remunerations and refund of charges for the members of the Board of Directors of IDGC of the South, JSC

Period	Remuneration amount for the member of the Board of Directors IDGC of the South, JSC for participation in one session (including PIT, 13%)			Estimated average annual remuneration of one member of the Board of Directors, rub.
	the amount of the minimum monthly tariff rate, rub.	in absentia form, rub. (8 MMTR)	in the form of joint presence, rub. (10 MMTR) for Chairman functions	
2013				
1st quarter	4,759	38,072	47,590	Increases by 50 % 758,892
2nd quarter	4,759	38,072	47,590	
3rd quarter	5,400	43,200	54,000	
4th quarter	5,400	43,200	54,000	
The cumulative amount of remuneration paid to the members of the Board of Directors for the year 2013 was 7 968 368 rub.				

Corporate Secretary

The Corporate Secretary was elected by the Board of Directors of the Company for the purpose of proper observance of the procedure in the Company on preparing and holding General meetings of shareholders, meetings of the Board of Directors, ensuring effective interaction between the Board of Directors, committees of the Board of Directors, the Auditing Commission, the Company's Auditor, the Executive bodies and the Executive establishment of the Company.

In its activities 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 internal documents of the Company, as well as the Provision on the Corporate Secretary of IDGC of the South, JSC (new revision) approved by the resolution of the Board of Directors (Minutes No.34/2009 dated 14.09.2009).

The Corporate Secretary reports on its activity to the Board of Directors of the Company.

Until December 19, 2013, Alexey Petrovich Ruzavin, elected by the Board of Directors of the Company, executes the functions of the Corporate Secretary of the Company.

In the end of 2013 the Head of the Department for Corporate Governance and Shareholder Relations of the Company was elected to act as the Corporate Secretary of the Company:



Elena Nikolayevna Pavlova

Corporate Secretary of the Company, Head of the Department for Corporate Governance and Shareholder Relations of IDGC of the South, JSC

Year of birth: 1977

Citizenship: Russia

Higher education:

- The Rostov State Economic Academy specialization «Economy of nature management», qualification «Economist».
- The Rostov State University of Economy RSUE specialization «Law», qualification «Lawyer».

Positions within the last 5 years:

- Head of the Department of operation with securities and shareholders of the Corporate Governance Department of IDGC of the South, JSC;
- Head of the Department for Corporate Governance and Shareholder Relations of IDGC of the South, JSC.

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

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

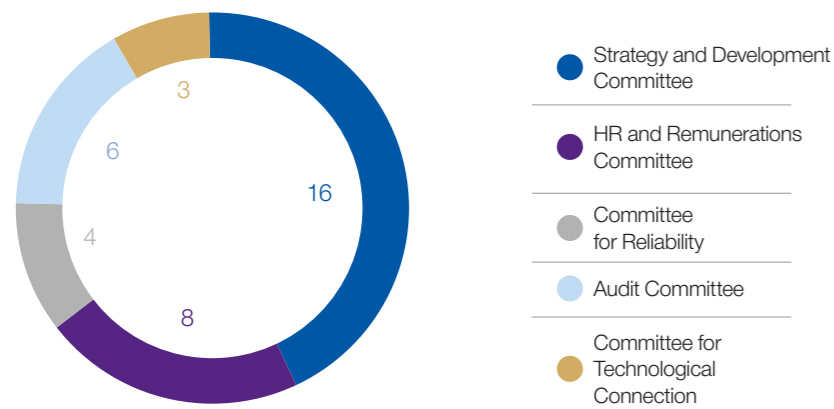
For the consideration of issues falling within the competences of the Board of Directors or reviewed by the Board of Directors to control activities of the Executive body of the Company and to develop necessary recommendations to the Board of Directors of the Company in 2009 by the resolutions of the Board of Directors of IDGC of the South, JSC (Minutes No.22/2009 dated 11.02.2009; Minutes No.23/2009 dated 02.03.2009, Minutes No.37/2009 dated 04.12.2009) the Provisions were developed and approved, as well as the first lists of the following five committees of the Board of Directors of IDGC of the South, JSC were compiled:

- Committee for technological connection to electric grids;
- Audit Committee;
- HR and Remuneration Committee;
- Reliability Committee;
- Strategy, Development, Investments and Restructuring Committee.

According to the provisions on the committees the functions of committees' secretaries are performed by the Corporate Secretary of the Company.

In the reporting year the work of the Committees was carried out under the leadership of two teams. In 2013, 38 meetings of the Committees took place, in which more than 160 issues were reviewed.

Number of the Company's Board of Directors' Committees meetings in 2013



Committee for technological connection to electric grids at the Board of Directors of IDGC of the South, JSC

The main goal of the Committee for technological connection to electric grids at the Board of Directors of IDGC of the South, JSC is to ensure transparency and non-discriminatory consumer access to the services on technological connection to electric grids of the Company.

The Committee operates in accordance with the Provision on the Committee for technological connection to electric grids at the Board of Directors of IDGC of the South, JSC approved by the resolution of the Board of Directors dated 09.02.2009 and posted on the corporate website of the Company in the Internet.

Until 02.08.2013 the Committee team elected in the meeting of the Board of Directors of IDGC of the South, JSC on 28.09.2012 (Minutes No.95/2012 dated 02.10.2012) acted as follows: Igor Georgievich Polovnev (Committee Chairman), Vadim Vladimirovich Karpenko, Arthur Magomedovich Aoushev, Leonid Vladimirovich Mazo; Igor Nikolayevich Repin.

The members of the Committee elected in the meeting of the Board of Directors of IDGC of the South, JSC on 02.08.2013 (Minutes No.112/2013 dated 05.08.2013).

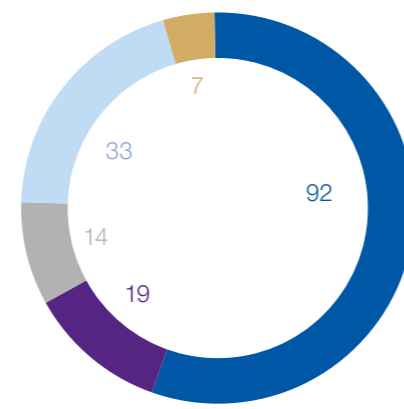
Full name of the Committee member	The position on the date of election
Igor Nikolaevich Repin, the Chairman	Deputy Executive Director of the Nonprofit organization, Association on investor rights protection
Dmitry Olegovich Zhuravlyov	Deputy General Director of IDGC of the South, JSC
Denis Vladimirovich Khramtsev	Deputy General Director for Corporate Governance of IDGC of the South, JSC
Igor Georgievich Polovnev	Financial Director, Association on investor rights protection
Alexander Yuryevich Korneev	Head of the Department of TC regulation of the Department of perspective grid development and technological connection of Russian Grids, JSC

Information on Committee's activity and main decisions:

In the reporting year three meetings of the Committee for technological connection to electric grids under the Board of Directors of IDGC of the South, JSC (all in absentia) were held, which addressed seven issues. The results of monitoring activities on the issues of technological connection of consumers to power grids, including contractual work and

overall statistics of accession with regard to specific groups were taken into account, and the Working Plan for the second half of 2013 — the first half of 2014 was approved; recommendations on budget amount of the Committee for technological connection to electric grids at the Board of Directors of IDGC of the South, JSC for 2014 were formulated.

Number of issues, considered in 2013



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

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

The Committee operates in accordance with the Provision on the Audit Committee of the Board of Directors of IDGC of the South, JSC in the new edition approved by the resolution of the Board of Directors of the Company on August 23, 2012 and posted on the corporate website of the Company in the Internet.

The members of the Committee elected in the meeting of the Board of Directors of IDGC of the South, JSC on 02.08.2013 (Minutes No.112/2013 dated 05.08.2013).

Full name of the Committee member	The position on the date of election
Oksana Vladimirovna Shatokhina, the Chairman	Deputy General Director for Economy and Finance of Russian Grids, JSC
Dmitry Mikhailovich Gurevich	Adviser to the General Director of Russian Grids, JSC
Pavel Yuriyevich Korsunov	Deputy General Director for innovative development, Russian Grids, JSC
Aleksandr Viktorovich Solod	General Director of the FGC UES, JSC branch — MPN of the South
Roman Alekseevich Filkin	Co-Director (power engineering, machinery) of the Representative office of the Prosperity Capital Management (RF) Ltd
Aleksandr Viktorovich Shevchuk	Deputy Executive Director of the Nonprofit organization, Association on investor rights protection
Igor Nikolayevich Repin	Deputy Executive Director of the Nonprofit organization, Association on investor rights protection

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

Information on Committee's activity and main decisions:

In the reporting year six meetings (four in absentia, two — in the form of joint presence) of the Auditing Commission of the Board of Directors of IDGC of the South, JSC took place, in which more than 30 issues were reviewed.

HR and Remuneration Committee of the Board of Directors of IDGC of the South, JSC

The main task of the Committee is to develop and submit recommendations (conclusions) to the Board of Directors on remuneration of the members of the Board of Directors on determining essential terms of contracts with the members of the Board of Directors, the members of the collegial Executive body and the person acting as the sole Executive body of the Company.

Competence, as well as the procedure for convening and holding meetings of the Committee are determined by the Provision on the Committee for nomination and remuneration of the Board of Directors of IDGC of the South, JSC in the new edition, approved by the decision of the Board of Directors of the Company on 11.06.2013 and posted on the corporate website of the Company.

Personal team of the Board of Directors has fully met the requirements of the trade organizer MICEX on maintenance of the Company's securities in quotation list B.

Until 02.08.2013 in the Company the members of the Committee elected in the meeting of the Board of Directors of IDGC of the South, JSC on September 28, 2012 (Minutes No.95/2012 dated 02.10.2012) acted as follows: Egor Vyacheslavovich Prokhorov (the Committee Chairman), Anna Yuryevna Katina, Alexander Mikhailovich Osipov, Alexander Viktorovich Shevchuk, Roman Alekseevich Filkin; Igor Nikolayevich Repin.

Until 02.08.2013 in the Company the members of the Committee elected in the meeting of the Board of Directors of IDGC of the South, JSC on 28.09.2012 (Minutes No.95/2012 dated 02.10.2012) acted as follows: Yuri Nikolayevich Mangarov, Committee Chairman, Natalia Ilyinichna Erpsher, Dmitry Aleksandrovich Chevkin, Svetlana Borisovna Gredneva, Aleksandr Viktorovich Shevchuk, Roman Alekseevich Filkin, Igor Nikolayevich Repin.

Information on Committee's activity and main decisions:

In the reporting year eight meetings of the Committee (all in absentia) were held and about 20 issues reviewed including:

- the results of the activity of the Deputy General Director of the Company considered and respective recommendations for the Director General of the Company prepared;
- candidates for single positions of the Executive body of the Company determined by the Board of Directors of the Company preliminary endorsed;
- the action plan of the Committee for nomination and remuneration of the Board of Directors of IDGC of the South, JSC for the 2nd half of 2013 — 1 half of 2014 approved;
- quantitative composition of the Management Board determined.

The members of the Committee elected in the meeting of the Board of Directors of IDGC of the South, JSC on 02.08.2013 (Minutes No.112/2013 dated 05.08.2013).

Full name of the Committee member	The position on the date of election
Yuri Nikolayevich Mangarov, the Chairman	Deputy General Director General — the Head of Establishment of Russian Grids, JSC
Dmitry Aleksandrovich Chevkin	Director of the Department of HR policy and organisational development of Russian Grids, JSC
Natalia Ilyinichna Erpsher	Head of the Department of organizational development of the Department of HR policy and organisational development of Russian Grids, JSC
Svetlana Borisovna Gredneva	Head of the Department of HR management and organizational planning of FGC UES, JSC
Igor Nikolayevich Repin	Deputy Executive Director of the Nonprofit organization, Association on investor rights protection
Aleksandr Viktorovich Shevchuk	Deputy Executive Director of the Nonprofit organization, Association on investor rights protection
Roman Alekseevich Filkin	Co-Director (power engineering, machinery) of the Representative office of the Prosperity Capital Management (RF) Ltd.

Strategy, development, investment and restructuring Committee of the Board of Directors of IDGC of the South, JSC

The main task of the Strategy, development, investment and restructuring Committee of the Board of Directors of IDGC of the South, JSC is to develop and submit recommendations (conclusions) to the Board of Directors on defining priority directions, strategic targets and basic principles of strategic development of the Company.

Competence, as well as the course for convening and holding meetings of the Committee are determined by the Provision on the Strategy, development, investment and

restructuring Committee of the Board of Directors of IDGC of the South, JSC approved by the resolution of the Board of Directors of the Company on 01.12.2009 and posted on the corporate website of the Company in the Internet.

Until 02.08.2013 in the Company the Committee team elected in the meeting of the Board of Directors of IDGC of the South, JSC on 28.09.2012 (Minutes No.95/2012 dated 02.10.2012) acted as follows: Vadim Alekseevich Pavlov (the Committee Chairman), Svetlana Aleksandrovna Balayeva, Ruslan Kimovich Tsiku, Dmitry Olegovich Akhrimenko, Valery Ivanovich Isaev, Roman Alekseevich Filkin, Alexander Viktorovich Shevchuk, Karim Karimovich Samakhuzhin, Vadim Vladimirovich Karpenko, Pavel Evgenievich Akilin, Igor Nikolayevich Repin.

The members of the Committee elected in the meeting of the Board of Directors of IDGC of the South, JSC on 02.08.2013 (Minutes No.112/2013 dated 05.08.2013).

Full name of the Committee member	The position on the date of election
Andrey Vladimirovich Lisavin, Chairman	Head of the Department for strategy implementation of the Department of strategic development of Russian Grids, JSC
Sergey Ilyich Tsymbal	Deputy head of the Department of information and business technologies of Russian Grids, JSC
Svetlana Aleksandrovna Balayeva	Director of the Department of Investment Activities of Russian Grids, JSC
Marina Aleksandrovna Lavrova	Head of the Department for economic planning and budgeting of Russian Grids JSC
Kirill Alexandrovich Iordanidi	Leading expert of the Department for strategic planning of the Department for strategic development of Russian Grids, JSC
Konstantin Sergeevich Serebryakov	Head of the Department of corporate events of subsidiaries and dependent companies of the Department for corporate governance and shareholder and investor relations of Russian Grids, JSC
Mikhail Aleksandrovich Korolyov	Deputy General Director for capital construction of IDGC of the South, JSC
Aleksey Aleksandrovich Rybin	Deputy General Director for economy and finance of IDGC of the South, JSC
Aleksandr Viktorovich Shevchuk	Deputy Executive Director of the Nonprofit organization, Association on investor rights protection
Roman Alekseevich Filkin	Co- Co-Director (power engineering, machinery) of the Representative office of the Prosperity Capital Management (RF), Ltd.
Igor Nikolayevich Repin	Deputy Executive Director of the Nonprofit organization, Association on investor rights protection
Astkhik Artashesovna Bashindzhagyan	Consultant of the Department of corporate governance of the Department of corporate governance, price environment and control and audit work in the fuel and energy complex of the Ministry of Energy of Russia

Information on Committee's activity and main decisions:

In 2013, 16 meetings of the Committee (two meetings in on/off site form), in which more than 90 issues were reviewed including:

- Recommendations to the Board of Directors on defining priority activities of the Company, and approval of reports of the General Director of the Company provided;
- proposals on improvement of planning procedures and submission of issues on Company's action plans and schedules to reduce overdue accounts receivable for services on electric energy transmission and dispute settlement that emerged at the beginning of the current quarter considered;
- recommendations for the Board of Directors of IDGC of the South, JSC on approval and updating of the business plan and investment program of the Company and etc. provided.

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

The main task of the Reliability Committee of the Board of Directors of IDGC of the South, JSC is to develop and submit recommendations (conclusions) to the Board of Directors of the Company on evaluation of investment programs and plans on repair and maintenance of power facilities, analysis of their implementation in terms of ensuring meeting the requirements on integrated reliability, as well as quarterly reports to the Board of Directors on the state of fixed assets of power facilities of the Company.

Competence, as well as the course of convening and holding meetings of the Committee are determined by the Provision on the Reliability Committee of the Board of Directors of IDGC of the South, JSC approved by the decision of the Board of Directors of the Company on 01.12.2009 and posted on the corporate web-site of the Company in the Internet.

Until 02.08.2013 in the Company the members of the Committee elected in the meeting of the Board of Directors of IDGC of the South, JSC on 28.09.2012 (Minutes No.95/2012 dated 02.10.2012) acted as follows: Sergey Vladimirovich Shpilevoy (the Chairman), Sergey Nikolayevich Frolov, Dmitry Leonidovich Pankov, Igor Nikolayevich Repin, Oleg Aleksandrovich Sukhov, Igor Georgievich Polovnev, Alexander Vasilyevich Bespalov.

The members of the Committee elected in the meeting of the Board of Directors of IDGC of the South, JSC on 02.08.2013 (Minutes No.112/2013 dated 05.08.2013).

Full name of the Committee member	The position on the date of election
Oleg Aleksandrovich Sukhov, Chairman	Head of the Department of situational analysis of Russian Grids, JSC
Pavel Viktorovich Goncharov	Deputy General Director for technical issues — chief engineer of IDGC of the South, JSC
Aleksey Aleksandrovich Rybin	Deputy General Director for economy and finance of IDGC of the South, JSC
Mikhail Aleksandrovich Korolyov	Deputy General Director for capital construction of IDGC of the South, JSC
Igor Georgievich Polovnev	Financial Director of the Nonprofit organization, Association on investor rights protection
Igor Nikolayevich Repin	Deputy Executive Director of the Nonprofit organization, Association on investor rights protection
Eduard Vital'evich Novomlinsky	Deputy head of the Department of the asset state analysis of the Department for production asset management of Russian Grids, JSC

Information on Committee's activity and main decisions:

In 2013 four meetings of the Committee (all in absentia) were held, about 15 issues reviewed including:

- the reports of the General Director of IDGC of the South, JSC on implementation of the schedule of the activities on introduction of the system production asset management of IDGC of the South, JSC reviewed;
- information on the condition of the fixed assets for the Board of Directors of the Company was reviewed on a quarterly basis.

All committees of the Board of Directors of the Company acted on the basis of the action plans for 2013.

During the reporting period, the Chairmen and the members of the Committees held regular meetings with top managers of the Company, the heads of structural subdivisions of the Executive establishment of the Company, involved in the process of business planning and strategy development of IDGC of the South, JSC.

External experts were invited to participate in the onsite meetings of the Committees.

The consent of all members of the Committee on the disclosure of their personal information in this Annual Report was obtained.

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

In the meeting of the Board of Directors of IDGC of the South, JSC on February 3, 2010 on all committees of the Board of Directors of the Company the respective Provisions on payment of remuneration and refund of charges for the members of the committees of the Board of Directors of IDGC of the South, JSC (Minutes No. 39/2010 dated 05.02.2010) were approved.

The calculation of the remuneration for the Committee members of the Board of Directors according to the Provision on payment of remunerations and refund of charges for the members of the Board of Directors of IDGC of the South, JSC

Period	The remuneration for the Committee member of the Board of Directors of IDGC of the South, JSC for participation in one session (including personal income tax, 13%)			Approximate annual remuneration for one member of the Committee of the Board of Directors, rub.
	MMTR amount, rub.	in absentia, RUB (1 MMTR)	in the form of joint presence, rub. (2 MMTR) for Chairman functions	
2013		1	2	
1st quarter	4,759	4,759	9,518	Increases by 50 %
2nd quarter	4,759	4,759	9,518	
3rd quarter	5,400	5,400	10,800	
4th quarter	5,400	5,400	10,800	
Cumulative remuneration paid to the members of the Board of Directors for the year 2013 amounted to 1,560,208 rub.				
				38,523

The amount of remuneration paid to the secretaries of the Committees of the Board of Directors for each meeting in the form of joint presence makes the amount equal to 1 (one) MMTR on the day of the meeting of the Committee, in absentia — 0.5 (zero point five-tenths) of MMTR.

Debts on payment of remuneration to the members of the Board of Directors by the results of work for the last completed fiscal year do not exist.

The full text of the resolutions taken in the meetings of the Committees can be found on the corporate website of IDGC of the South, JSC in the Internet under the link: www.mrsk-yuga.ru/corporate_management/kom_sov_direct.

Executive bodies of IDGC of the South, JSC

The management of the current activities of the Company is performed by the sole Executive body, the General Director and the collegial Executive body, the Management Board, who are accountable to the General Board of shareholders and the Board of Directors.

The Management Board of IDGC of the South, JSC

The Management Board is a collegial Executive body of the Company responsible for the practical implementation of the objectives, development strategy and policy of the Company.

Chairman of the Board in accordance with the Charter of IDGC of the South, JSC, the General Director of the Company.

The Management Board of the Company, carrying out management of the current activities of the Company, acting in interest of the Company, guided by the decisions of the General Board of shareholders and the Board of Directors of the Company, in accordance with the legislation of the Russian Federation, the Charter of IDGC of the South, JSC, the Provision on the Management Board of IDGC of the South, JSC approved by the decision of the annual General shareholders meeting on June 15, 2011 (Minutes No.5 dated 17.06.2011) and other internal documents of the Company.

The competence of the Management Board covers the issues of Company activities in accordance with the current legislation of the Russian Federation and Article 22 of the Charter.

In accordance with Sub-Item 5 of Item 22.2 of Article 22 of the Charter of IDGC of the South, JSC, the Management Board makes decisions on issues referred to the competence of the Supreme management bodies — the General meetings of shareholders of economic entities, 100% of the authorized capital of which belongs to IDGC of the South, JSC.

Determination of the quantitative composition of the Company Management, election of members of the Management Board of the Company, establishment of payments for remunerations and refund of charges, early termination of their are carried out by the decision of the Board of Directors of the Company. The numerical structure of the Management Board of the Company in accordance with Item 22.3 of Article 22 of the Charter of IDGC of the South, JSC shall not be less than 3 (three) persons.

The functions of the Secretary of the Management Board in 2013 were performed by the employee of the Department of corporate governance and shareholder relations A.S. Bykanov.

The Management Board of IDGC of the South, JSC as of 31.12.2013:



Vladimir Frantishkovich Vashkevich

Chairman of the Management Board of IDGC of the South, JSC since October 9, 2012, General Director of IDGC of the South, JSC, member of the Board of Directors of IDGC of the South, JSC

Year of birth: 1972

Citizenship: Russia

Higher education:

- Leningrad higher military-political school of air defence of Yu. V. Andropov, Leningrad, specializing in Command tactical air defense;
- St. Petersburg State University, specialization Law;
- Kuban State Technological University, specialization Power Supply, qualification Engineer.

Additional education:

- Professional development in non-state educational institution of additional professional education «Training center Spetsproject, under the program of «Protection of state secrets»

Positions within the last 5 years:

- Deputy General Director for material and technical resources, Acting General Director of JSC Elektrogaz; Deputy General Director for logistics of JSC Elektrogaz;
- Deputy General Director for General issues of OJSC «Elektrogaz»;
- Acting Deputy General Director of IDGC of the South, JSC;
- Deputy General Director for capital construction, member of the Management Board of IDGC of the South, JSC;
- Member of the Committee for strategy, development, investment and reforms of the Board of Directors of IDGC of the South, JSC;
- Acting General Director, Chairman of the Board of IDGC of the South, JSC, member of the Board of Directors of IDGC of the South, JSC.



Timur Ulyumdzhievich Alayev

Member of the Management Board of IDGC of the South, JSC since September 16, 2011, Deputy General Director, Director of Astrakhanenergo branch of IDGC of the South, JSC

Year of birth: 1971

Citizenship: Russia

Higher education:

- Novocherkassk of the Order of the red banner of labor Polytechnic Institute of S. Ordzhonikidze, specialization «Automatic control of electric power systems», qualification «Electrical Engineer specializing in automation».
- State Academy of professional re-qualification and improvement of professional skills of managers and experts in the investment sphere under the program: «Ensuring environmental safety by managers and experts of general economy management systems».
- Interbranch Institute for improvement of professional skills and re-qualification of managerial personnel and experts of the Russian Academy of Economy of G.V. Plekhanov under the Federal program of management training «Management», specialization «Strategic management» with the right to carry out professional activity in the field of management.

Positions within the last 5 years:

- Deputy General Director for technical issues, Chief Engineer of Kalmenergo, JSC, member of the Management Board of IDGC of the South, JSC.
- Deputy General Director, Director of Kalmenergo branch of IDGC of the South, JSC.



**Pavel Viktorovich
Goncharov**

Member of the Management Board of IDGC of the South, JSC since September 16, 2011, Deputy General Director for technical issues, Chief Engineer of IDGC of the South, JSC

Year of birth: 1966

Citizenship: Russia



**Oleg Petrovich
Kiyok**

Member of the Management Board of IDGC of the South, JSC since September 30, 2013, Deputy Director General, Head of the Establishment of IDGC of the South, JSC

Year of birth: 1972

Citizenship: Russia



**Mikhail Aleksandrovich
Korolyov**

Member of the Management Board of IDGC of the South, JSC since September 30, 2013, Deputy General Director for capital construction of IDGC of the South, JSC

Year of birth: 1959

Citizenship: Russia



**Aleksey Aleksandrovich
Rybin**

Member of the Management Board of IDGC of the South, JSC since September 30, 2013, Deputy General Director for economy and finance of IDGC of the South, JSC

Year of birth: 1972

Citizenship: Russia

Higher education:

- Pavlodar Industrial Institute, specialization «Electric systems», qualification «Electric Engineer».
- Volgograd Academy of State Service, re-qualification under specialization «State and municipal management».
- Institute for improvement of professional skills of managers and experts in the energy industry under the program «Organization of protection of commercial secrets».
- Professional re-qualification at the State University of Management under the program «Management of energy companies at market economy», with the right to carry out professional activity in the sphere of economy and management in electric power industry».
- Professional re-qualification in FSEI HPE «Russian Academy of National Economy and State Service under the President of the Russian Federation» under the program «Management of company development» 2013.

Positions within the last 5 years:

- First Deputy General Director, Chief Engineer of JSC Astrakhanenergo;
- Deputy Director for technical issues, Chief Engineer of Astrakhanenergo branch of IDGC of South, JSC, member of the Management Board of IDGC of the South, JSC;
- Deputy General Director, Director of Astrakhanenergo branch of IDGC of the South, JSC;
- Member of the Board of Directors of Astrakhanelektrosetremont;
- Chairman of the Board of Directors of JSC Energoservice of the South.

Higher education:

- International University of Economics and Humanities-Krasnodar, soecialization «Law», qualification«Lawyer».
- Autonomous non-profit educational organization of higher professional education «Institute of economy and management in medicine and social sphere», specialization «Psychology».
- Kuban State Agrarian University, speciaization «Finance and Crediting», qualification «Economist».
- Professional re-qualification in the all-Russia part-time financial and economic Institute under the program of «Accounting and audit»..

Positions within the last 5 years:

- Deputy General Director for security of Krasnodar regional company for gas sales, LLC;
- Head of the Department for economic security and run of IDGC of the South, JSC;
- Head of the Security Department of IDGC of the South, JSC;
- Deputy Head of the Establishment of IDGC of the South, JSC;
- Chairman of the Board of Directors of JSC Recreation Camp «Energetik».

Higher education:

- Novocherkassk of the Order of the Red Banner of Labor Polytechnic Institute of S. Ordzhonikidze, specialization «Chemical technology of ceramics and refractories», qualification gained «Chemical Engineer-technologist».
- Krasnodar Law Institute of the MIA of Russia, specialization «Law», qualification «Lawyer».

Positions within the last 5 years:

- Deputy Head of the Department for capital construction, Head of the Department for planning and organization of construction, Deputy Head of the Department for capital construction, Head of the Department for construction organization, Deputy Head of the Department for capital construction, Head of the Department for capital construction of IDGC of the South, JSC;
- Acting Deputy General Director for capital construction of IDGC of the South, JSC;
- Member of the Committee for strategy, development, investment and reforms of the Board of Directors of IDGC of the South, JSC;
- Member of the Reliability Committee of the Board of Directors of IDGC of the South, JSC.

Higher education:

- Kharkov Aviation Institute of N.E. Zhukovsky, specialization «Aircraft engines and power plants», qualification «Mechanical Engineer».
- Rostov State University, specialization «Law», qualification «Lawyer».

Positions within the last 5 years:

- Deputy Head, Head of the Department for tariff regulation of branches of the fuel and energy complex of the Regional Tariff Service of the Rostov region;
- Deputy Director of the Department for development of municipal infrastructure, Director of the Department for development of municipal infrastructure of «Corporation of development of the Kaluga region», JSC;
- Deputy Director for development of investment activities and services of the Branch of FGC UES, JSC Rostov enterprise of main electrical grids;
- Acting Deputy General Director for economy and finance of IDGC of the South, JSC;
- Member of the Committee for strategy, development, investment and reforms of the Board of Directors of IDGC of the South, JSC;
- Member of the Reliability Committee of the Board of Directors of IDGC of the South, JSC.



Grigory Grigorievich Savin

Member of the Management Board of IDGC of the South, JSC since February 26, 2013, Chief accountant, Head of the Department of accounting and tax reporting of IDGC of the South, JSC

Year of birth: 1952

Citizenship: Russia

Higher education:

- All-Union Part-time Financial and Economic Institute, specialization «Economy of labour», qualification «Economist».

Positions within the last 5 years:

- Chief accountant, member of the Management Board of JSC Kubanenergo;
- Member of the Board of Directors of JSC «OK «Plamya», JSC PA «Energetik»;
- Chief accountant, member of the Management Board of IDGC of the South, JSC.



Denis Vladimirovich Khramtsev

Member of the management Board of IDGC of the South, JSC since September 30, 2013, Deputy General Director for corporate governance of IDGC of the South, JSC

Year of birth: 1978

Citizenship: Russia

Higher education:

- Institute of Economics and Finance (city of Saint-Petersburg, Russia), specialization «Finance and crediting», qualification «Economist».
- St. Petersburg State University, specialization «Law», qualification «Lawyer».

Positions within the last 5 years:

- Head of the Department for property management, legal and administrative issues, head of the Department for strategic development, corporate and property relations of JSC Gazavtomatika;
- Deputy General Director for corporate relations of CJSC Individual Business Solutions;
- Head of the Legal Department of Energogaz, LLC;
- Director for economy and finance of JSC Inter RAO Engineering;
- Adviser to the General Director of JSC Inter RAO Engineering;
- Acting Deputy General Director for corporate governance of IDGC of the South, JSC;
- Member of the Committee for technological connection to electric grids under the Board of Directors of IDGC of the South, JSC.



Sergey Alekseevich Chekmayov

Member of the Management Board of IDGC of the South, JSC since September 30, 2013, Deputy General Director, Director of Kalmenergo branch of IDGC of the South, JSC

Year of birth: 1976

Citizenship: Russia

Higher education:

- Novocherkassk State Technical University, specialization «Automatic control of electric power systems», qualification «Engineer».

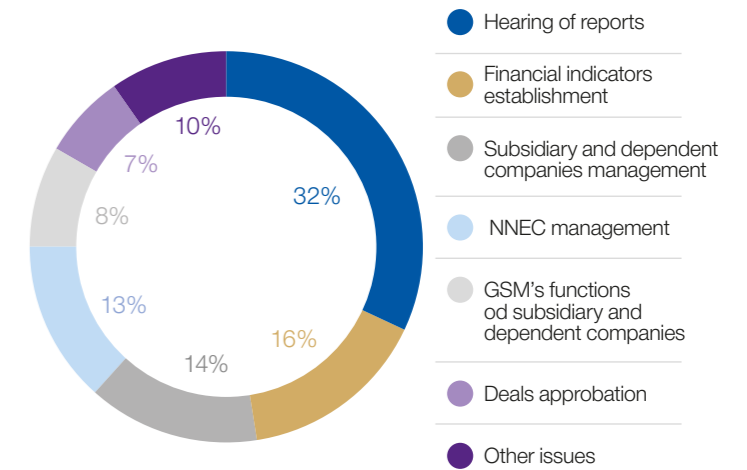
Positions within the last 5 years:

- Chief Engineer of the South-Eastern Power Grids branch of Rostovenergo, JSC;
- Deputy Chief Engineer of the Kalmenergo branch of IDGC of the South, JSC;
- Deputy General Director for Technical Issues“ Chief Engineer of the Kalmenergo branch of IDGC of the South, JSC.

P. V. Goncharov, a member of the Management Board owns 236633 shares in IDGC of the South, JSC which constitutes 0.000005% of the Company's equity capital. Other members of the Management Board of the Company do not own shares in IDGC of the South, JSC or have family relations with members of management and financial and economic activity control bodies of the Company. All members of the Management Board of the Company authorized the disclosure of their personally identifiable information in this Annual Report.

Activities of the Management Board in 2013

The Management Board of the Company held 33 meetings in the reporting 2013 with 17 of them in person and reviewed more than 80 issues including:



The following important decisions made by the Management Board of the Company in 2013 should be noted:

- the investment project of IDGC of the South, JSC was approved for the period from present to 2016 including the planning period from 2014 to 2016 (minutes No.102 of September 9, 2013);
- the 2014 business plan and the 2015-2018 prognosis compilation was considered (minutes No.105 of November 8, 2013 and No.111 of December 24, 2013);
- the adjusted financial rehabilitation plan for IDGC of the South, JSC in 2013 was approved (minutes No.84 of March 25, 2013);
- improvement strategies for the Company's production-management structure were discussed (minutes No.108 of December 3, 2013);
- the Company's key risks assessment reports were examined (minutes No.88 of April 22, 2013, No.92 of July 3, 2013, No.103 of October 7, 2013, No.112 of December 27, 2013);
- the voluntary liquidation of Volgogradenergo, JSC was approved (minutes No.109 of December 9, 2013).

Board Member	Meetings at-attended / meetings in total	Term of authority
Vladimir Frantishkovich Vashkevich	33/33	From May 30, 2011 to present time
Timur Ulumdjievich Alaev	32/33	From September 16, 2011 to present time
Pavel Evgenievich Akilin	0/3	From December 24, 2010 to March 1, 2013
Aleksandr Vladimirovich Vosmirko	0/3	From September 01, 2010 to March 1, 2013
Pavel Victorovich Goncharov	24/33	From September 16, 2011 to present time
Vitaly Valerievich Ivanov	4/23	From December 24, 2010 to September 30, 2013
Egor Vladimirovich Kalenyuk	21/23	From September 16, 2011 to September 30, 2013
Vadim Vladimirovich Karpenko	3/3	From December 23, 2011 to March 1, 2013
Aleksandr Vladimirovich Kuzhilin	0/3	From August 29, 2011 to March 1, 2013
Grigory Grigorevich Savin	29/30	From February 26, 2013 to present time
Nikolay Vladimirovich Fedorov	17/20	From February 26, 2013 to September 30, 2013
Oleg Petrovich Kiyok	10/10	From September 30, 2013 to present time
Mikhail Aleksandrovich Korolev	10/10	From September 30, 2013 to present time
Aleksey Aleksandrovich Ribin	10/10	From September 30, 2013 to present time
Denis Vladimirovich Khrantsev	10/10	From September 30, 2013 to present time
Sergey Aleksandrovich Chekmarev	10/10	From September 30, 2013 to present time

Monthly meetings of the Management Board involved analyzing the 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 examined reports on the implementation of previous decisions, monitored the activities of the Company of technological connection of consumers to electric distribution grids, including contractual obligations and general connection statistics, subject to certain groups of customers during the reporting period.

In addition, the meetings of the Management Board discussed issues related to the competence of the top management bodies of business entities with 100 percent of the share capital owned by IDGC of the South, JSC.

Remuneration (refund of charges) for the Management Board members

In accordance with paragraph 13 section 15.1 article 15 of the Charter of the Company the decision to establish remuneration paid to the Management Board members is within the competence of the Board of Directors of the Company.

The Management Board members are included in the top management category.

In accordance with the labor contracts between the Company and the Management Board members, the remuneration will be paid to a Board Member in the amount and manner prescribed by the Regulation on financial incentives and the social benefits package of Top Managers of IDGC of the South, JSC in the newest revision approved by the Board of Directors on June 16, 2011 (minutes No.67/2011 of 16.06.2011).

Incentives for the Management Board members include:

- by establishing a personal allowance of up to 15% of the top manager original salary;
- by paying for the Management Board members quarterly and yearly remuneration of relevant key performance indicators as top managers.

From the foundation date of the Management Board of IDGC of the South, JSC (May 19, 2008) to August 31, 2011 the Management Board members received monthly remuneration in the amount of 5 (five) minimum monthly tariff rates of a first class worker, established by the industrial tariff agreement of the power industry of the Russian Federation.

Starting from September 1, 2011 the Management Board members receive monthly remuneration of 11% of the original salary of a top manager.

Total remuneration paid to IDGC of the South, JSC Management Board members in 2013 amounted to 32,042,033 rub. (personal income tax (PIT) included — 13 %). This amount includes the cost of compensation for participation in the Management Board meetings totaling 1,057,199 rub. (PIT included — 13%), payment of salary totaling 28,129,518 rub. (including PIT — 13%) and refund of charges of 2,855,316 rub. (including PIT — 13%).

Director General

The Director General is elected by the Board of Directors of the Company and is the sole executive body of the Company and the Management Board Chairman.

Rights and duties of the Director General are specified by the legislation of the Russian Federation, the Charter and the labor contract between the Company and the Director General.

In accordance with section 23.2 article 23 of the Charter the Director General's responsibilities include the matters of the current activities of the Company, excluding issues within the competence of the General Shareholders Meeting, the Board of Directors and the Management Board.

Exercise his rights and responsibilities, the Director General acts reasonably on behalf of the Company and in good faith.

Vladimir Frantishkovich Vashkevich was the acting Director General from October 9, 2012 to February 14, 2013 (minutes No.96/2012 of the Board of Directors meeting of October 9, 2012).

The acting Director General of the Company was elected by the resolution of the Board of Directors on February 14, 2013 for a three-year contract until February 13, 2016 (minutes No.103/2013 of February 18, 2013):



Vladimir Frantishkovich Vashkevich

Chairman of the Management Board of IDGC of the South, JSC since October 9, 2012, Director General of IDGC of the South, JSC»

Personal information of the Director General as of December 31, 2013 can be found in the «Management Board of IDGC of the South, JSC» section of this Annual Report.

The results of management decisions on the primary activities of the Company, made by the Director General in 2013 are reflected in the relevant sections of this Annual Report

Information on CEO Remuneration

The Company Director General salary and incentives matters are regulated by the Provisions on financial incentives of the Director General of IDGC of the South, JSC which is an integral part of the labor contract with the Director General of the Company approved by the Board of Directors of IDGC of the South, JSC decision (minutes No.67/2011 of June 14, 2011, updated (minutes No.85/2012 of April 26, 2012 and No.102/2012 of January 13, 2013).

The provisions for the Director General of IDGC of the South, JSC remuneration define:

- the procedure for determining, approving and changing the Director General salary level;
- the procedure of establishing additional allowances for employees working with information constituting a state secret;
- Types of bonuses:
 - bonuses for achieving key performance indicators (quarterly, annual, special and accessory);
 - a one-time bonus payment (for completing important tasks (assignments) and in case of receiving state, departmental and corporate awards);
- decision-making procedures aimed at the implementation of the approved regulation.

Bonuses to the Director General in 2012 were paid according to the results of key performance indicators assessed by the Board of Directors of the Company.

Interested party transactions

In 2013, in accordance with the requirements of the Federal Law "On Joint-Stock Companies" the Board of Directors approved 17 interested party transactions.

Information on major transactions

In 2013, the Company did not conduct any major transactions that required approval of the Board of Directors or the General Shareholders Meeting in accordance with the Federal Law "On Joint-Stock Companies".

During the reporting year, the Company did not conduct any transactions to purchase or sell shares of the Company with Management members.

3.2. Auditing commission

In order to control the financial and business activities, the General Shareholders Meeting elects the Auditing Commission of the Company.

The Auditing Commission is a permanent internal control body of the Company that regularly monitors the financial-economic performance of the Company, its separate branches, officers, management bodies and departments of the executive body for compliance with the legislation of the Russian Federation, the Charter and other internal documents of the Company.

The Auditing Commission acts in the interests of the shareholders and reports to the General Shareholders Meeting.

The Auditing Commission is independent of the officials of the Company's management and the heads of departments of the executive office.

The Audit Commission carries out its activities through scheduled and unscheduled inspections, the results of which are processed as conclusions (reports) which are the internal control documents of the Company.

Full text of the Regulations on the Auditing Commission of IDGC of the South, JSC is located on the corporate website at: <http://oao-mpck-юга.рф/> in the "Corporate Governance" section.

Auditing Commission competence

In accordance with section 24.3 article 24 of the Charter the Auditing Commission the following is included to its competence:

- to verify the data accuracy in the annual report, the accounting report and the income and loss report;
- to analyze the Company's financial situation, find resources to improve the situation and to develop recommendations for the Company's administrative bodies;
- to organize and conduct the assessment (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 Charter and other documents of the Company;
- to control the fixed assets use and preservation;
- to ensure compliance with the established procedure for writing off debts of insolvent debtors;
- to control expenditure of funds of the Company in accordance with the approved business plan and budget;

- to control the formation and use of the reserve and other special funds;
- to verify accuracy and timeliness of distribution and payment of dividends, interest on bonds and income from other securities;
- to verify fulfillment of orders to eliminate breaches and deficiencies identified during previous inspections (audits);
- to perform other actions (measures) relating to verification of the financial and economic activity of the Company.

The financial and economic activities control in the reporting year was performed by two Auditing Committee groups.

[Auditing Commission staff elected on 18 June 2012 by the Annual General Shareholders Meeting of IDGC of the South, JSC \(minutes No.7 of June 21, 2012\):](#)

- Izumrud Aligadzhievna Alimuradova (chairwoman);
- Vladimir Nickolaevich Arkhipov;
- Olga Victorovna Popova;
- Olga Sergeevna Sinitsyna;
- Ludmila Dmitrievna Kormushkina.

[Auditing Commission staff elected on 25 June 2013 by the Annual General Shareholders Meeting of IDGC of the South, JSC \(minutes No.9 of June 25, 2012\):](#)

- Igor Vladimirovich Shmakov (chairman);
- Igor Yurevich Bogachev;
- Ivan Alekseevich Gaichenya;
- Olga Vladimirovna Golubeva;
- Irina Aleksandrovna Filippova.

Information on the 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

Igor Yurevich Bogachev

Born: 1959

Education: The Moscow Automotive Institute, qualification: mechanical 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
2007 - 2010	MOESK, JSC	Chief specialist of the Internal Audit Department
2010 - 2013	IDGC Holding, JSC	Chief expert of the Internal Audit De-partment
2013 - Present time	FGC UES, JSC	Chief expert of the Internal Audit and Risk Management Department

Ivan Alekseevich Gaichenya

Born: 1967

Education: Higher border military-political KGB college, qualification: frontier officer. International Independent University of Environmental and Political Sciences, qualification: lawyer.

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
1985 - 2011	Military service	—
2011 - 2012	IDGC Holding, JSC	First Deputy Chief of the Security Department
2012 - 2013	FGC UES, JSC	Fisrt Deputy Director of Security in FGC UES, JSC
2013 - Present time	Russian Grids, JSC	Director of Department of Security

Olga Vladimirovna Golubeva

Born: 1983

Education: Moscow State University, qualification: lawyer.

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
2005 - 2008	RAO UES of Russia, JSC	Chief expert of the Corporate Governance and Shareholder Interaction Department of the Corporate Center
2009 - 2010	Non-commercial partnership "ENEG corporate educational and science center"	Chief consultant
2010 - 2014	Russian Grids, JSC	Chief expert of Corporate Governance Analysis and Control Division of the Corporate Governance and Shareholders Interaction Department

Irina Aleksandrovna Filippova

Born: 1958

Education: Ryazan Agricultural Institute of P.A. Kostichev, qualification: accounting.

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
2006 - 2009	Energokonsalting, LLC	IFRS Specialist
2010 - 2013	IDGC Holding, JSC	Chief expert of the Internal Audit and Risk Management Department
2013 - Present time	FGC UES, JSC	Chief expert of the Internal Audit and Risk Management Department

Igor Vladimirovich Shmakov

Born: 1974

Education: Kuban State University, 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
2008 - 2012	IDGC of the South, JSC	Director of the Internal Audit and Risk Management Department
2012 - 2013	FGC UES, JSC	Head of the Internal Control Board of Administrators.
2013 - Present time	Russian Grids, JSC	Director of the Control and Risk Management division of the Internal Audit and Control Department

The members of the Auditing Commission do not own any securities in the Company or any of its subsidiary and dependent companies.

Auditing Commission activities in 2013

The Auditing Commission of IDGC of the South, JSC held 13 meetings in 2013:

- January 25, 2013 (minutes No.7 of January 25, 2013): discussed the issues of auditing financial and economic activities of IDGC of the South, JSC, the audit program and its time-frame, involving experts to perform an inspection of financial and economic activities of IDGC of the South, JSC;
- January 31, 2013 (minutes No.8 of January 31, 2013): reviewed the HR costs inspection results;
- March 26, 2013 (minutes No.9 of March 26, 2013): discussed the approval of the Auditing Commission inspection program and its time-frame in accordance with the Auditing Commission of IDGC of the South, JSC plan of operation for 2012-2013;
- April 16, 2013 (minutes No.10 of April 16, 2013): discussed the approval of the Auditing Commission of IDGC of the South, JSC conclusion based on the inspection of financial and economic activities of the Company in 2012;
- May 7, 2013 (minutes No.11 of May 7, 2013): discussed the approval of the Auditing Commission of IDGC of the South, JSC Act based on the inspection of financial and economic activities of the Company in 2012;
- July 1, 2013 (minutes No.1 of July 1, 2013): issues of electing the head of the Auditing Commission, electing the Secretary of the Auditing Commission, approving the Auditing Commission work schedule for 2013-2014, conducting an inspection of the Company's procurement activities in the first half of 2013, approving the auditing program and time-frame, conducting an inspection of the Company's compliance with the legislative requirements sanctioned by the federal authorities, following the road map «To improve power grid infrastructure availability», passing the audit program and time-frame;
- July 31, 2013 (minutes No.2 of July 31, 2013): discussed extending the Company's procurement activities organization inspection time-frame in the first half of 2013;
- August 21, 2013 (minutes No.3 of August 21, 2013): discussed the approval of the Company's procurement activities inspection results in the first half of 2013;

- September 2, 2013 (minutes No.4 of September 2, 2013): discussed the approval of results acquired during the inspection of the Company's compliance with the legislative requirements sanctioned by the federal authorities, following the road map «To improve power grid infrastructure availability»;

- October 25, 2013 (minutes No.5 of October 25, 2013): discussed the plans for a 9-month audit in 2013;

- November 12, 2013 (minutes No.6 of November 12, 2013): discussed the Auditing Commission Secretary re-election;

- November 26, 2013 (minutes No.7 of November 26, 2013): considered extending the 2013 9-month audit time-frame, involving an expert to participate in the 2013 9-month audit;

- December 13, 2013 (minutes No.8 of December 13, 2013): considered extending the 2013 9-month audit time-frame.

Minutes of the Audit Commission meetings for the entire period of the Company activities are published on the corporate website.

Information on remuneration (refund of charges) to the Auditing Commission members

Remuneration to the members of the Auditing Commission of the Company is paid in accordance with the Regulations on Payment to Members of the Auditing Commission of the Interregional Distribution Grid Company of the South, JSC Remuneration and Refund of charges, approved on May 30, 2008 by the Annual General Shareholders Meeting of IDGC of the South, JSC (minutes No.1 of June 4, 2008).

In accordance with the Regulations, members of the Auditing Commission of the Company are paid a one-time fee of five minimum monthly wages of a first-class employee established by the Russian power grid industry tariff agreement for participation in the audit (inspection) of financial and economic activities.

A member of the Auditing Commission may receive additional refund of charges not exceeding the threshold of 20 times the minimum monthly wages of a first-class employee, established by the Agreement subject to indexation.

A members of the Auditing Commission of the Company receives refund of charges related to the participation in the meetings of the Auditing Commission and to the audit process according to the standards of remuneration of travel expenses applicable at the time of the meeting or audit.

Total remuneration paid to the members of the Auditing Commission of IDGC of the South, JSC in 2013 amounted to 286 thous. rub. (including PIT).

3.3. Auditor

To check and approve the annual financial statements of the Company the Annual General Shareholders Meeting elects 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 appointment

The auditor's candidacy pending approval at the Annual General Shareholders Meeting is suggested by the Board of Directors of the Company within the context of the Annual General Shareholders Meeting preparation and performance.

The Audit Committee of the Board of Directors performs initial selection of candidates for the Company's auditors, assessment of their qualifications, quality of work and compliance with the requirements of auditors' independence, submission of the auditor's candidacy to the Board of Directors and processing third-party assessment reports of the auditors' candidacy.

The Auditor appointment is performed following an open competition held by the Company or its authorized organization in accordance with the Regulations on procedures governing the procurement of goods, works and services for the needs of IDGC of the South, JSC.

Complying with the contract the auditor of IDGC of the South, JSC the Auditor inspects the financial and economic activities of the Issuer in accordance with the laws of the Russian Federation.

The Board of Directors of IDGC of the South, JSC recommended (minutes No.108/2013 of May 17, 2013) and approved on June 25, 2013 at the Annual General Shareholders Meeting (minutes No.9 of June 25, 2013) the candidacy of KPMG, CJSC to audit the Company's financial and accounting statements in 2013.

KPMG, CJSC is a member of the non-commercial partnership "Audit Chamber of Russia".

Factors that may affect the independence of the auditor from the issuer as well as the essential interests connecting the auditor (or the auditor officials) to the Issuer (or the Issuer officials) are nonexistent.

Procedure to determine remuneration for the Auditor

In accordance with section 24.9 article 24 of the Charter of IDGC of the South, JSC the extent of the auditor's remuneration is determined by the Board of Directors of the Company.

Cost of services and the payment procedures are formalized in the agreement between the Company and the auditor.

The amount of remuneration of the auditor of IDGC of the South, JSC, KPMG, CJSC for performing an audit of the financial (accounting) statements of IDGC of the South, JSC prepared in compliance with RAS in 2013 (reporting period lasting from January 1, 2013 to December 31, 2013), was specified by the Board of Directors of IDGC of the South, JSC on August 30, 2013 (minutes No.114/2013 of September 2, 2013) in the amount of 3,868 217.00 (three mln eight hundred and sixty eight thous. two hundred and seventeen) rub., including VAT (18 %).

The same decision defined the payment to the auditor (KPMG, JSC) according to the contract to conduct an audit of the financial (accounting) statements of IDGC of the South, JSC prepared in compliance with RAS in 2013 (reporting period lasting from January 1, 2013 to December 31, 2013) in the amount of 1558780 (one mln five hundred and fifty eight thous. seven hundred and eighty) rub., including VAT (18%). No special auditing tasks were performed in the reporting year.

Auditor's contact information

Full company name: KPMG, Closed Joint-Stock Company

Abbreviated company 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

TIN: 7702019950

OGRN: 1027700125628

Telephone no: (495) 937 4477

Fax no: (495) 937 4499

E-mail: moscow@kpmg.ru

Information on auditor's membership in self-regulated auditing organizations

Full name: Non-profit partnership Auditor Chamber of Russia

Location: Building 3, 3/9, 3rd Syromyatnicheskiy Lane, Moscow, 105120, Russia

Telephone/fax no.: (495) 781-24-79 (multichannel)

e-mail: apr@aprussia.ru

Certificate number: No. 255 of 28.12.2009, the basic registration record (BRR) No. 10301000804.

3.4. The 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 routines of the Company, including full range of procedures, methods and controls established by the Board of Directors and executive bodies to provide reasonable guarantees of achieving the following objectives:

- efficient and productive activity organization;
- following the legislative norms and local regulatory requirements applicable to the Company's business;
- preventing the Company's assets abuse by employees and third parties;
- providing reliable, comprehensive and timely reports of various types.

The following regulations were established to support further SIC RM development in the Company:

- Internal control policy;
- Risk management policy.

Internal control system includes:

- the Board of Directors and its Committees (Audit Committee and others);
- the Company's Auditing Commission;
- the collective executive body (Management Board) of the Company;
- the sole executive body (Director General) of the Company;
- collective advisory bodies created by the sole executive body of the Company to carry out specific tasks (committees, commissions, etc.);
- directors of units and divisions of the Company;

- employees of the Company's divisions involved in control routines as per their functions;

- Internal Audit and Risk Management Department.

Authority and responsibilities of internal control system participants:

1. The Board of Directors is in charge of creating, controlling and developing a universal evolution strategy for the system of internal control.
2. The Auditing Commission of the Company is in charge of:
 - controlling financial and economic activities of the Company;
 - monitoring the financial and economic transactions compliance with the legislation of the Russian Federation and the Company's Charter;
 - performing an independent assessment of the Company's financial situation;
 - verifying the data from reports and other financial documents of the Company.
3. The Audit Committee of the Board of Directors performs the following tasks as a part of the system of internal control:
 - organizes the auditors' appointment and evaluation procedure;
 - controls the verification process of the Company's financial reports including the independent auditor's conclusion;
 - evaluates the independent auditor's conclusion;
 - evaluates the system of internal control efficiency, suggests improvement strategies.
4. The Management Board prepares reports on the Company's activities related to the SIC and performs status reports evaluation and analysis for the system of internal control.
5. The Director General of the Company performs the following tasks as a part of the system of internal control:
 - facilitates the creation and maintenance of the Company's system of internal control;
 - introduces improving the system of internal control to the agenda of the Board of Directors.

6. Unit and division directors perform the following tasks as a part of the system of internal control:

- maintain the implementation of basic principles of the system of internal control;
- organize an effective control environment for the supervised processes (business trends);
- are responsible for business operations progress and objectives accomplishment for the supervised processes;
- provide regulations for the supervised processes;
- evaluate the supervised processes to detect the necessity of optimizing their efficiency and to test for adequate response to the changes in the environment; organize the development of control routines improvement methods;
- ensure the elimination of control routines and environment deficiencies;
- manage the risks of the supervised processes and organize control routines execution.

7. Employees of the Company's divisions executing the control routines also have the following responsibilities:

- execute control routines as a part of the system of internal control in accordance with the job description and applicable regulations;
- monitor the control routines execution progress;
- perform self-assessment based on the control routines execution efficiency and participate in further development of the system of internal control;
- ensure timely information delivery to the immediate authorities when control routines execution and other risk management measures provision is interrupted for a certain reason or the procedures and measures package calls for modification due to external or internal operating environment changes and suggest amendments to control routines and risk management procedures in the respective fields.

8. The Internal Audit and Risk Management Department:

- Preventive control by performing the following activities:
 - Implementation of the policies and standards for developing the system of internal control and risk management.

- Organization and supervision of risks detection, evaluation and management;
- Providing assistance to develop efficient procedures including assisting the management in developing control routines description and implementation recommendations as well as assigning responsibilities to specific employees.
- Controls current events by performing the following tasks:
 - Monitoring the execution of measures and internal control routines in the Company;
 - Executing additional procedures of monitoring current events in key and high-risk processes (finances, investments, procurement, power transfer and technological connection activities, etc.) by participating in work groups, committees, collective administrative bodies; analyzing and issuing conclusions and expert reports (considering the need to maintain current control process balance and guarantee independence during the next control phase);
 - Organizing effective interaction and support of the Company's Auditing Commission activities.
 - Interaction with state regulatory authorities on issues of internal control.
 - The interaction with the external auditor of the Company and SDCs on issues of evaluating the effectiveness of the system of internal control and risk management;
 - Interaction with the Auditing Commission of the Board of Directors;
 - Preparation of expert opinions, conclusions and proposals on the materials submitted for consideration of management and control bodies of the Company and its subsidiaries and affiliates on issues within the competence of the Department for internal audit and risk management.
- Further control by performing the following functions:
 - Ensuring effective operation of internal audit procedures;
 - Organization and coordination of activities of the subsidiaries and affiliates Auditing Commissions, as well as post-monitoring or remediation of the violations and deficiencies of subsidiaries and affiliates identified during audits, execution of recommendations and requirements of Auditing Commissions.

Main risk factors

The Company activities are associated with risks that investors should take into consideration. The following describes the key risk factors that the Company currently believes to be the most significant.

Country risks

IDGC of the South, JSC is the largest interregional distribution grid company, carrying out its production activities on the territory of Astrakhan, Volgograd and Rostov Regions and the Republic of Kalmykia. The Company does not export goods, labor or services. Therefore, the risks associated with its activity are considered only for the domestic market.

One of the risk factors that have an impact on IDGC of the South, JSC is the deterioration of the economic situation in the country and the Company's regional footprints decreasing the purchasing power of consumers due to the negative impact of the global economic crisis.

The Company is not able to influence the country risks, however, the planning of activities is based on the possibility of such risks. Moreover, the Company actively cooperates with state regulatory agencies and other organizations with the purpose of creating conditions for the power industry evolution and improving Russian economical situation in general.

Regional risks

The regions in the Company's operations area are politically stable and the risk of military conflicts and emergency situations is practically non-existent. However, there is a risk of terrorist attacks, and to minimize it Company takes measures to ensure security of its facilities.

The social situation in these regions is characterized as peaceful, with the lack of ethnic conflicts and allows to carry out economic activity with minimal socio-political risks.

The geographical features of the regions in which the Company operates suggest a small probability of risks associated with the risk of natural disasters and the negative influence of climatic conditions, which may cause damage to the population, housing and communal services, social activities, transport, heat and electricity consumers. To compensate for the damage from the impact of such extreme circumstances, including catastrophic events, the Company signed property insurance contracts, as well as prepared emergency stocks of material and technical resources, worked on the preparation of accident rescue teams and developed a special anti-crisis program.

Regulatory risks (industry risks)

Risks associated with tariff, industrial and antimonopoly regulation of IDGC of the South, JSC activities, are regulatory risks.

Risks associated with tariff regulation

Electric power transmission services and technological connection are regulated activities. Tariffs are set by executive bodies in the field of tariff regulation, while the company bears the risks of accounting economically feasible expenses of the Company not to a full extent. Uncompensated expenses reduce the Company's financial efficiency and require constant reduction of expenses to achieve break even mode of operation.

The main risk factors related to tariff regulation include:

- deficit of costs and development funding associated with the policy of the Government of the Russian Federation aimed at curbing growth of tariffs for power transmission in regional grids;
- instability of the legislation in the power industry, characterized by its frequent changes;
- lack of funds for investment programs because of restrictions on cash flow..

To reduce the negative effect and prevent conditions that affect its activity, the Company developed the following measures:

- interaction with state tariff regulation bodies, defending the need for proactive expenses growth of the Company as a system-forming company of the region;
- IDGC of the South, JSC participation in the development of new regulations and changes to current laws that are a priority for the organization of the distribution grid complex.

Risks associated with industrial regulation

The main risk factors associated with industrial regulation include:

- lack of understanding of the retail market mechanisms;
- free pricing in the wholesale market of electric power, where purchasing power to compensate for technological consumption (losses) during transmission over power grids leads to excess price incorporated in the tariffs and noncompensable expenses of the Company;

- reducing demand for electricity and technological connections: the main part of electricity consumption and technological connections in the territories of the Company's operations area are industrial enterprises, and therefore the level of business activity, industrial development and the investment climate plays an important role in the formation of revenues of IDGC of the South, JSC;
- low solvency of electricity supply companies and large industrial enterprises, bad financial situation and the bankruptcy of a number of partners of the Company;
- termination of the lease of the power grid complex entities of FGC UES, JSC (the «last mile» lease agreements) and the transition of electric power transmission consumers to direct payments to FGC UES, JSC, which reduces the market share of the Company;
- incorrect consumer planning of their consumption levels in the next regulation period;
- breaking the balance of production and consumption of electric energy by wholesale market participants;
- the mismatch between the requirements of the unified policy in the area of electricity and the applicable legislation;
- the lack of plans for economic development with an indication of the electricity consumption dynamics for a certain period in some constituent entities of the Russian Federation and municipalities.

To reduce the negative effect and conditions that affect its activity, the Company developed the following measures:

- the Company's Board of Directors approved the schedule of measures to reduce the amount of overdue accounts receivable for services on electric power transmission and reconciliation;
- cooperation with Federal Tariff Service of Russia and executive bodies of constituent entities of the Russian Federation in the field of state regulation of tariffs on the formation of a consolidated forecast balance of production and supply of electric energy for the next year;
- a long-term program to consolidate grid assets is executed;
- analysis of the reasons of disagreement, development of short-term measures to eliminate the causes of conflicts with consumers, including disagreements on the volume of transmitted electricity;
- control over the implementation of measures to reduce receivables for power transfer services (monitoring of payments/teleconferences);
- better judicial practices creating a positive precedent in respect of the disputed receivables for power transfer services;

- administration of claims and lawsuits;
- working with the bankrupt enterprises to receive cash or some of their power grid assets;
- signing direct contracts of power transfer services provision.

Financial risks

IDGC of the South, JSC, as well as other economic entities, is exposed to the following risks:

- currency, interest-rate risks;
- risks related to inflation;
- risks related to non-fulfillment of obligations;
- risks of non-fulfillment of obligations to commission objects of investment.

Currency, interest-rate risks

In performing its main activity, the Company attracts debt financing sources.

Due to the fact that the volume of credit resources is a significant share in the total volume of own and borrowed funds, the Company is exposed to risks associated with change of the interest rates on credits and loans. As the interest rates rise, interest payments on credits of commercial banks increase as well and consequently the Company's profit is reduced.

To minimize the maintenance costs of the debt portfolio the Company constantly carries out the analysis of its financial situation, the floating interest rates, carries out the selection of financial institutions to provide financial services by an open single-step tender or a public auction in accordance with procedures established by the legislation of the Russian Federation, constant monitoring of the market of loan capital and restructures its debt.

The Company currently carries out its main economic activity on the territory of the Russian Federation, has no investments in foreign operations, net assets are exposed to changes in exchange rates, has no revenue and expenses denominated in foreign currency. In addition, the Company does not plan to perform activities on the outer market, so the risks associated with minor fluctuations in exchange rates do not interfere with the results of financial and economic activities of the Company and are regarded by the Company as negligible.

In case of negative influence of exchange rate changes on its financial and economic activity, the Company plans to employ risk analysis and make the corresponding decision in each case.

Risks related to inflation

The risk of inflation can occur when IDGC of the South, JSC's income depreciates faster in terms of real purchasing power than grows nominally. Inflation can lead to the increase of expenses of the enterprise (due to higher prices for equipment, materials, work and services of outside organizations), and consequently the Company's profits decrease as well as the growth of borrowed funds cost.

The current inflation rate has no significant effect on the financial situation of the Company. In accordance with the inflation forecast, it should not have a significant impact on the solvency of the Company, specifically for payments on the securities.

In the case of a rapid growth of inflation the Company intends to pay special attention to increasing the turnover of current assets, primarily by reducing inventory and reviewing existing contractual relations with consumers with the purpose of reduction of turnover of accounts receivable.

Risks related to non-fulfillment of obligations

The risk of contracting to unfair or insolvent counterparts who are ineligible to enter into such a contractual relationship or is unable to perform their obligations due to their difficult financial situation is estimated as insignificant by the Company, due to the fact that the Company is constantly checking the reliability of all its partners.

Risks of non-fulfillment of obligations to commission objects of investment

To ensure an adequate level of capital renewals, accident free operation of power grids, as well as to update the grid fund, the Company performs capital investment, which raises the risks of non-compliance with the deadlines of commissioning objects of investment.

In order to minimize risks the Company conducts the following activities:

- timely adjustment of the investment program;
- reallocation of funds from savings from the results of tender procedures to other objects of the investment program;
- control the timing of the tender procedures for investment programs;
- control over contract terms;
- control over construction progress.

Operational risks

The activity of the Company has a wide geography and presents diverse climatic conditions. There is a possibility of emergency situations due to natural disasters (hurricanes, heavy and icy rains, floods, snow avalanches and so on) that can cause system malfunction and equipment deficiency of power grid distribution complex and failures in power supply to the customers of the Company.

Operational risks affecting the security of power supply, stemming from asset abuse, incorrect operating modes of power grid equipment, non-fulfillment of the repair program in the necessary volume.

Factors of operational and technological risks also include:

- emergency situations of natural and technogenic character;
- the deficiency of the Company's asset management system (the shift of priorities from ensuring reliable operation of the grid, incorrect ranking of facilities subject to repairs);
- factors associated with the operation of equipment, including extreme deviations from regulations and requirements, exceeding the technological parameters of the mode of operation of power grid equipment of valid values, personnel mistakes, and violation of the operational discipline.

These risks present potential significant economic and reputational repercussions. In addition, these risk factors affect the amount of losses in power grids, increasing the Company's expenditure on the purchase of electricity for loss compensation.

To mitigate operational risks, the Company carries out activities aimed at improving reliability of power supply to its customers, and preventing risks of technological failures, including:

- clearing and expanding OL routes;
- reconstruction of electric facilities;
- expansion of the reserve power supply (RPS), trucks and construction equipment for accident rescue operations;
- complex program of modernization (renovation) of grid assets;
- modernization of switching equipment;
- modernization and creation of automatic process control systems ;
- improving systems of information exchange, analysis of technological disruptions, forecasting of their consequences, introduction of the automated control system of distributed resources to carry out of rescue and recovery operations (SURR ALT);

- improving the emergency supply management system;
- growth of mobile accident rescue teams and the quality of their staff;
- programmes to reduce workplace injury rate in the power grid facilities;
- training, supervision, and certification of personnel using the operational equipment;
- insurance program;
- program of energy saving and energy efficiency.

- monitoring of the fulfillment of obligations by the suppliers and subcontractors as a part of the investment program;
- management of timely adjustments to investment program;
- reallocation of proceeds from the savings on competitive procedures, other objects of the investment program;
- monitoring of procurement schedule compliance;
- assessing performance and payback of investment projects;

Compliance risks

Compliance risks or risks of failure to comply with the legislation and other official rules, regulations and requirements of the state authorities and regulatory bodies. Facts of the Company's failure to comply with the official rules, regulations or applicable legislation are revealed in the course of checking activities by the state, regional or municipal supervisory and regulatory authorities.

In order to reduce the risks of financial (imposition of fines) and/or administrative (prohibition of equipment operation or use of premises, etc) sanctions application, IDGC of the South, JSC has organized the material record and generalization based on the results of the check-ups of IDGC of the South, JSC performed by external supervision (oversight) authorities.

The work on recording the check-up results of the external supervision and oversight authorities enables IDGC of the South, JSC to take timely measures for compliance with the remarks and disclosed nonconformances to rules, regulations and applicable legislation.

Risks pertaining to amendments to tax, environmental legislation, customs and currency exchange regulation

Risks, in particular pertaining to ambiguous treatment of the rules of tax legislation, can lead to tax calculation and payment errors, which can result in punitive penalties by the tax authorities. To reduce the abovementioned risks, the Company takes continuous measures on legitimate development of the tax base calculation methodology on various taxes and their compliance with the applicable legislation.

Having said that, the risk of amendments to the tax legislation, insofar as it refers to the increase of tax rates and/or change of procedures and deadlines for calculation and payment of taxes, should not be ruled out, which can result in the decrease of the Company's net profit as well as in the decrease of the payable dividend amount.

In case of amendments to the applicable procedures and conditions of tax assessment, the Company is determined to plan its financial and business activities with due consideration of such amendments.

Amendments to the licensing requirements of the Company's core business can lead to the extension of preparation period for documents necessary to extend the period of license validity as well as to the compliance necessity to the assigned requirements. However, overall this risk should be considered minor, except for the cases when, in order to extend the license or perform activities subject to licensing, the requirements are foreseen which the Company can not comply to or the compliance to which will be subject to excess expenditures that can result in the termination of this type of business.

Amendments to the currency exchange and customs legislation of the Russian Federation do not affect the Company's activities and, hence, do not entail risks.

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 control to ensure the requirements of the legislation, the Company carries 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 02.08.2013 the Regulations on Insider Information of IDGC of the South, JSC (minutes dated 05.08.2013 No. 112/2013), taking into account the requirements of the Federal Law dated 27.07.2010 No. 224-FZ "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 transactions with insider financial instruments of the Company and subsidiaries;
- signing confidentiality agreements on insider information and additional agreements to labor contracts with insiders — employees of the Company.

Also, in order to improve preventive control the Board of Directors of the Company approved the Conduct Code that regulates corporate responsibility and conduct ethics of insiders — employees of the Company.

As a part of the subsequent compliance-control the following analysis is carried out:

- 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 insiders' notifications to the Company;
- information from the securities registrar on completed transactions by the shareholders.

Tax risks

Since no specific taxation regulation is applied to IDGC of the South, JSC and the Company does not possess overdue debt in taxes and charges to budgets of all levels, tax risks of the Company are considered as minor as part of the activities of a bona fide taxpayer.

The Company does not foresee in the short-term the probability in its financial and economic activities of any substantial risks connected with the amendments to the tax legislation as well as the amendments to the civil legislation.

The Company bases its activities on the compliance to the rules of applicable legislation of the Russian Federation, and besides, monitors amendments to them on a permanent basis.

Litigation risks

Litigation risks may be due to the specifics of the applicable legislation and judicial system which is characterized, in particular, by the different court rulings on the same issues and interpretation of legislation, in general, as well as by the conflict of legal regulations, which result in the probability of the risk of biased and discretionary assessment by the legal authorities of business facts.

Legal risks related to the amendments of court rulings on the issues of the Company's business may negatively impact the results of its activities as well as the results of in-process lawsuits, in which IDGC of the South, JSC is participating.

Although there is no common law in the Russian Federation, court rulings are of high importance in the law enforcement system. Court rulings, though not being literally sources of the law system, imply in certain cases the obligation to interpret the enforceable legal ruling.

IDGC of the South, JSC performs its activities in strict compliance with the applicable legislation, negative consequences of the amendments to the legal rulings are only possible for the Company in the case of the change in the position of the supervisory bodies or if the Company performs its activities with the contempt of law.

Corporate cost risk (corporate risk)

IDGC of the South, JSC is included in the register of natural monopolies, which are subject to regulation by the State in accordance with the Russian law. In this regard, the federal and regional agencies of tariff regulation establish and regulate the fees for services rendered by the Company.

In order to control the growth in electricity tariffs for end consumers, the State has the power to limit the growth rates and the profitability indices of the Company's services correspondingly. In order to minimize this risk factor, the Company implements 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, jointly with local authorities participates in the design of the territorial development programs while coordinating the amounts and sources of the investment programs.

Likewise, the significant risk factor is the competition for tariff revenue from the part of the regional TGOs in each subject of the Russian Federation. In order to minimize this risk factor, the Company has planned measures to reduce existing tariff distortions that result in disproportionate increase in revenues of regional TGOs.

Another important risk factor is the recognition of the Company in the breach of the antimonopoly laws. The activities pertaining to technologic connection of consumers' electrical plants to electric grids of the Company are subject to the highest level of risk of antimonopoly laws. Addresses of the consumers to the territorial offices of FAS and the subsequent initiation of a case by the antimonopoly authority for the breach by the Company of the legislation in the field of technologic connections can be caused by a breach of a consumer rights. In particular, this may be resulted from the failures in technological connection, failure to comply with statutory deadlines for technological connection to electric grids and from a number of other factors. Another 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 on the Company's total presence territory, and not limited to the territory of a particular branch.

To reduce the influence of the factors that result in the realization of this risk factor, the Company improves business processes of technological connection of consumers by simplifying its internal procedures, introducing new forms of customer service, such as those associated with interactive methods of service.

Russian Federation, as the major shareholder of Russian Grids, JSC, controls the decision-making on most issues and influences the strategy of the Company. Decisions motivated by economic and social interests of the State, may contradict the interests of other shareholders. Such decisions may concern, inter alia, dividend policy, mergers and acquisitions and the Company's privatization issues. In addition, as the main shareholder of IDGC of the South, JSC, Russian Grids, JSC can make such decisions that will not be treated by the Company's minority shareholders as decisions meeting their interests. This can result in claims initiated by the minority shareholders and in their challenging the decisions 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, exerts its efforts to ensure the balance of interests of the shareholders, including the respect for and protection of the rights guaranteed to all shareholders by the legislation of the Russian Federation.

3.5. Legal support

Legal support of the Company's business is performed in the following areas:

- legal support of the Company's business operations;
- claims work;
- organizational and methodological support of the branches' operations.

Organizational and methodological support of the Company's business includes legal expertise of civil law contracts, orders, instructions, regulations, provisions, and other local normative acts, as well as preparation of legal opinions on the issues of the Company's business, development and negotiation of typical forms of business contracts, other documents, etc.

As a part of claims work the timely and effective protection of the Company's interests is ensured, both in pre-trial and court procedures. The effectiveness of this area of activities is ensured by the clear regulation by local normative acts approved by the Company, and by the actions of all services and subdivisions in case of conflict situations with the Company's counterparties, governmental and municipal authorities.

Organizational and methodological support of the branches' operations is aimed at achieving the uniformity of law enforcement practice in all branches of the Company, at providing a unified methodology and principles for legal support, and at forming a unified legal position of all branches on legal disputes in which the Company is involved. The specified goals are achieved by collecting and analyzing report data of the branches, formation and dissemination to the branches of the Company's position on the issues of law enforcement, supervision of the implementation of organizational and management documents, written orders on issues of legal support of the Company's business.

3.6. Property management

Subsidiary and dependent companies

As of December 31, 2013, IDGC of the South, JSC is the founder of five companies and owns 100% of the voting shares in each of them:

- Volgogradsetremont, JSC;
- Energoservice of the South, JSC;
- PSKh named after A. A. Grechko, JSC;
- PSKh Sokolovskoye, JSC;
- "Energetik" Recreation Camp, JSC.

See more details in Appendix 3 to this Annual Report.

IDGC of the South, JSC carries out corporate management of its subsidiaries through its representatives in the management bodies of the subsidiaries and is guided by the laws of the Russian Federation, the Charters of IDGC of the South, JSC and of the subsidiaries and by the Procedure of the interaction of IDGC of the South, JSC with the companies, which IDGC of the South, JSC owns the stocks (shares) of, (Procedure), approved by the Board of Directors (minutes No. 24/2009 dated 10.03.2009).

In accordance with the Procedure, the Board of Directors of IDGC of the South, JSC determines the Company's position on the agendas of General Shareholders Meetings and meetings of the Board of Directors of subsidiaries (instructions to Company's representatives to take or not take part in voting on agenda issues, and to vote on resolutions "for", "against", or "abstain"), including on questions related to the approval of the business plan (adjusted business plan) of subsidiaries, subsidiaries' business plan performance reports, distribution of profits and losses based 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 subsidiaries in 2013.

In order to minimize risks of non-compliance of subsidiaries with the requirements of the applicable legislation of the Russian Federation in the area of disclosure of information, the Company performed permanent control over subsidiaries by monitoring public sources of information.

Land plots

28,228 land plots of total area of 1,876.5 hectares are in use of IDGC of the South, JSC, of which:

- 360 land plots with an area of 101.6 hectares are owned;
- 7,473 land plots with an area of 1,059.3 hectares are owned on a leasehold basis;
- 3,359 land plots with an area of 498.8 hectares are in constant (unlimited) use;
- the right is not defined for 17,036 land plots with an area of 191.5 hectares.

Section 4

Share capital and equity market

1,583.49

mln rub.
Company capitalization



Commissioned 972 km of power grids and 299 MVA of transformer capacity

3,161

mln rub.
Capital expenditure development

14,467

technological connections were performed with total capacity of 608 MW

4.1. Share capital

Share capital history

As of June 28 2007 (the date of state registration of IDGC of the South, JSC), the Company's equity capital amounted to 10,000,000 rub. and was divided into 100,000,000 ordinary registered shares with a nominal value of 10 kopecks each.

On March 31, 2008, due to the reorganization of the Company in the form of annexation of Astrakhanenergo, JSC; Volgogradenergo, JSC; Kalmenergo, JSC and Rostovenergo, JSC to it, the number of shares of the Company increased to 49,811,096,064 shares by means of conversion of the shares of the merged companies.

As of December 31, 2013, the Company's equity capital amounts to 4,981,109,606 rub. 40 kop. and is divided into 49,811,096,064 ordinary registered shares with a nominal value of 10 kopecks each. Preferred shares were not issued by the Company.

Number of authorized 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 article 6 of the Charter of IDGC of the South, JSC.

Issues of Company Shares

No	State Registration Num-ber of the Issue	Amount, rub.	Share Category	Quantity, shares	Nominal value, rub.
First Share Issue					
1	1-01-34956-E от 20.09.2007	10,000,000	Ordinary	100,000,000	0.1
Additional Share Issues					
2	1-01-34956-E-001D от 20.03.2008	228,296,779.1	Ordinary	2,282,967,791	0.1
3	1-01-34956-E-002D от 20.03.2008	1,620,347,283.7	Ordinary	16,203,472,837	0.1
3	1-01-34956-E-003D от 20.03.2008	439,059,322.3	Ordinary	4,390,593,223	0.1
4	1-01-34956-E-004D от 20.03.2008	2,029,712,678.4	Ordinary	20,297,126,784	0.1
5	1-01-34956-E-005D от 20.03.2008	192,111,155	Ordinary	1,921,111,550	0.1
6	1-01-34956-E-006D от 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, individual numbers (codes) of additional shares issues were annulled; the united issue was assigned the state registration No. 1-01-34956-E dated 20.09.2007.

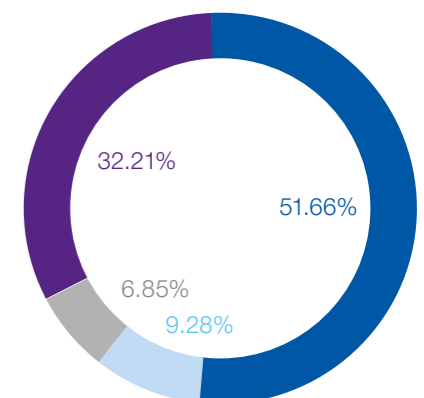
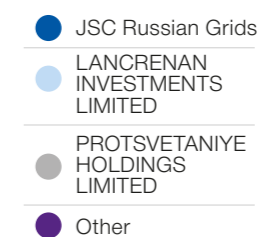
Share capital structure

As of June 2, 82007, 100 % of the shares belonged to the sole founder of the Company — RAO UES of Russia, JSC.

On 31 March 2008, as a result of the reorganization through a legal merger of Astrakhanenergo, JSC; Volgogradenergo, JSC; Kalmenergo, JSC and Rostovenergo, JSC with the Company, the shareholders of the merged companies, who had not used their right to sell back their shares during the reorganization of the merged companies, became owners of the Company's shares.

Starting from July 1, 2008 as a result of the reorganization of RAO UES of Russia, JSC, IDGC Holding, JCS (renamed to Russian Grids, JSC on April 4, 2013) became the owner of the Company's shares.

IDGC of the South, JSC's shareholders, owing more than 5% of charter capital as of December 23, 2013 (the last data of closing the list of registered securities owners)



No crossholding shares.

In 2013, there were no changes in the membership of shareholders possessing more than 5% of the Company's charter capital.

As of December 31, 2013 the total number of individuals in the Company's shareholder register is 9,219.

Share capital structure as of 31 December 2013

Type of Registered Person	Number of Company's Shareholders	Number of shares	Share in Authorized Capital, %
Individuals	9,131	1,446,037,597	2.90
including non-residents	42	11,295,945	0.02
Legal entities	82	67,136,670	0.13
including non-residents	9	14,679,869	0.03
State	2	70,456,639	0.14
Nominal holders	4	48,227,465,158	96.82
Total	9,219	49,811,096,064	100.00

Share capital structure as of December 23, 2012 (date of the list of persons entitled to participate in the extraordinary General Shareholders Meeting)

Type of holder	Number of Company's Shareholders	Number of shares	Share in Authorized Capital, %
Holders — individuals	11,552	5,072,175,495	10.18
including non-residents	42	11,295,945	0.02
Holders — legal entities	233	43,207,238,767	86.74
including non-residents	81	17,161,278,672	34.45
State	2	70,456,639	0.14
Nominal holders	3	296,475	0.00
Asset managers	34	1,455,979,890	2.92
Charge holders	0	0	0.00
Shares of unidentified persons	3	4,948,798	0.01
Total	11,827	49,811,096,064	100

4.2. Circulation of shares at the stock market

Shares of IDGC of the South, JSC are admitted to trading on the MICEX Exchange, CJSC in quotation list B (ticker — MRKY), ISIN code: RU000A0JPPG8.

Market-makers

In order to improve the liquidity of the Company's shares, the contract was signed with Unicom Partner, LLC, on December 24, 2009 for providing market-maker services on MICEX Exchange, CJSC. The Contract remained in force during the reporting year.

Information about the market-maker

Full company name:
Universal Investment Company Partner, LLC

Shortened company name:
Unicom Partner, LLC

License for fulfilling dealer activities:
dated 19.04.2002 No. 166-05957-010000, without a limit on the term of validity, issued 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:
www.unicompartner.ru

Parameters of support for Two-sided quotations:

- spread of the two-sided quotation (effective spread) as a percentage — not more than 3%;
- minimal acceptable volume of offers, not less than 300,000 rub.;
- total sum of transactions concluded with securities as part of fulfilling the market maker's obligations over the course of one trading day in main trading, upon reaching thereof the market maker has the right to support only one-sided quotations for buying or selling securities, not less than 2,100,000 rub.

Starting from the effective date of the contract, the market maker provides securities trading services by presenting and constantly supporting the market-maker's offer.

In the reporting year, the turnover of shares of IDGC of the South, JSC amounted to 10% of the total number of outstanding shares.

The shares of IDGC of the South, JSC completely meet the requirements set forth by the trade organizer to be maintained in quotation list B of MICEX Exchange, CJSC.

In 2013, the total volume of Company's share transactions on the MICEX Exchange, CJSC amounted to 136,77 mln rub. The peak values of the trading volume were reached in February 2013 and equaled to 32.95 mln rub. which is due to expectations of the release of positive statements under RAS for the year 2012.

The difference between the highest demand price (maximum Bid) and the lowest asked price (minimum Ask) in the reporting year amounted to 46%.

According to data from the MICEX Stock Exchange, CJSC, the market capitalization as of 31 December 2013 amounted to 1,583,494,743.87 rub.

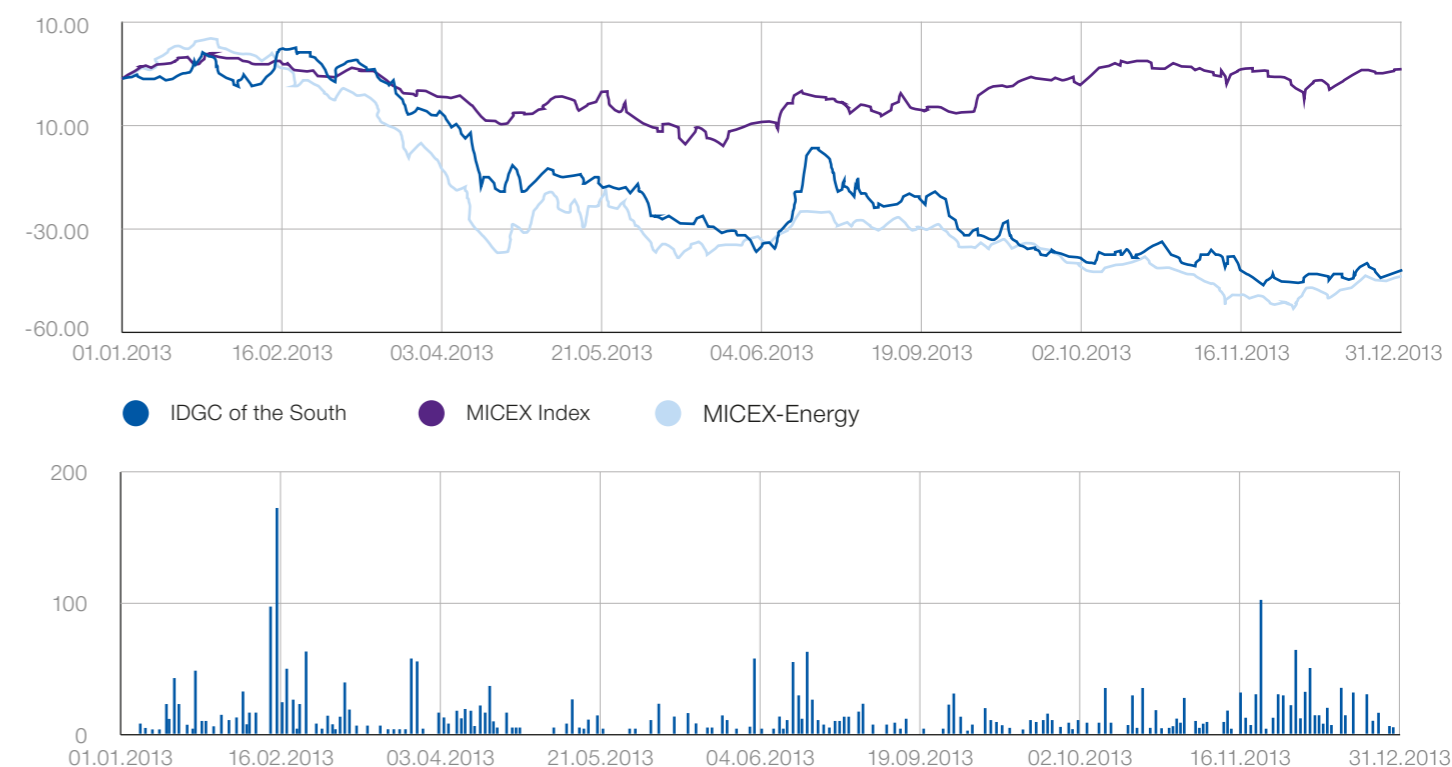
The change in the Company's market capitalization at the end of the reporting year as compared to the year 2012 showed a decrease for 38%.

This decrease in the market capitalization of IDGC of the South, JSC occurred against the backdrop of a decrease of the MICEX Energy index (by 39.54%) and was due to the government policy aimed at curbing the growth of tariffs for power transmission.

Quotations and Trading Volumes in 2013 (data for the period from January 1, 2013 to 31 December 2013)

Trade Organizer	Volume, mln. Shares (market transactions)	Volume, rub. (market transactions)	Number of Market Transactions	Transaction Prices, rub.			
				first	maximum	minimum	last
MICEX Stock Exchange, CJSC	3 288,35	136,77	16 995	0,0524	0,0564	0,0305	0,0322

Change in the share price of IDGC of the South, JSC, the MICEX index and MICEX-Energy index in 2013 (according to data by MICEX Exchange, CJSC)



5.1. Personnel policy

The personnel policy of IDGC of the South, JSC is a set of fundamental principles that are implemented by HR departments and their heads 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 quantitative and qualitative compliance of professional and qualification structure of personnel with positions and employment structure of the Company, taking into account the full range of requirements for the quality of personnel in the electric power industry;
- 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 work environment in the Company.

The main directions of the Company's personnel policy include:

- optimization of the process of creating organizational systems, rationalization of labor;

- workforce planning (determination of staffing needs (the ratio of quantity and quality);
- definition of a special category of employees whose retention is crucial to the Company;
- development and implementation of measures to rejuvenate the personnel in the Company, particularly personnel of production units (workers, engineers and technicians);
- cooperation with leading Russian institutions of higher, secondary and additional vocational education with an emphasis on specialized energy educational institutions and departments;
- organization of continuous training, retraining and advanced training of staff aimed at maintaining the appropriate level of staff training to ensure the competitiveness of the Company;
- formation and development of talent pool of the Company, development of individual programs for personnel capacity development, staff career planning, organization of mentorship in the Company;
- 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;
- implementation of programs of non-state pension provision in order to improve social protection of Company's employees, provision of targeted social benefits and guarantees for Company's employees;

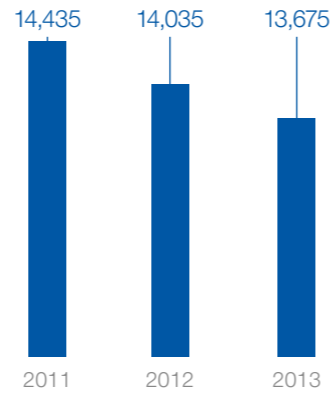
Section 5 Sustainable development

- implementation of measures aimed at preserving life and health of the Company's employees, through preliminary and periodic medical examinations, as well as the implementation of a voluntary health insurance program;
- formation and maintenance of the Company's corporate culture;
- system of psycho-physiological safety of the labor activity of operational personnel.

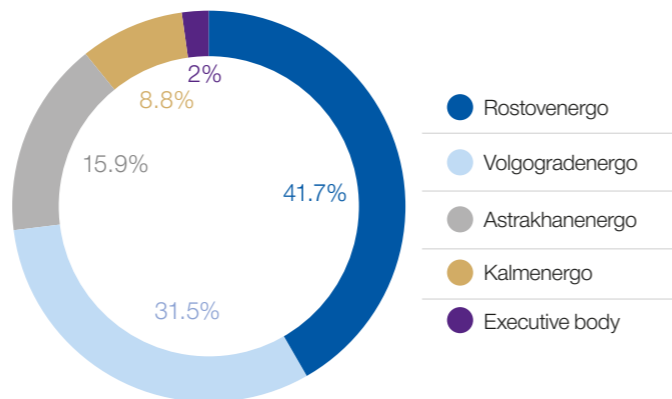
In accordance with the Program for Personnel Support and Development of IDGC of the South, JSC, approved by the Board of Directors of IDGC of the South, JSC (Minutes No. 51/2010 dated July 30, 2010), a number of activities for the maintaining, replenishment and development of the Company's personnel were implemented, which include:

- definition of a special category of employees whose retention is crucial to the Company;
- development and implementation of measures to rejuvenate the personnel in the Company;
- improvement of the system of training and development of the Company's personnel;
- enhancement of work with personnel reserve of the Company;
- improvement of personnel remuneration and motivation system;
- development of the system of social security and social partnership in the Company;
- system of psycho-physiological safety of the labor activity of operational personnel.

Dynamics of the average personnel number of IDGC of the South, JSC in 2011-2013

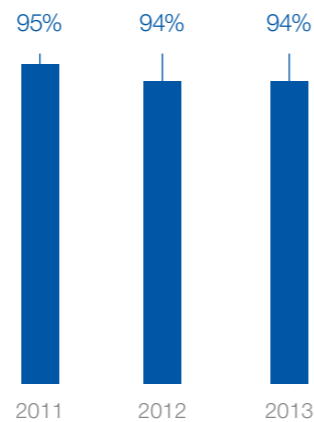


Personnel number distribution by branches in 2013



On the whole, staffing level is stable and has amounted to 94% in the period of 2012-2013.

Staffing level, %

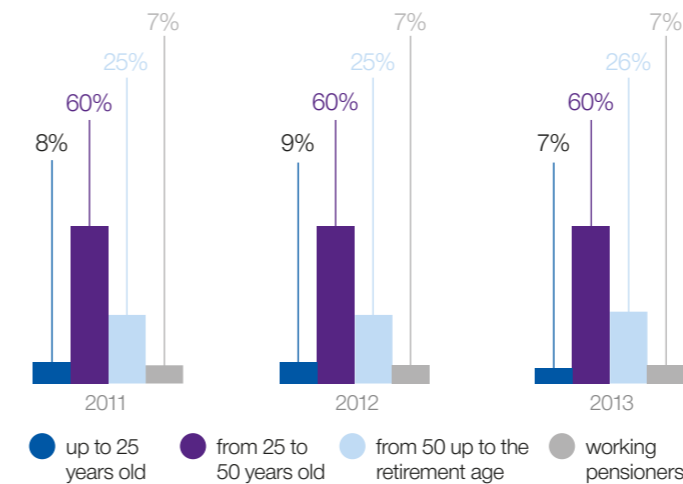


Personnel structure by categories in 2011-2013



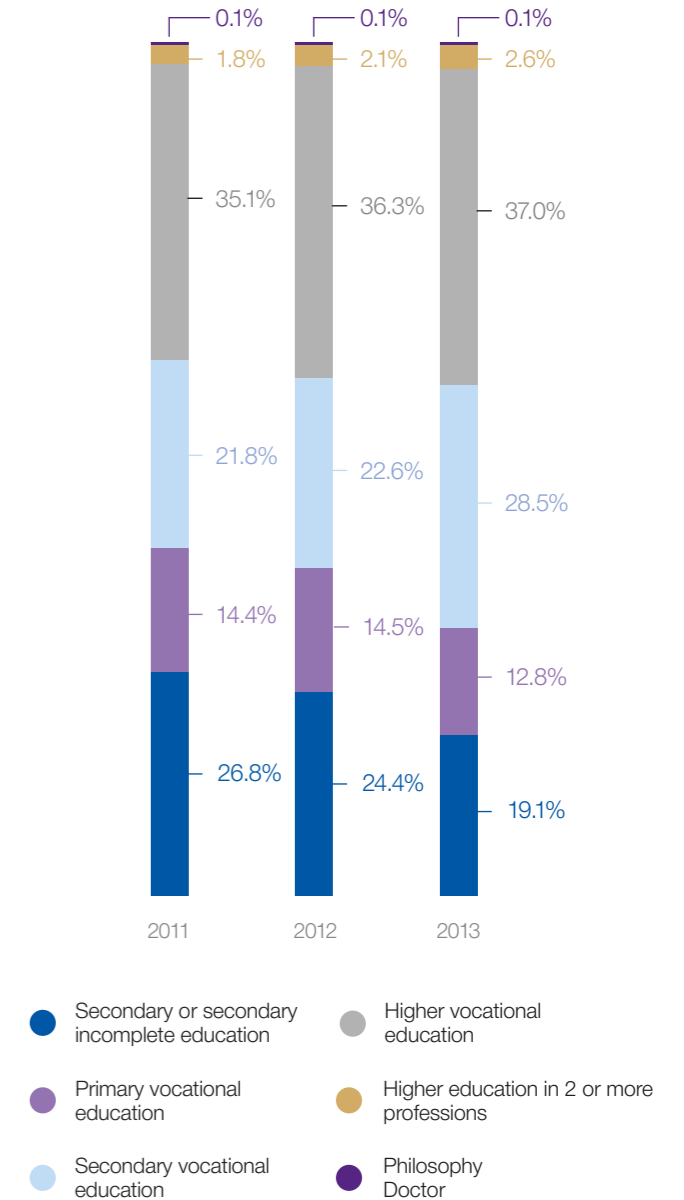
In 2013 the number of personnel in IDGC of the South, JSC declined in comparison with 2012. The share of managers, specialists and workers in the total personnel number of the Company has increased from 54.9% to 55.3% in 2013. The mentioned dynamics is due to the Company's policy on cost and personnel number optimization.

Personnel structure by age in 2011-2013.



The analysis of qualification structure of the branches' personnel shows that the highest level of employees having higher professional education is in the Volgogradenergo and the Rostovenergo branches with 38% and 39% respectively. The highest level of personnel's education with secondary education is in the Astrakhanenergo branch with 34%.

Personnel structure by educational level in 2011-2013



The analysis of the qualification structure of the employees of IDGC of the South, JSC has shown that the proportion of employees having elementary, incomplete secondary education has the tendency to decline. As such, the number of personnel of these categories has declined for 7% in 2013 as compared to 2012. The number of employees having received secondary professional education has increased for 5% since 2012. The number of employees having higher education (including two or more) has also increased to 1% as compared to 2012. This trend is due to the introduction of the system of continuous professional training, retraining and advanced training of the personnel.

Number and structure of the Company's personnel

The average personnel number of IDGC of the South, JSC in 2013 was 13,675 people, decline in comparison to the previous year — 360 people, to 2011 — decline 760 people.

The decrease of the average personnel number was due to the changes in the organizational and staff structure of the Company's Executive body, natural movement of the personnel as well as to the moratorium on hiring following the Orders of IDGC of the South, JSC «On moratorium on personnel hiring» dated 25.07.2013 No.285 and «On moratorium on filling the vacancies» No.596 dated 05.11.2013.

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 systematic, planned, and continuing professional training of personnel. The Concept of professional training of the personnel of IDGC of the South, JSC implies continuous training of all categories of employees, which, as a result, contributes to the increase in reliability of the power equipment operation and to maintaining of seamless power supply to consumers.

Personnel training in the Company is carried out in accordance with the Provision for professional training, retraining and advanced training of the personnel of IDGC of the South, JSC, as well as with the Rules of HR management in organizations of the electric power industry in the Russian Federation approved by the Order of Mintopenergo of Russia.

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 electric power industry.

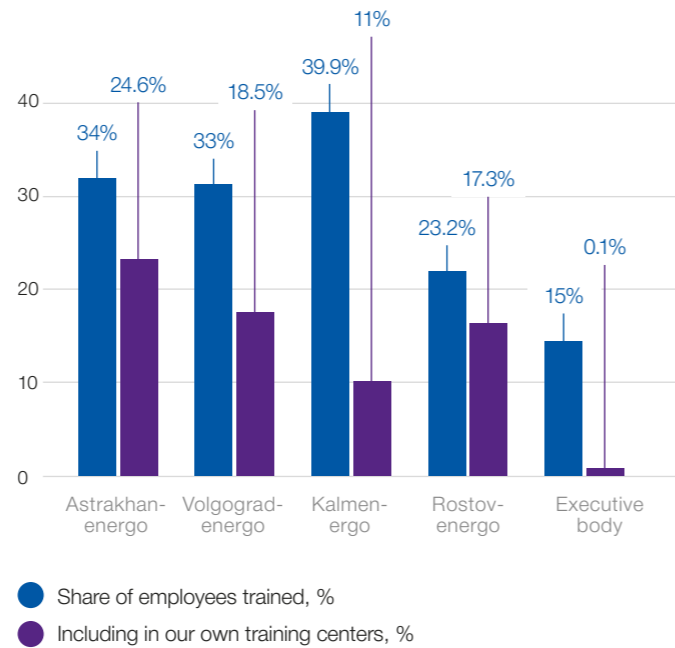
Training is held for all categories of employees in the following fields: professional retraining and advanced training of employees, retraining and training for the second professions, advanced training courses for workers, purpose training courses for workers, advanced training for technical and engineering employees, pre-examination training in areas under Rostekhnadzor jurisdiction. In 2013 training events were attended by 4,001 employees, or 30 % of the Company's personnel.

To measure the effectiveness of the training and efficient use of allocated funds, the Company has the procedure of control and assessment of the training efficiency which includes filling in special forms (feedback form) by both the trained employee and his/her supervisor. The analysis of these documents enables to assess the quality and relevance of training programs, training process organization, and optimize costs in this area.

The structure of employees trained of the Company in terms of categories is due to the specific character of the business of companies pertaining to the distributive grid complex. The most of employees trained (43% from total personnel number of the Company) are workers.

The main form of personnel training is a compulsory training of electrotechnical and engineering personnel, carried out in accordance with the Rules of HR management in electric power sector on the basis of the Company's own training centers NNEE "Recreation Camp Energetik" (Rostov-ob-Don) and NNEE "Astrakhan training center" (Astrakhan).

Share of employees participated in training events



Distribution of trained personnel by categories



In 2013 1,750 employees completed their compulsory training on the basis of our own training centers.

As a part of personnel training for key positions at IDGC of the South, JSC, Non-state educational establishment «Recreation Camp Energetik» (Rostov-on-Don) has developed and carries out customized advanced and retraining programs.

In 2013 a group of employees from the Company's branches passed long-term advanced training program named «School for operators training» at the Recreation Camp "Energetik", non-state educational establishment.

NNEE "Astrakhan training center" (with training grounds)



NNEE "Recreation camp Energetik", Rostov-on-Don

As a part of personnel training for key positions at IDGC of the South, JSC, Non-state educational establishment «Recreation Camp Energetik» (Rostov-on-Don) has developed and carries out customized advanced and retraining programs.

In 2013 a group of employees from the Company's branches passed long-term advanced training program named «School for operators training» at the Recreation Camp "Energetik", non-state educational establishment.

In order to promote efficiency drive and creativity of employees, dissemination and implementation of best practices, productivity improvement, and identification of the most promising employees, in 2013 IDGC of the South, JSC held its annual contest "The best in Profession" which was open to participation for employees of all subsidiaries of the Company. 26 works in 13 nominations were submitted for the contest.

In addition to its own training centers, the Company also provides training, retraining and professional development for employees in the following educational institutions that have the necessary licenses and state accreditation, and which have a good reputation: Corporate Power University (Moscow); Non-State Educational Establishment (NNEE) "Center for Energy Sector Training" (St. Petersburg); the Federal State educational establishment "St. Petersburg Power Engineering Institute of Professional Development" (St. Petersburg), ANO RTC Technoprogess (Moscow) and others. A total of 2,251

Company's employees were sent to the abovementioned educational establishments in 2013. IDGC of the South, JSC regularly monitors the need for educational programs that makes it possible to develop and implement new training courses customized for the company's needs.

Attracting young specialists to work in the Company is one of the strategic objectives in the Company's personnel policy. For this purpose, the Company continues cooperation with leading educational establishments of higher and secondary vocational education in its regional footprint.

Students of educational institutions are allocated for practical training. Internship students are assigned highly qualified specialists-tutors who help them acquire the necessary practical experience to master professional knowledge and skills. This interaction enables to estimate the personal and business potential of future power engineers, and create motivation for further work in the Company. After graduation, alumnis are provided with jobs in line with the acquired profession and qualifications.

In 2013, Open days were organized for students of profession-oriented universities, technical schools, pupils of upper schools along with the excursions to the energy museums, Centers of grid control, DPG, substations, etc. During these events students had the opportunity to communicate with experienced experts, get acquainted with the history of the branch, learn about the work of operator service, substations, career prospects in the Company. These events are aimed at professional orientation of the school graduates, drawing the attention of the young specialists to professions which are in demand in the Company's branches. In 2013, 430 students passed pregraduation practice and on-work internship in the Company's branches.

The members of the Councils of young specialists take active part in career guidance projects with the purpose to attract young qualified specialists. Their main task is to build an effective cooperation with young employees, develop creative and scientific and technical initiative, take active part in working and social and cultural life of the Company.

Work with the Company's talent pool

One of the main tasks of IDGC of the South, JSC in the field of personnel capacity development is to work with the talent pool. In 2013, the Company formed two talent pools: the managerial talent pool and the talent pool of young specialists.

The Company's talent pool is formed from the list of the most qualified and prospective managers and specialists having professional and business qualities necessary for promotion and the development potential as well as those having successfully proved themselves on their positions.

Work with talent pools of the Company is based on the Regulations on the talent pool of IDGC of the South, JSC and on the talent pool of young specialists of IDGC of the South, JSC.

Work with managerial talent pool

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.

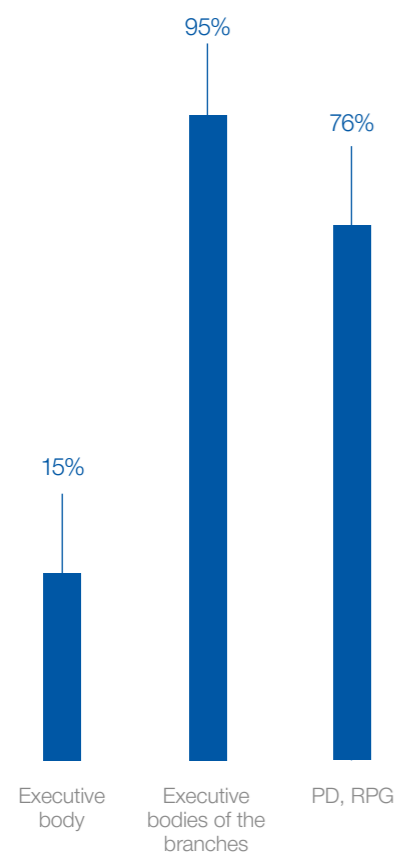
Management talent pool is formed for positions of:

- head of division;
- Head of department;
- Head of section;
- deputy branch director;
- managers of production units and DPGs;
- operational managers of production units.

The managerial talent pool of the Company is formed on two levels — operational (skills of the reservist fully comply with the target position or can be developed in the period not exceeding one year) and strategic (to comply with the requirements the reservist needs 1 to 3-year training).

At the end of 2013 1,460 employees were listed in managerial talent pools of the branches and the Executive body of the Company.

Managerial talent pool availability



The Company pays great attention to the development of talent pool for target positions. Plans for individual development were designed for the members of the prospective talent pool. Training of reservists during the year was effected in accordance with these plans. Plans for individual development include such forms and methods of developing managerial competences of reservists as:

- inclusion into creative groups for solving technical and organizational problems;
- short-term substitution of target positions for the period of absence of main employees;
- engaging for personnel training, performing the tutor role as regards to other workers, developing training programs, methodic recommendations;
- engaging for preparing draft documentation, instructions, reports.

Moreover, workers listed in managerial talent pool pass advanced training, take part in consultation seminars (with day release) on urgent issues of their professional activities. All reservists listed in managerial talent pools participate in monthly technical and economic trainings, engage in self-preparation.

In 2013, 123 employees, including 91 workers from the managerial talent pool, were assigned to managerial positions in the Company.

Work with the talent pool of young specialists

The formation of the talent pool of young specialists is aimed at involving young employees in solving urgent problems of power grid industry, enhancing their professional competence, and assisting them in their career.

The formation of the talent pool of young specialists is held at two levels — in branches and in the Company as a whole.

The talent pool of young specialists is for candidates under 35 years old having high potential for development and oriented for professional development and career growth and taking active part in the social life of the Company.

Formation of the talent pool of young specialists is carried out on competitive basis following assessment procedures. To define the potential and competence level of young specialists which pretend to be included in the talent pool of young specialists assessment events are carried out, their results are further used to define the most efficient ways of developing reservists while forming individual recommendations on the choice of educational programs.

In 2013 the structure of the Company's talent pool of young specialists was renewed. As of December 31, 2013, the number of the Company's talent pool of young specialists was 66 employees.

Target positions were determined for reservists and mentors were selected from among highly qualified employees of the Company able to assist in acquiring knowledge and skills necessary for the target position.

A plan of individual professional development which includes measures to engage in the target position is made for each reservist. The priority is given to the methods enabling the development of the reservist without incurring extra expenses — at workplace or at project work.

At the end of the year four employees from the talent pool of young specialists were promoted to senior positions.

Social Responsibility

The basic principles of the social policy of IDGC of the South, JSC are creating comfortable work and rest environment of employees, increasing their social security and improving work and social relations in the team.

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 2013–2015.

As a result of implementing collective agreements campaign, a Common Collective Agreement of IDGC of the South, JSC was signed. The Clauses of the Collective Agreement have attained the following aims: a common approach to forming obligations is ensured, common social guarantees are formed for the Company's employees, list of most demanded social benefits and guarantees is formed in order to retain the qualified personnel and maintain social security of personnel and their family members; Clauses of the Collective Agreement are optimized with a glance to the reality of their fulfillment. The Collective Agreement is valid from 01.07.2013 to 31.12.2015, and was signed on 14.11.2013 by General Director of IDGC of the South, JSC V.F. Vashkevitch and Chairman of SPPPO of IDGC of the South, JSC, representative of the Common representative body of primary trade union organizations of IDGC of the South, JSC Yu.A.Kulish.

Fulfilling obligations towards Company's workers, adopted by the employer under the collective agreement regulation, is an essential part of activities of IDGC of the South, JSC.

Key documents in the sphere of social policy

The sectoral tariff agreement in the electric power industry of the Russian Federation for 2013-2015.

The sectoral tariff agreement was signed on 18.03.2013 by A.V. Zamoskovny, General Director of the All-Russian Sectoral Trade Association of Employers in the Electric Power Industry and Valery N. Vakhrushkin, Chairman of the Public Association All Russian Elektroprofsoyuz.

The collective agreement of the branch 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 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 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 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, Director General of IDGC of the South, JSC, and S. A. Fileeva, Chairman of SPPPO Rostovenergo.

The collective agreement of IDGC of the South, JSC for 2013-2015

The collective agreement is valid from 01.07.2013 to 31.12.2015, and was signed on 14.11.2013 by V. F. Vashkevich, General Director of IDGC of the South, JSC, and by Yu.A. Kulish, Chairman of SPPPO IDGC of the South, JSC, representative of the united body of primary trade union organizations of IDGC of the South, JSC.

Regulations on additional benefits, guarantees and compensations for employees of the Executive body of IDGC of the South, JSC

Order No. 589 of IDGC of the South, JSC of 29.09.2011 "On Approval and Enactment of the Regulations on additional benefits, guarantees and compensations for employees of the Executive body of IDGC of the South, JSC"

Order No. 774 of IDGC of the South, JSC of 19.12.2012 «On amendments to 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 body of IDGC of the South, JSC"

Order No. 178 of IDGC of the South, JSC of 15.04.2013 «On amendments to 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 body of IDGC of the South, JSC"

Order No. 584 of IDGC of the South, JSC of 30.10.2032 «On amendments to 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 body of IDGC of the South, JSC".

Implementation of collective agreements in the branches of IDGC of the South, JSC in 2013

In order to improve work environment 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's 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 allocated for providing financial assistance in 2013

The name of the branch	2013 год
Astrakhanenergo	1,614.58
Volgogradenergo	4,251.44
Kalmenergo	1,282.11
Rostovenergo	12,496.99
Executive body	801.74
Total for IDGC of the South, JSC	20,446.86

To improve social protection of employees and develop non-material stimulation in IDGC of the South, JSC, non-state pension provision to the Company's employees through the Non-State Pension Fund of the Electric Power Industry (NPFE) was continued in 2013.

Under the social program for health improvement and recreation for the employees and their children, 315 children of the employees travelled to recreational camps and more than 500 employees of the Company and members of their families received subsidies for sanatoria and health resorts in 2013.

To develop employees' corporate solidarity, commitment to the Company, pride in its achievements, as well as spiritual and physical development, IDGC of the South JSC annually hosts corporate events.

IDGC of the South, JSC pays much attention to promoting a healthy lifestyle and developing sports and recreational activities. To develop and maintain a healthy lifestyle, IDGC of the South, JSC holds recreational activities and promotes group sports among the Company's employees.

IDGC of the South, JSC team took fourth place at the Winter Olympics for employees of power grid industry in April 2013. In September 2013, IDGC of the South, JSC team took part and won the Silver series of the All-Russia Tournament for employees of power, coal and nuclear plants — the Energy Cup — in mini-football. In November 2013, the team of IDGC of the South JSC participated in the third M.M. Botvinnik Open Chess Tournament of power industry employees, as well as the volleyball tournament — the Energy Cup — where the team won first place in the Silver playoff.

To create comfortable work environment and recreation of employees, improve their social security and labor and social relations, the Company also carries out team-building activities. The year 2013 saw such cultural events as International Women's Day, celebration of the 68th anniversary of Victory in the Great Patriotic War, Children's Day, the Day of Power Engineers, New Year celebrations and others, including the annual Children Draw Energy children's drawing competition. Branches of the Company held sports days, contests, quizzes, competitions, visits to zoos, parks, circuses and musical theaters for employees and their children. These events were also attended by the orphaned children.

IDGC of the South, JSC is a socially responsible Company and cares for veterans and the Company's pensioners. Veterans of the Great Patriotic War are invited to festivities. The Commission on Social Benefits of the branches reviews individual requests for assistance from the pensioners (former employees) monthly and employees regularly receive targeted assistance.

The Veterans Council of IDGC of the South, JSC works to develop and maintain effective interaction with the veteran community, engage veterans in the patriotic education of youth and training of young personnel, mentor youth and transfer knowledge and expertise from former employees of the distribution grid complex.

5.2. Environmental policy

Implementation of the main objectives of the Company in 2013 in the field of environmental protection

To implement the environmental policy of IDGC of the South JSC in 2013, 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 ways of reducing the negative environmental impact of production activities was developed.

To achieve the goals and objectives set, practical measures were developed for air protection, as well as protection and rational use of land and water resources and wildlife protection.

In 2013, norms for individual production sites of IDGC of the South JSC were developed and approved in state-authorized bodies for the main factors of environmental impact: volumes of waste emission and disposal, and volumes of emission of pollutants into the air. The necessary permits were obtained as a result of approval.

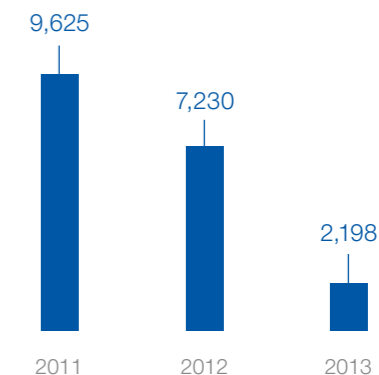
Timely standardization of negative impact on the environment made possible a reduction in environmental payments by IDGC of the South JSC and eliminated the need to apply multipliers in calculations.

The following measures were taken in 2013 to avoid unreasonable, excessive payments and other charges, apart from developing project documentation and obtaining permits:

- timely confirmation of the immutability of the production process and raw materials that determine the types and classes of environmental risk of the waste, as well as standards and volume of its production;
- waste of hazard classes I-IV was removed from sites under agreements with specialized organizations. All industrial waste was transferred with a transfer of ownership, thus helping not to pay for dumping the waste at storage sites and waste disposals;
- carbon monoxide in motor vehicle exhaust was monitored and timely repairs were made to vehicles;
- certified fuel was used;
- organizational and technical measures were carried out in periods of adverse weather conditions;

- quality control was carried out using measurement tools at the sources of emissions of pollutants into the atmosphere.

Costs for the negative environmental impact of activities of IDGC of the South, JSC



IDGC of the South, JSC carried out water resource protection measures in 2013 as part of licensing agreements for subsoil use.

In 2013, Rostovenergo obtained six subsoil licenses for objects (after corresponding permits expired in 2012) and developed a project for drilling and evaluation of groundwater resources for Volgogradenergo.

To comply with conditions for subsoil use, all wells are subject to groundwater monitoring. Protection of water sources to eliminate groundwater pollution is being carried out.

Comprehensive monitoring of water quality included spot analysis of well yield, stationary hydrogeological surveys at each water withdrawal facility, levelling and temperature surveys of groundwater, sampling for bacteriological and chemical analysis and physical testing of water.

To reduce negative impact on the environment, IDGC of the South JSC conducted a number of technical and development activities in 2013, including:

- improving operational performance and maintenance engineering;
- equipping 6 10-kV overhead lines currently under construction with bird protection devices, as well as repairing and maintaining previously installed

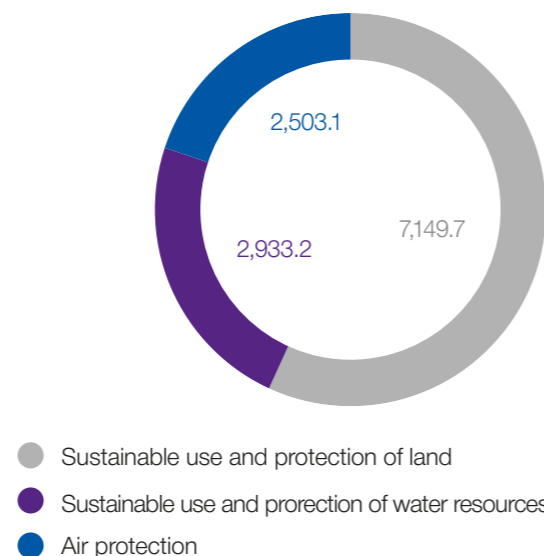
equipment. Reconstruction of the existing distribution grid network and replacement of bare wire with self-supporting insulated wire is a major activity in this area. The environmental effect of these measures is to prevent the risk electrical shock to rare breeds of birds from adjacent areas;

- decommissioning and disposal of equipment containing polychlorinated biphenyls within the framework of a long-term schedule. These activities were carried out within the framework of commitments made by the Russian Federation in 2001 under the Stockholm Convention on decommissioning of equipment containing persistent organic pollutants;

The total costs of IDGC of the South, JSC to implement the measures in the field of environmental protection in 2013 amounted to 12,586,000 thous. rub.

By the end of 2013, a reduction in costs was seen compared to 2012 (13,460,000 thous. rub.).

Costs structure of IDGC of the South, JSC in 2013 to implement environmental protection measures in the fields, thous. rub.



Dynamics of total costs for the implementation of measures under the Program of Environmental Policy in 2011-2013, thous. rub.

Field	2011	2012	2013
Air protection	1,542.0	2,211.2	2,503.1
Sustainable use and protection of water resources	3,439.8	2,111.2	2,933.2
Sustainable use and protection of land	2,616.6	9,137.5	7,149.7
Total costs	7,598.4	13,460	12,586

Implementation by IDGC of the South, JSC of key measures in the field of environmental protection in 2013

The list and costs of key measures in the field of environmental protection undertaken by IDGC of the South, JSC in 2013, is indicated in the table below.

Costs of key measures in the field of environmental protection in 2013

Name of key activities	Costs, thous.rub.	Achieved effect
Measures for rationing adverse effects on the environment, obtaining permits in the field of air and waste management.	3,419.64	Identified safe levels of exposure to the environment in its business activities, obtained permits
Development of Procedures of production control in waste management for IDGC of the South, JSC including the branches of IDGC of South, JSC — Astrakhanenergo, Volgogradenergo, Kalmenergo, Rostovenergo.	240.8	Provided operational control of waste management
Disposal of industrial waste, including those containing polychlorinated biphenyl and oil-water sludge	3,584.4	Prevented environmental pollution by waste from production and consumption, excluding land pollution
Total in IDGC of the South, JSC	7,244.84	

The following key tasks in the field of environmental protection for 2014

The following key tasks in the field of environmental protection for 2014 were identified:

- operational management of waste across the structure;
- elimination of land pollution and excess accumulation of waste at production sites;
- ensuring and control of a safe level of pollutant emissions into the air from stationary and mobile sources;
- timely payments for negative impact on the environment;
- safe use of mineral resources and compliance with licensing agreements.

Interaction with the parties concerned

In 2013, employees of IDGC of the South, JSC, together with representatives of social organizations, political parties,

media, preschool establishments, executive bodies of state and regional level participated in the events of the All-Russian social and economic campaign Distribution Grid Complex — for the Environmental protection and the targeted communication program Save the Energy of the Forest.

Employees of the Ministry of Natural Resources and Environmental Protection of the Republic of Kalmykia and the Office for Natural Resources and Environmental Protection of the Astrakhan Region participated in planting saplings of various kinds in IDGC of the South, JSC.

Altogether 550 saplings of thuja and fruit trees, maple, birch, poplar, lilac, acacia, ash, pine trees were planted.

The urban activities organized by municipal authorities also included cleanup of areas adjacent to manufacturing facilities, collecting waste paper, attended by the employees of IDGC of the South, JSC. Collected waste paper was directed to specialized institutions for recycling and producing paper. Reuse not only saves natural resources of the region, but also reduces the burden on landfill sites.

5.3. Customer-oriented policy

The customers of IDGC of the South, JSC are individuals, sole proprietors and legal persons receiving services in operations area of four branches of IDGC of the South, JSC:

- Astrakhanenergo
- Volgogradenergo
- Kalmenergo
- Rostovenergo.

To improve relations with customers, the Customer-Oriented Policy of IDGC of the South JSC was approved in 2011.

The customer-oriented policy explains the obligations of the Company to customers, as well as management's position regarding customers' problems. The Company's management sees the purpose of the customer-oriented policy as creating convenient conditions for customers interacting with all structural divisions of the Company based on uniform rules that guarantee equality and availability of services. Adoption of the client-oriented policy was a decisive step towards an open and trusting relationship between IDGC of the South JSC and its customers.

Also to improve the quality of consumer service, service etiquette, business processes, face-to-face and remote interaction with customers and evaluation of customer service, the Resolution of the Board of Directors of IDGC of the South, JSC of October 19, 2011, approved the organizational Standard of the Centralized Customer Service System in IDGC of the South, JSC — STO 80380011-IA-ISM 028-2011.

On the basis of the Standard, the Plan for Measures to Bring the System of Customer Service in Line with the Requirements of the Standard of the Centralized Customer Service System of IDGC of the South JSC approved by the Resolution of IDGC of the South JSC No. 172 as of April 06, 2012, establishing a development strategy for the customer service system in the long term, including for 2013.

The action plan sets a time frame at IDGC of the South, JSC for implementing the requirements of the Standard in:

- process structuring for centralized customer service, including all channels of interaction with customers: face-to-face, remote and interactive

- optimizing business processes regarding interaction with customers, including through the introduction of modern IT technologies
- fitting the premises and providing missing standard equipment, office equipment and communication channels and furniture to newly formed customer service structural units of the Company's branches — groups of technological connection and customer service.
- As a part of its contractual work in 2013, IDGC of the South JSC signed the following contracts regarding basic services:
 - 17,038 contracts on technological connection to the Company's grids
 - 965 contracts for power transmission to consumers.

As of December 31, 2013, IDGC of the South JSC had 9 CSCs and 108 DPCs and OCs, with a total of 186 employees in the CSC system including the executive authority and branches of IDGC of the South JSC.

Customer Service Centers (CSC, DPC and OC) accept applications for technological connection, reconstruction and increase of connection power, changes in power supply reliability, and changes in the external power supply scheme, extension or renewal of existing specifications, acceptance of applications and contracts for additional services.

In 2013, employees of IDGC of the South JSC received and processed 137,044 claims of various subjects under the requirements of the Standard, 19,633 applications for technological connection and 45,065 applications for additional services.

In 2013, a number of activities for improving the quality of services and customer service were implemented in the branches of IDGC of the South, JSC:

1. a large-scale PR campaign was conducted throughout the year (publications in mass media, brochures) to increase awareness of additional services offered by IDGC of the South, JSC to residents of its zone of responsibility
2. the procedure for drawing up contracts for power transmission and fee-based services was simplified
3. training seminars were conducted to ensure the high qualification of employees of CSC, DPC and OC
4. the time for processing customers' applications was reduced
5. DPC and OC facilities in DPGs were renovated

6. a functional service was established to allow consumers to submit applications for technological connection through the corporate website of IDGC of the South, JSC and track the status of those applications through the Internet.

The following can be listed as the highest priority tasks in improving customer services for 2014:

- developing additional services by introducing new types of works (services)
- reducing the number of customer complaints on technological connection
- reducing wait times on obligations under contracts for technological connection
- improving the design and equipment of CSC, DPC and OC facilities to create a friendly and comfortable environment for customers.

As part of cooperation with the parties concerned, IDGC of the South, JSC signed an agreement on informational interaction in providing public and municipal services when physical and legal persons submit applications for land plots. Also, a cooperation agreement between multifunctional centers providing governmental and municipal services (GMS) and IDGC of the South, JSC regarding processing of applications for technological connection is under consideration.

Moreover, with the aim of facilitating user connection to power grids (implementation of the roadmap), IDGC of the South, JSC reduced the time necessary for preparing contract offers in 2013.

It significantly decreased the grid organization's time to fulfill obligations under contracts for technological connection. On the official IDGC of the South, JSC website, a service allowing consumers to submit applications for up to 150 kW, inclusive, with the voltage up to 10 kV, was introduced. When submitting contract offers, consumers receive information about possible temporary fast-track connection.

In 2013, the branches of IDGC of the South, JSC achieved the quality indicators of services rendered approved by regulatory bodies, as well as the requirements of the Methodical Instructions for Calculating the Level of Reliability and Quality of Services Provided for the Territorial Grid Organizations, approved by Order No. 296 of the Ministry of Energy of the Russian Federation of June 29, 2010.

5.4. Preventing emergency situations

To ensure reliable operation of the grid complex, efforts to reduce time needed for organizing and conducting accident rescue operations was taken in the branches of IDGC of the South, JSC in 2013. The Standard on Organization of Emergency Measures in Power Grids of IDGC of the South, JSC was adopted, including the following activities:

- performed ranking of transmission facilities of branches by groups of circuit survivability;
- developed a Passport of Emergency Measures for each object of a special group of circuit survivability;
- defined the procedure for including DPP for powering social objects;
- according to the standards, established and maintained in continuous readiness for use an emergency supply of materials and equipment;
- developed temporary power supply circuits for consumers in the event of accidental damage to equipment;
- planned and conducted accident rescue training with real action personnel during accident rescue operations;
- set up in the Branches and successfully run operational headquarters of the Branches of IDGC of the South, JSC;
- trained mobile repair units of employees and teams of PTL PD and RS DPG;
- set up comprehensive interaction with consumers, allied network organizations connected to the power grids of the Branches, regional bodies of EMERCOM, and contractors in the event of an emergency in the power grid complex of the branches;
- accepted the Organization of accident rescue operations;
- approved and put into effect the Regulations on Emergency Reserve by the Order No.664 of IDGC of the South, JSC as of December 06,13;
- approved and put into effect the Standard of Organization of the Mobile Subdivisions of IDGC of the South, JSC;
- approved and put into effect the Regulations on Procedure of Interaction of the Branches of IDGC of the South, JSC with Contractors and Suppliers in Organization of accident rescue operations on Objects of Electric grids.

IDGC of the South, JSC accounts for 289 stand-by power sources with a total capacity of 5.25 MW, which allows to provide electricity supply to consumers at the time of accident rescue operations. The works to meet the needs of IDGC of the South, JSC in stand-by power sources is completed.

The required reserve amounts to 132 mln rub. (emergency reserve of 90 mln rub., operational reserve of 42 mln rub.). The emergency reserve is provided in full. The emergency reserve is replenished as required. Warehouses and storage areas for emergency reserve are available.

Contractor organizations of IDGC of the South, JSC amount to 31 teams 100 units of special equipment.

Course of liquidation of mass blackouts in the distribution complex of IDGC of the South, JSC

On January 26-28, 2013 the Rosovenergo Branch of IDGC of the South, JSC saw mass disruptions due to unfavorable weather conditions (wind gusts of up to 17 m/s, heavy wet snow, snowgrains and rain at low temperatures, one-sided ice up to 32 mm). To investigate these technological disruptions, commissions were established, including representatives of Rostekhnadzor, specialists from the Executive body of IDGC of the South, JSC.

The maximum blackout included: 4 OLS of 35 kV, 56 OLS of 10 kV, 568 TSs of 10/0.4 kV, power supply was disrupted in 76 communities with population of 51,712 people.

The outages in distribution network were seen in:

- Azovsky RPG — 32 OLS of 10 kV;
- Neklinovsky RPG — 10 OLS of 10 kV;
- Zernogradsky RPG — 4 OLS of 10 kV;
- Egorlyksky RPG — 5 OLS of 10 kV;
- Tselinsky RPG — 5 OLS of 10 kV;
- Performed 57 ice-melting operations, including:
 - 10 ice-melting operations on 110 kV OLS;
 - 28 ice-melting operations on 35 kV OLS;
 - 19 ice-melting operations on 6-10 kV OLS.

In accordance with existing agreements on cooperation, teams from the Volgogradenergo Branch of IDGC of the South, JSC, Rostov MPN of the MPN of the South Branch of FGC UES, JSC, Kubanenergo JSC, Dalenergo JSC were engaged in accident rescue operations. Teams of 9 contractors were engaged: Donenergoby LLC, Trust Energostroy LLC, Techenergo LLC, Shakhtyenergoremontmontazh LLC, Rosenergomontazh LLC, Vector LLC, Viktoria 2002 LLC, Energosoyuz Don LLC, Donelektromontazh CJSC.

Additionally, forces and means of EMERCOM were engaged (bulldozers, lighting systems, portable generators), a mobile group of the Ministry was deployed.

The forces and resources remained in the areas of accident rescue operations until January 30, 2013. At peak, the forces amounted to 68 teams, 250 people, 87 units of equipment.

During accident rescue operations 37 stand-by power supply sources with a total capacity of 1 MW were used. For power supply of consumers from the TS of 10/0,4 kV and socially important consumers a stand-by power stations of capacity of 30 to 100 kW was used, and for supply to individual consumers a stand-by power stations of 5 kW was used. Also, stand-by power stations belonging to the EMERCOM and Kubanenergo, JSC with the capacity of 30 and 100 kW delivered by loader cranes and special equipment of EMERCOM, were used.

By 7:00 a.m. of January 29, 2013 the damage was completely eliminated at the 10 kV OLs in Neklinovsky, Tselinsky, Zernogradsky, Egorlyksky, Kagalnitsky zones. In these areas, the brigades continued eliminating damage at the 0.4 kV OLs. Works to restore electricity supply at the 10 kV OLs in the most affected Azovsky RPG were completed at 2:00 p.m. on January 30, 2013. Power supply at 0.4 kV OLs in the Azovsky RPG was restored before the end of the day on January 31, 2013.

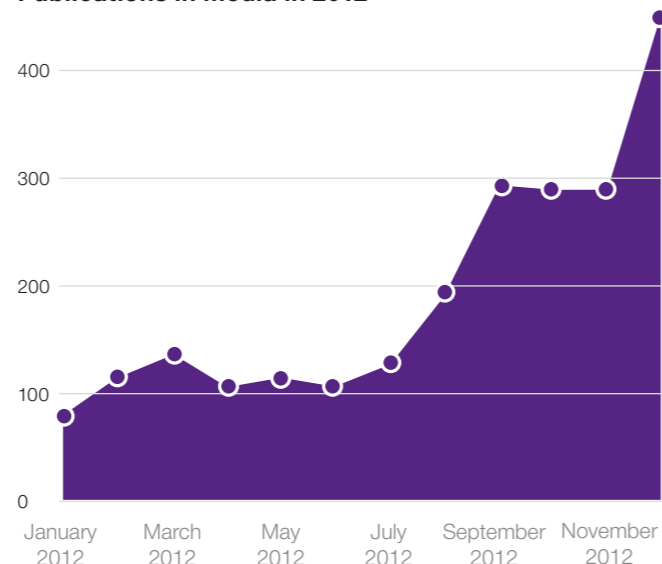
5.5. Public relations, relations with public authorities and the media, congress and exhibition activities

Media Relations

Adhering to the principles of openness and transparency, the Company informs its parties concerned of all aspects of its business. So, around 500 official releases were published in 2013, that received more than 7 thous. references in media.

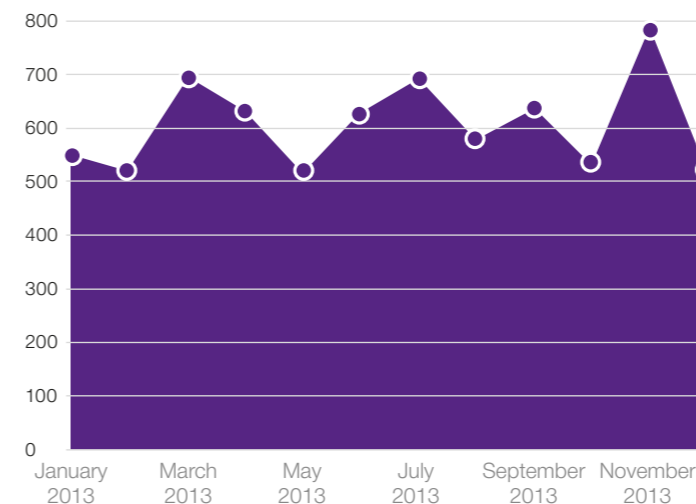
Detailed analysis of requests of the media and the audience, conducted by the specialists of the PR Department, allowed to review the type, format and quality of issued information. As a result of shift of tone, preparation of relevant, actual information and subjects awaited by media, in 2013 the citedness increased almost 3.5 times, while reducing the cost of information support by 20% (comparing to 2012).

Publications in media in 2012



● All publications

Publications in media in 2013

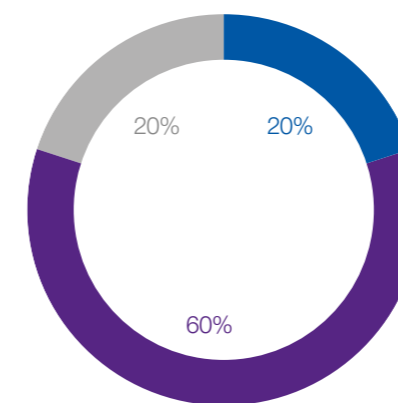


● All publications

* excluding announcements, notifications, advertising of the services.

Top management of the Company gave 14 interviews to the media. More, two scheduled press-conferences on the results of the fall-winter period (March) and of the year (December) took place. Signing of agreements on cooperation with regional executive authorities, law enforcement agencies, public organizations, and other events, were accompanied by press briefings.

Distribution of information by media sources is as follows:



● Information agencies tape

● Materials from the information agencies' websites quoted in internet MM

● Traditional MM (TV, radio, press)

Congress and exhibition activities

During the reporting year, the Director General and top managers of the Company took part in interregional business programs, where representatives of government authorities, major business gave talks on key issues relevant for both business and government.

The most prominent business events include a forum dedicated to preparation for the Football World Cup 2018 held in Rostov-on-Don, and further use of sport facilities and engineering infrastructure.

Media and public interest was drawn to an interregional forum organized by the media group Expert on urban development in the South, development of metropolitan areas, infrastructure constraints in implementation of major projects, need to adjust the legislative framework.

In September, the top management of the Company took part in the business program of the International Economic Forum in Sochi, where a number of agreements on cooperation with the governments of the Rostov and Astrakhan regions were signed.

Power engineers of IDGC of the South, JSC took part in an international conference Power Industry as Seen by Youth, on scientific and technical matters, held in Novocherkassk (Rostov region).

Management of IDGC of the South, JSC as part of the delegation of Russian Grids, JSC took part in the Second International Forum UPGrid.

Interaction with local authorities and public organizations

Work continues with regional authorities on socially significant joint projects (Appendix 1).

The PR Department, the Department of Production Control and Labor Protection, the Children's Ombudsman and regional ministries of education in 2013 jointly conducted 2,700 classes and lectures on prevention of electrical injury rate among third parties at the facilities of the IDGC of South JSC, with 117,000 children of preschool and school age attended the classes.

In 2013, the Ministry of Industry, Transport and Natural Resources of the Astrakhan Region, jointly with power sector specialists, teamed up with a number of public organizations in the region, including youth, in search of new outreach methods to prevent loss of human lives.

The most striking results were achieved through cooperation with the Council of Young Specialists of the Ministry of Industry, Transport and Natural Resources of the Astrakhan Region.

In December 2013, young activists launched an activity called Electrical Safety on Wheels in Astrakhan, placing posters on electrical safety in public transport. Now, in urban and suburban transport of the Astrakhan Region one can see colorful posters with the basic rules on electrical safety, and passengers travelling to different parts of the region can learn how to use electricity while on road.

Statistics show that every month over 70,000 Astrakhan citizens get acquainted with the rules of electrical safety, while traveling in public transport urban and suburban destinations. In the future, it is planned to expand the Safety on Wheels campaign to other regions of responsibility of IDGC of the South JSC.

Charity and corporate communications

Being a socially responsible company, IDGC of the South, JSC participates in social and charitable projects throughout its territory of responsibility. On a voluntary basis, employees of the Company provide financial assistance to people in need, work on a permanent basis with subsidized orphanages and shelters and organize holidays for children with disabilities.

A number of activities in 2013 had great impact.

To celebrate Children's Day, employees of IDGC of the South, JSC helped organize trips on the Don River for children with disabilities and purchased gifts for them.

Employees of the Executive body raised money and purchased home appliances, clothes and stationery for the department for abandoned babies at Hospital No. 20 in Rostov-on-Don, the children's department at Hospital No. 2 in Rostov-on-Don and a social rehabilitation center in the Peschanokopsky district of the Rostov Region.

In Kalmykia, a limited edition of Dyed Feather Grass was purchased for the A. M. Amur-Sanan National Library.

About 400,000 rub. was raised by employees to help people who suffered flood damage in the Far East.

In anticipation of the Spring Week of Kindness (April 20-27) and the National Donor Day (20 April), the PR department and the Council of Young Specialists of IDGC of the South JSC organized a blood drive with the motto «A little help is better than a lot of sympathy.» Dozens of employees of the executive apparatus and the Rostov branch of the Company took part in the drive.

This voluntary action (the first of its kind in the history of the executive apparatus) was conceived as a one-day event and intended to help 12-year-old Violetta Ishchenko and 3-year-old Ivan Moiseenko, children with acute leukemia. However, the response to the campaign was so great that it was prolonged for an entire week, thereby giving hope to others in need.

In addition to the residents of Rostov-on-Don, employees of distant PDs and RECs of the Rostov Region were among the donors.

Employees who could not donate their blood for health reasons provided organizational assistance.

Blood donation is one of many socially-oriented voluntary events (environmental, patriotic, charitable) at IDGC of the South, JSC.

Such events contribute to a collective sense of responsibility, compassion and kindness, mutual support and teamwork to solve social problems.

At the beginning of the year, the Executive body of the Company was moved from Krasnodar to the place of its legal address in Rostov-on-Don and the composition of the team was updated. To support a more positive atmosphere and the corporate spirit and engagement of the new staff in the Company's traditions, on the Day of Laughter, April 1, the PR department of IDGC of the South, JSC organized one of its most cheerful and positive campaigns — "Smile Energy".

Employees of PR department made and gave out colorful cardboard smiles and asked all employees to take a picture of themselves with these smiles. Dozens of employees took a few minutes' break from their important work and smiled.

A video of the smiling employees was broadcast on interoffice screens and a photo collage entertained the power engineers for a few days. The most sparkling smiles won prizes — CD-ROMs with the video, signed by the Director General.

Corporate newspaper

The corporate newspaper "Energy of the South" has always been a powerful tool for communicating with employees and receiving feedback, information about management policy and current plans. In 2013, there were four quarterly issues and two special issues dedicated to the AGSM and the Day of the Power Engineer.

The issue with the results of the annual meeting was aimed at outside audiences and distributed with Vedomosti newspaper on branded racks.

Starting in 2014, stand-alone printed editions will be terminated. From now on, the PR department of Russian Grids, JSC will produce a regional insert in a unified "Russian Grids" newspaper.

Corporate website

Corporate website is a key tool for communication with outside audiences. Based on web monitoring, analysis of clicks and visit depth, the PR department has developed a new, user-friendly and lightweight site structure. The information most in demand is published in the most visited parts of the website.

Through the site, the Company carries on external communication, discloses required information, receives feedback and informs consumers.

An interactive application for technological connection is being developed, which will allow requests to be filed without leaving home.

Glossary

Term, abbreviation	Definition
ASTU	Automated technological management system
OL	Overhead electric line
HV	High voltage (from 110 kV)
HF channels	High-frequency channels
YIPP	Yearly integrated purchasing program
UNPG	United National (All-Russia) Power Grid
IT	Information technologies
ITT	Information technologies and telecommunications
CL	Cable line for electric power transmission
CISRM	Corporate informational system for resource management
kWh	Kilowatt hour. A unit for electric energy measurement
kV	Kilovolt. A voltage measurement unit
KPI	Key performance indicators
ETL	Electricity transmission line
IDGC of the South	IDGC of the South, JSC
MVA	Megavolt-ampere, an electric power measurement unit
MW	Megawatt, an electric power measurement unit
IFRS	International financial reporting standards
EMERCOM	Ministry of the Russian Federation for Civil Defense, Emergency Management and Natural Disasters Response
R&D	Research and development
LV	Low voltage (0.4 kV and lower)
Output to grid	The volume of electricity supplied to the electric power grid of the distribution company from different grids or from electricity producers
FWP	Fall-winter period
AR	Accounting regulations
DSW	Design and survey work
Losses of energy	Difference between output to grids and useful power output
SS	Substation

Term, abbreviation	Definition
PD	Production division
Last mile	Connection channel between a communication provider and a sub-scriber
PRA	Protective relaying and automation
RRL	Radio-relay lines
RTS	Regional tariff service
REG	Region of electric grids
SSIW	Self-supporting insulated wire
MM	Mass media
MV 1	Middle voltage 1 (35 kV)
MV 2	Middle voltage 2 (20-1 kV)
TR&R, technical re-equipment	Technical reconstruction and re-equipment of fixed assets
TS	Transformer substation
FGC	Federal Grid Company
FTS	Federal Tariff Service
FFMS	Federal Financial Markets Service
FEC	Federal Energy Committee
DPC	Data processing center
CSC	Client servicing center
GCC	Grids control center
ES	Emergency situation
Power sales company	Company that sells electric power to other entities as its main type of business
EBITDA	Index describing free cash flow (Earnings before Interest, Taxes, Depreciation, and Amortization), indicator of the company's earnings before profit tax, accrued interest on loans, and amortization
PM (PLANT MAINTENANCE)	Maintenance and repair of equipment
ROE	Return on equity capital, secured by cash flow — net income of the company expressed as a percentage to the equity capital
ROTA	Return on Total Assets

Appendices

Consolidated Financial Statements

JSC "IDGC of South" Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2013 (in thousands of Russian Rubles, unless otherwise stated)

	Notes	Year ended 31 December 2013	Year ended 31 December 2012 (restated)
Revenue and government subsidies	8	27,310,606	24,286,292
Operating expenses	9	(25,325,056)	(21,329,203)
Other operating income	9	362,267	310,630
Results from operating activities		2,347,817	3,267,719
Finance income	10	51,156	24,897
Finance costs	10	(1,797,177)	(1,591,263)
Net finance costs		(1,746,021)	(1,566,366)
Profit before income tax		601,796	1,701,353
Income tax expense	11	(407,684)	(424,529)
Profit for the year		194,112	1,276,824
Other comprehensive income			
Items that will never be reclassified to profit or loss:			
Remeasurements of the defined benefit pension plans		(52,886)	(227,217)
Related income tax		10,577	45,443
		(42,309)	(181,774)
Items that are or may be reclassified subsequently to profit or loss:			
Net change in fair value of available-for-sale financial assets		(4,986)	(14,444)
Related income tax		997	2,271
		(3,989)	(12,173)
Other comprehensive income, net of income tax		(46,298)	(193,947)
Total comprehensive income		147,814	1,082,877
Profit attributable to:			
Shareholders of the Company		194,112	1,276,824
Total comprehensive income attributable to:		147,814	1,082,877
Shareholders of the Company		147,814	1,082,877
Earnings per share — basic and diluted (in Russian Rubles)	20	0.004	0.026

These consolidated financial statements were approved by management on 15 April 2014 and were signed on its behalf by:

General Director

V.F. Vashkevich

Chief Accountant

G.G. Savin



JSC "IDGC of South" Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2013 (in thousands of Russian Rubles, unless otherwise stated)

	Notes	31 December 2013	Year ended 31 December 2013	Year ended 31 December 2012 (restated)
Assets				
Property, plant and equipment	12	25,171,167	24,688,519	22,344,478
Intangible assets	13	465,043	534,141	607,221
Trade and other receivables	17	219,916	348,401	789,562
Investments and financial assets	14	141,017	62,855	77,189
Deferred tax assets	15	20,180	7,294	536,465
Non-current assets		26,017,323	25,641,210	24,354,915
Inventories	16	1,278,981	1,206,861	1,077,204
Income tax receivable		162,482	371,096	11,822
Trade and other receivables	17	10,489,560	6,234,435	4,488,172
Cash and cash equivalents	18	1,189,727	1,749,396	1,421,286
Current assets		13,120,750	9,561,788	6,998,484
Total assets		39,138,073	35,202,998	31,353,399
Equity				
Share capital	19	4,981,110	4,981,110	4,981,110
Reserves		(274,041)	(227,743)	(33,796)
Retained earnings		(92,451)	(286,563)	(1,563,387)
Total equity		4,614,618	4,466,804	3,383,927
Liabilities				
Loans and borrowings	21	13,241,321	16,500,000	16,473,217
Trade and other accounts payable	24	70,909	91,436	128,025
Employee benefits	23	205,867	504,656	1,115,826
Financial lease liabilities	22	-	7,334	35,947
Deferred tax liabilities	15	668	1,056	2,811
Non-current liabilities		13,518,765	17,104,482	17,755,826
Loans and borrowings	21	10,338,397	5,808,565	2,840,650
Trade and other accounts payable	24	9,961,716	7,439,452	6,379,352
Financial lease liabilities	22	-	6,652	7,308
Provisions	25	704,577	376,927	964,318
Income tax payable		-	116	22,018
Current liabilities		21,004,690	13,631,712	10,213,646
Total liabilities		34,523,455	30,736,194	27,969,472
Total equity and liabilities		39,138,073	35,202,998	31,353,399

JSC "IDGC of South" Consolidated Statement of Changes in Equity for the year ended 31 December 2013
(in thousands of Russian Rubles, unless otherwise stated)

	Attributable to shareholders of the Company				
	Share capital	Fair value reserve for available-for-sale financial assets	Reserve for remeasurements of defined benefit plans	Retained earnings	Total equity
Balance at 1 January 2012, as previously reported	4,981,110	17,369	—	(1,400,000)	3,598,479
Impact of change in accounting policy	—	—	(51,165)	(163,387)	(214,552)
Balance at 1 January 2012 (restated)	4,981,110	17,369	(51,165)	(1,563,387)	3,383,927
Profit for the year	—	—	—	1,276,824	1,276,824
Net change in fair value of available-for-sale financial assets	—	(14,444)	—	—	(14,444)
Remeasurements of the defined benefit pension plans	—	—	(227,217)	—	(227,217)
Income tax on other comprehensive income	—	2,271	45,443	—	47,714
Total comprehensive income for the year	—	(12,173)	(181,774)	1,276,824	1,082,877
Balance at 31 December 2012	4,981,110	5,196	(232,939)	(286,563)	4,466,804
Balance at 1 January 2013, as previously reported	4,981,110	5,196	—	(408,586)	4,577,720
Impact of change in accounting policy	—	—	(232,939)	122,023	(110,916)
Balance at 1 January 2013 (restated)	4,981,110	5,196	(232,939)	(286,563)	4,466,804
Profit for the year	—	—	—	194,112	194,112
Net change in fair value of available-for-sale financial assets	—	(4,986)	—	—	(4,986)
Remeasurements of the defined benefit pension plans	—	—	(52,886)	—	(52,886)
Income tax on other comprehensive income	—	997	10,577	—	11,574
Total comprehensive income for the year	—	(3,989)	(42,309)	194,112	147,814
Balance at 31 December 2013	4,981,110	1,207	(275,248)	(92,451)	4,614,618

JSC "IDGC of South" Consolidated Statement of Cash Flows for the year ended 31 December 2013
(in thousands of Russian Rubles, unless otherwise stated)

	Notes	Year ended 31 December 2013	Year ended 31 December 2012 (restated)
Cash flows from operating activities			
Profit before income tax		601,796	1,701,353
Adjustments for:			
Depreciation and amortization	9	2,721,407	2,597,632
Allowance/(reversal) for impairment of trade and other receivables	9	563,735	(3,420)
Net finance costs	10	1,746,021	1,566,366
Impairment losses on property, plant and equipment	9	-	90,012
Loss on disposal of property, plant and equipment	9	97,396	21,356
Accrual/(reversal) of provisions for legal claims	9	413,402	(512,991)
Other non-cash items		(35,975)	(67,931)
		6,107,782	5,392,377
Changes in:			
Accounts receivable and prepayments		(4,731,027)	(1,515,710)
Finance assets related to employee benefits fund		(81,034)	3,059
Inventories		(70,219)	(77,395)
Trade and other accounts payable		2,440,591	1,165,916
Provisions	25	(85,752)	(74,400)
Employee benefits		(363,807)	(930,461)
Cash flows from operations before income tax paid		3,216,534	3,963,386
Income tax paid		(169,849)	(469,643)
Net cash flows from operating activities		3,046,685	3,493,743
Cash flows from investing activities			
Acquisition of property, plant and equipment		(2,938,259)	(4,461,043)
Acquisition of intangible assets		(14,140)	(22,988)
Proceeds from disposal of property, plant and equipment		9,768	17,235
Interest received		46,326	18,693
Net cash flows used in investing activities		(2,896,305)	(4,448,103)
Cash flows from financing activities			
Proceeds from loans and borrowings		9,929,634	5,207,678
Repayment of loans and borrowings		(8,654,058)	(2,458,761)
Interest paid		(1,971,684)	(1,437,177)
Repayment of finance lease liabilities		(13,941)	(29,270)
Net cash flows (used in)/from financing activities		(710,049)	1,282,470
Net (decrease)/increase in cash and cash equivalents		(559,669)	328,110
Cash and cash equivalents at the beginning of the year	18	1,749,396	1,421,286
Cash and cash equivalents at the end of the year	18	1,189,727	1,749,396



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Auditors' Report

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 2013, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for 2013, 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 provide a basis for our qualified audit opinion.

Audited entity: JSC Interregional Distribution Grid Company of South.
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.

49 Bolshaya Sadovaya street, Rostov-na-Donu, Russia, 344002.

Independent auditor: ZAO KPMG, a company incorporated under the Laws of the Russian Federation, a part of the KPMG Europe LLP group, and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

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.

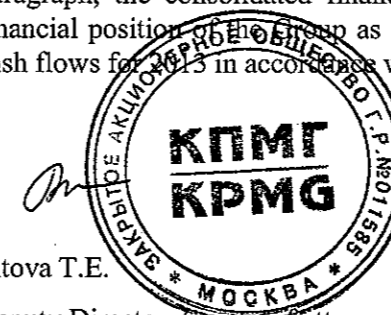
Member of the Non-commercial Partnership "Chamber of Auditors of Russia". The Principal Registration Number of the Entry in the State Register of Auditors and Audit Organisations: No.10301000804.

Basis for Qualified Opinion

As at December 31, 2013 receivables recorded in "Trade and other receivables" in the consolidated statement of financial position include receivables of certain counterparty in the amount of RUB 3,663 million, for which it is probable that the debt will not be repaid in full and within the contractual terms. No allowance for impairment of trade and other receivables had been accrued in respect of these accounts receivable. International Financial Reporting Standard IAS 39 *Financial Instruments: Recognition and Measurement* requires that, where any objective evidence that a financial asset is impaired exists, the entity shall determine the amount of impairment loss. The effects of this departure from International Financial Reporting Standards, on the consolidated financial statements have not been determined.

Qualified Opinion

In our opinion, except for the effects 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 2013, and its financial performance and its cash flows for 2013 in accordance with International Financial Reporting Standards.



Titova T.E.

Deputy Director, (power of attorney dated 28 October 2011 No. 50/11)

ZAO KPMG

15 April 2014

Moscow, Russian Federation

Share of IDGC of the South, JSC in other entities

Share of IDGC of the South, JSC in commercial entities that are 100% subsidiaries and dependent companies (SDCs) as at 31.12.2013

Name and Seat	Date of registration	Primary activity	Revenue of a SDC (RUB thous)	Financial result of a SDC (RUB thous)
1. Volgogradsetremont OJSC 1 A, Granovitaya street, Volgograd, Russia	April 01, 2004	Operation of electrical net-works, overhaul and maintenance of equipment, transmission equipment, buildings and structures, re-equipment and reconstruction	5,476	-3,414
2. Energoservice of the South, OJSC 49, Bolshaya Sadovaya street, Rostov-on-Don, Russia	December 30, 2010	Product testing, certification and research, analysis of mechanical and power characteristics of the finished products, design and construction works at power metering units, hot and cold water supply, ensuring efficiency of power and heat grids	31,097	98
3. A.A. Grechko Memorial Agricultural Enterprise, OJSC 21, Teatralnaya street, Kuybyshevo village, Kuybyshevsky district, Rostov region, Russia	November 17, 2003	Producing, processing and selling own agricultural products	283	-10,538
4. Sokolovskoe Agricultural Enterprise, OJSC 32, Kurskaya street, Sokolovo-Kundryuchenskiy village, Novoshakhtinsk, Russia	November 13, 2003	Producing, processing and selling own agricultural products	31,555	25
5. Energetik Recreation Centre, OJSC 3, Shkolnaya street, Shepsi village, Tuapsinskiy district, Krasnodar region, Russia	November 10, 2003	Sanatorium and resort facilities and rehabilitation (recreation) for parents and their children (>5 y.o.), and organized groups of school-age children, consumer, sightseeing, touristic, cultural and entertainment services	25,952	-2,202

Share of IDGC of the South, JSC in other commercial entities

Name and Seat	Date of registration	Primary activity	Voting Share of IDGC of the South, JSC
1. Volgogradenergosbyt OJSC 400001, 14, Kozlovskaya street, Volgograd, Russia	January 01, 2005	Purchase and sale of electric power	Common stock — 0.2469 Preferred stock — 1.8097
2. Federal Grid Company of Unified Energy System OJSC 117630, 5 A, Akamemika Chelomeya street, Moscow	June 25, 2002	Transmission and distribution of electric power, connection to power grids	0.0009%
3. Football Club Rostov OJSC 344000, 31 E, Sholokhova street, Rostov-on-Don	November 19, 1997	Training and building football teams, football competitions	0.4968%
4. ENERGOGARANT Insurance JSC, OJSC 115035, 23, Sadovnicheskaya embankment, Moscow	August, 28, 1992	Insurance	0.0226%
5. CHAGANSKOE CJSC 416303, 1, Lenina street, Chagan village, Kamyziaksky district, Astrakhan region	July 25, 1996	Agriculture	2.3250%

Participation of IDGC of the South, JSC in non-profit organizations

Name and Seat of a Non-Profit Organisation	Date of Entry	Primary Activity of a Nonprofit Organization
Association of legal entities (associations and unions)		
1. All-Russian Industrial Union of Power Energy Employers 119526, 101/3/C-109, Vernadskogo avenue, Moscow, Russia	November 17, 2008	Represent and protect interests of employers in power energy in communications with trade unions and other representatives of the interests of workers, as well as with government bodies and local authorities
Nonprofit partnerships		
2. Nonprofit partnership Scientific and Technical Council of the Unified Energy System 129344, 119/55, Mira avenue, Moscow, Russia	February 16, 2009	Activities of professional organizations, research and development in natural sciences and engineering
3. Nonprofit partnership Rostov Learning Center of the Unified Energy System 111250, 13 P, Krasnokazarmennaya street, Moscow, Russia	February 05, 2009	Educational services in training, retraining, advanced training and certification of employees
4. Nonprofit partnership ENERGOSTROY Association of Organizations Constructing, Reconstructing and Repairing Power Plants, Substations and Networks 107996, 26/1, Ulanskiy sidestreet, Moscow, Russia	December 07, 2009	Principal aim is to prevent damage to life or health of individuals, property of individuals or entities, state or municipal property, environment, existence and condition of animals and plants, cultural heritage (including historical and cultural monuments) of the peoples of the Russian Federation resulting from deficiencies in works executed by members of the Partnership, affecting security of capital construction objects
5. Nonprofit partnership ENERGOPROJECT Union of Organizations Preparing Project Documentation for Power Plants, Substations and Networks 125362, 7A/6, Stroitelnyy passage, Moscow	April 14, 2010	Prevent damage to life or health of individuals, property of individuals or entities, resulting from deficiencies in preparation of project documentation executed by members of the Partnership, affecting security of capital construction objects, as well as improving quality of architectural design
6. Nonprofit partnership Union of Energy and Energy Service Companies 125171, 8/2, Leningradskoe highway, Moscow, Russia	December 23, 2010	Aimed to assist the Partnership members in activities to improve the quality of work in the field of energy audits and provision of energy services
7. Nonprofit partnership Market Council on Effective System of Wholesale and Retail Electric Power and Capacity 123610, 12, Krasnopresnenskaya embankment, Moscow	December 24, 2012	Ensure functioning commercial market infrastructure; ensure efficient linkage between wholesale and retail markets; provide favorable investment climate in the power industry; on the basis of effective self-regulation organize efficient system of capacity, wholesale and retail electric power sales, sales of other goods and services, admitted to trading on the wholesale and retail markets to ensure energy security of the Russian Federation

Name and Seat of a Non-Profit Organisation	Date of Entry	Primary Activity of a Nonprofit Organization
Institutions		
8. Non-state non-profit educational institution Energetik Training Centre 344091, 147, 2 nd Krasnodarskaya street, Rostov-on-Don, Russia	March 31, 2008	Training, retraining and advanced training of workers and professionals at IDGC of the South, JSC, other enterprises and organizations, unoccupied and unemployed
9. Non-state non-profit educational institution Astrakhan Training Complex 416474, Astrakhan TPP-2, Kulakovka village, Privolzhskiy district, Astrakhan region	March 31, 2008	Train, retrain and give professional education to workers and professionals at IDGC of the South, JSC and other enterprises and organizations
Foundations		
10. Private pension fund of the power industry 119072, 16/5, Bersenevskaya embankment, Moscow, Russia	March 31, 2008	Provide participants with pension payments on a non-state basis; provide insurance for mandatory and professional pension insurance

Contact information

In case of any questions on the information in this annual report, please address them to the Head of the Department of Corporate Governance and Shareholder Relations Elena Nikolaevna Pavlova.

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