

**Approved by**  
the resolution of the annual General meeting of  
shareholders of IDGC of the South PJSC  
minutes of meeting No.\_\_\_\_ dated \_\_\_\_ June 2017

**Preliminary approved by**  
the resolution of the BoD of IDGC of the South PJSC  
minutes of meeting No.1\_\_\_\_/2017 dated \_\_\_\_ April 2017

**Annual Report**  
**of Public joint stock company**  
**“Interregional Distribution Grid Company of the South”**  
**(IDGC of the South PJSC)**  
prepared by the results of activity in 2016

Director general,  
IDGC of the South PJSC

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Rostov-on-Don  
2017

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### **Limitation of liability**

The Annual Report (hereinafter “the Annual Report”) is based on the information available to the Public joint stock company “Interregional Distribution Grid Company of the South” (hereinafter “IDGC of the South PJSC”, “the Company”) and its branches and affiliates as of this writing.

The Annual Report contains statements which constitute a probability assessment of future events and are subject to various risks. These risks encompass the possibility of changes in business conditions within the Company and its growth prospects; possible political and economic changes in Russia, and amendments to existing or future government regulations of the Russian electric power industry and Russian legislation in general, as well as impact of other factors.

Most of these factors are beyond Company’s control and forecast.

Forward-looking statements due to their specific character are connected with inherent risks and uncertainties of both general and specific character, and there is a possibility that such assumptions, forecasts, projects and other forward-looking statements may not be fulfilled.

In the light of the foregoing, the Company informs that the actual results may significantly differ from the ones expressed explicitly or implicitly in forward-looking statements that are valid as of the moment of the report compilation date.

Therefore, the Company does not bear responsibility for the losses of legal entities of natural persons who acted relying upon the statements. Each forward-looking statement is one of the possible options of events and should not be treated as the most probable.

Joint address to Shareholders  
from the Board of Directors Chairman  
and the Director General of IDGC of the South PJSC

Dear Shareholders!

In 2016 the Company successfully completed its major task — the Company ensured reliable and uninterrupted power supply, proved to be a socially conscious employer and a large taxpayer. All employees of IDGC of the South stayed focused on their tasks and did their best to enhance efficiency of the Company.

The Repair Campaign and activities on preparation to autumn-winter season were performed in full and ahead of the schedule: IDGC of the South was one the first among regional grid companies that obtained “Certificate of preparedness to autumn-winter season”, thus showing its high standards and proving its reliability. During preparation to autumn-winter season the Company repaired 13.8 thousand kilometres of power lines of various voltage types and 3.4 thousand substations, performed 414 tests of ice melting system to make sure it is ready for winter. The employees participated in over 240 accident prevention trainings and 14 joint drills with EMERCOM and government agencies. Each distribution zone is provided for with backup power supply for total capacity of 4.4MW. The Company also paid particular attention to prevention of emergencies in its networks and reduction of their impact. A system oriented analysis of faults that occurred in the previous periods helped greatly reduce the accident rate and number of power cuts in 6-110kV networks.

In 2016, over one thousand kilometres of power lines (108% of the planned) and 139MVA capacity (116 of the planned) were put into operation).

Within the reporting period, the Company consistently developed targeted measures, the implementation of which will help achieve the planned indicators of electricity losses in the networks in 2017 and subsequent years. It is planned to attract non-tariff sources of financing within the framework of energy service contracts in the Company’s branches: Astrakhanenergo, Rostovenergo and Volgogradenergo; to put into operation “mobile recorders” at branches Astrakhanenergo, Rostovenergo and

Volgogradenergo in order to control and evaluate the efficiency of employees working at production units and distribution zones, as well as to record the actual volume of energy consumption by particular legal entities and individuals when calculating the volume of rendered electricity transmission services; to increase indices of material incentives for all categories of personnel working at production departments and distribution zones of branches that is both directly and indirectly involved in production activities aimed at reducing electricity losses of; at the level of the executive office of IDGC of the south PJSC quarterly conduct of comparative analysis (benchmarking) of activity of production departments and distribution zones of the Company's branches in terms of reducing losses.

In 2016, IDGC of the South jointly with Rosseti PJSC and RF Ministry of Energy systematized the main problems in the Company's activity. To address them, strategic actions have been developed and they formed the basis for the "Company's Development Plan for 2016-2018", approved by the Board of Directors of the controlling shareholder –Rosseti PJSC.

To stabilize the financial and economic performance within the framework of "The Strategy for the Development of the Power Grid Complex of the Russian Federation", approved by the RF Government Decree No. 511-r on 03.04.2013, in 2016, the managed operating expenses were reduced by 1.8 billion rubles, or 26.7% in relation to the indicators of 2012. The unit operating costs (Directive of the Government of the Russian Federation of April 16, 2015 No.2303-P13) were reduced by 263 million rubles, or 3.15% (with a target value of not less than 2-3% per year).

In 2016, the Company's net loss amounted to 1.01 billion rubles, which is 0.82 billion rubles lower than the loss incurred in 2015. This is due to decrease in the gross profit of the Company, as well as an increase in the balance of other income and expenses. At the same time, the revenue from the sale of products increased by 4.4% in 2016.

The key performance indicators of IDGC of the South in 2016 were negatively affected by the problem of receivables. The total amount of receivables for

electricity transmission services provided within the year have increased by 0.7 billion rubles and amounted to 17.1 billion rubles (including allowance for doubtful debts), including overdue loans amounting to 14 billion rubles. In the total amount of debt over 80% falls on guaranteeing suppliers and local grid operators. A number of debtors managed to significantly reduce the amount of debt. According to the Astrakhan guaranteeing supplier, within the year the company managed to reduce the debt by 871 million rubles, in Volgograd guaranteeing supplier reduced the debt by 245.5 million rubles.

Active claim-related work covers 87% of all overdue accounts receivable. Over the year the share of satisfied claims of the Company was 94.1%, which is 0.9% higher than the indicator for the same period of the last year. At the end of 2016, positive court decisions were obtained in 598 court cases for the total amount of claims of exceeding 5 billion rubles. As part of the forced recovery of accounts receivable on under the submitted enforcement orders, the Company received more than 3 billion rubles.

In 2016, the Company performed 12.6 thousand technological connections for total capacity of 345 944kW. Among the major consumers are: industrial gas plant “Air Products”, stone wool plant – the largest for 3 years in a row investment project of “TechnoNIKOL” company, loading terminal of “Luis Dreyfus Commodities Vostok” LLC in Rostov region, the canning factory for vegetables processing in Astrakhan region. 70 socially significant facilities have received a new or additional capacity.

During the reporting period, the Company was improving the mechanisms of increasing the transparency of competitive procedures and the efficiency of using public funds to increase the return on public investment. The share of purchases from small and medium-sized enterprises (SMEs) is growing steadily. In 2016, 469 purchases were made, in 69.30% of which (of the total volume in value terms), SMEs became the winners. IDGC of the South has completed the additional issue of shares, and used the federal budget funds added to the authorized capital to create infrastructure for the 2018 FIFA World Cup in Rostov and Volgograd regions.

Within the framework of preparation of the infrastructure of Rostov-on-Don and Volgograd for the World Cup, the Company carried out construction and repair work at several feeding centers and lines. In Rostov-on-Don, “Koisug-P31-R16-PP2-P22” transmission line and “P23-P25-PP2-P22” power line were put into operation. During the reconstruction of the lines the technology of horizontal directional drilling under the river Don river bed was used. This allowed to ensure uninterrupted power supply of the central part of Rostov-on-Don, as well as the left-bank part of the city during the large-scale reconstruction and expansion of the Voroshilovsky Bridge. A large-scale reconstruction was also carried out at substation “AS-10”, which will fully provide electricity to the airport complex “Platov” and adjacent settlements. The construction works on installation of 10kV cable lines and installation of 10kV distribution center have been completed. At the substation 110kV “Sportivnaya” in order to provide infrastructure of the stadium “Rostov-Arena” in Rostov-on-Don, the company is at the final stage of construction of the substation building, which is equipped with modern equipment. At 110kV substation “TDN” in Volgograd the Company successfully completed the second stage of reconstruction and installation of 6kV cable line for power supply to the stadium, installation of power equipment is underway.

During the reporting period, the electric grid property of Kalmenergo was purchased. After this purchase the share of the IDGC of the South market in Kalmykia reached 100%. The purpose of this acquisition is to reduce the growth of accounts receivable, its partial repayment, technological connection of new applicants. In December 2016, a decision was issued according to which, as of January 1, 2017, IDGC of the South took up the functions of a guaranteeing electricity supplier in Elista of the Republic of Kalmykia for a transitional period. The former guaranteeing supplier systematically did not fulfill the obligation to pay for the services rendered for the transmission of electric power and owed a considerable amount to its main creditor – Kalmenergo JSC. The presence of indebtedness was the reason for applying to the court to declare the guaranteeing supplier a bankrupt. The arbitration court instituted bankruptcy proceedings against the supplier.

In 2016, IDGC of the South has modernized the system of data collection and transmission in the part of remote control of 110 kV substations, modernized telemetry equipment. This allows to reduce the time and costs for restoration of power supply in case of power cuts and increases the reliability of power supply to consumers. As part of implementation of the ITT Policy, Rosseti PJSC chose the course for development of corporate information systems in order to substitute the imported software systems, ensuring information security and stability of the IT infrastructure of the company.

The Company continued to develop and improve interaction with the consumers and increase the availability of services, thus, it has introduced additional online consulting services. In Rostov region, an e-mail subscription service for notifications of planned outages of electricity was activated and it became possible to apply for technological connection in almost all multiservice centers in the region. In the beginning of 2017, this idea was used at multiservice centers in the Astrakhan region.

Employees of IDGC of the South PJSC are the core value of the company, primarily determining its successful activity on the market. The Company's personnel have a high level of qualification – over 82% of employees have a higher professional education. In 2016, 33.6% (4 541 people) were trained, 88% of them is the operational personnel. The needs for personnel are mainly satisfied by the Company's own specialists and the personnel reserve. During 2016, 77.5% of posts are occupied by internal candidates.

In order to attract young employees, the Company constantly works with leading universities specializing in the training of specialists in the sphere of power industry. In 2016, 423 students of higher and secondary educational institutions of various specialties were accepted for work experience and pre-graduation practice. Every year the Company organizes the student construction teams of the power grid complex of Russia. In the reporting year, 70 students from electrical engineering departments were invited to the Company for the period of work of the student construction teams.

The work carried out in 2016 and the results achieved in a number of areas (first of all, reliability of the power supply to consumers, development of the electric grid infrastructure with the simultaneous consolidation of electric grid assets, increase of accessibility of technological connection, expansion of channels of interaction with consumers) will enable us to achieve the main objective of the Company in 2017, which is stabilization of financial and economic state, reduction of accounts receivable and receiving net profit based on the results of activity in 2017.

### **Key Performance Results of IDGC of the South PJSC in 2016**

Electricity transmission services: <b>25 337 million kWh</b>	Area of operation: <b>339 thousand square kilometres.</b> Population: <b>8 million people</b>
Electricity losses <b>10.06%</b>	grid connections for total capacity <b>345.94 kW</b>
Income from power transmission services: <b>30 768 million rubles</b>	Average number of staff employed: <b>13 527</b>
Income from grid connection <b>470 million rubles</b>	Implementation of capital investment: <b>1 919 million rubles</b>
EBITDA <b>-4 417 million rubles</b>	<b>1 064 kilometres</b> of power lines and <b>139 MVA</b> of transformer capacity commissioned;
Sales margin: <b>11.45%</b>	Company capitalization <b>2 550 million rubles</b>

## **1. About the Company**

### **1.1. Geographical location**

IDGC of the South carried out its activity across four regions of the Southern Federal district: Astrakhan, Volgograd and Rostov regions, and the Republic of Kalmykia during the reporting quarter.

The responsibility area of IDGC of the South neighbours Krasnodar and Stavropol regions in the south, the Sea of Azov and national boundary with the adjoining Ukraine in the west, administrative boundaries of Voronezh and Saratov regions in the north and Kazakhstan, the Caspian Sea and administrative boundaries of the Republic of Dagestan and the Karachay-Cherkess Republic in the east.

The Company's service area is located in continental climate. Area of the Company's presence encompasses about 339 thousand km<sup>2</sup> with the population of about 8 million people and average population density of 25 people per km<sup>2</sup>.

## **1.2. Brief history of the Company**

The establishment of the Company is an integral part of the approved schedule of Russian power industry reform that presupposes the interregional integration of newly established entities after division of the power companies based on their types of business.

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

The Company was registered on 28 June 2007 upon the resolution of the sole founder – RAO UES of Russia JSC (Order of "RAO UES of Russia" JSC No.192p dated 22.06.2007)

Then the Management of RAO UES of Russia JSC performing the functions of extraordinary general meeting of shareholders of IDGC of the South (minutes of meeting No. 1795pr/6 dated 25 December 2007) and general meetings of shareholders of five distribution grid companies (DGCs) – "Astrakhanenergo" JSC, "Volgogradenergo" JSC, "Kubanenergo" JSC, "Rostovenergo" JSC, "Kalmenergo" JSC, have made a decision to restructure companies by their joining to "IDGC of the South" JSC.

On 31 March 2008 entries to the to the Unified State Register of Legal Entities were made on termination of activity of five out of four affiliated to IDGC of the South companies ("Astrakhanenergo" JSC, "Volgogradenergo" JSC, "Rostovenergo" JSC, "Kalmenergo" JSC.

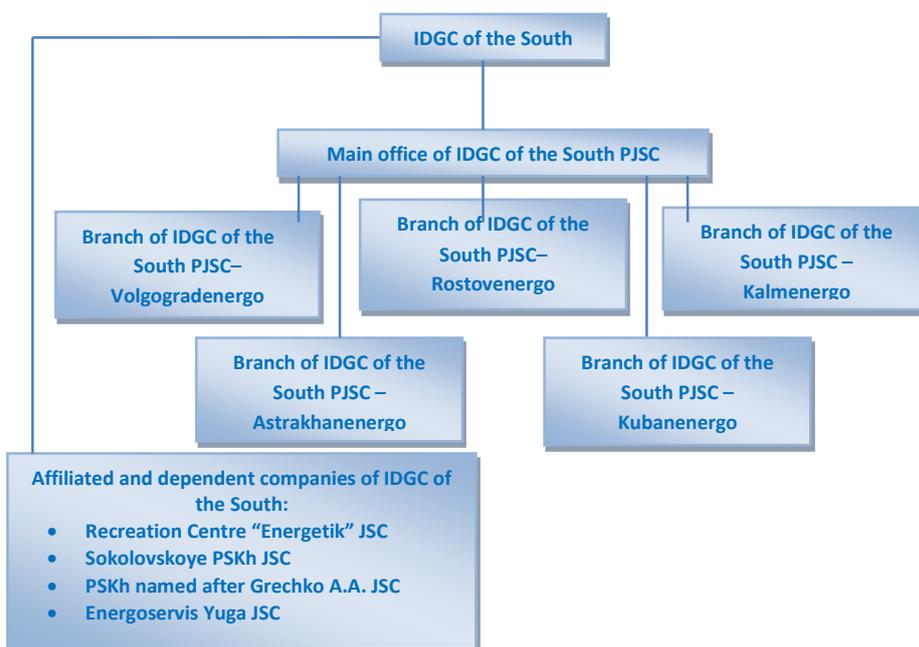
From then onward the Company has been carrying out its activity as an integrated operation company.

The Company was performing functions of a sole executive body of Kubanenergo until 1 December 2010.

On 19 June 2015, the decision of the annual General Meeting of Shareholders of the Company renamed the Company into the Public joint stock company “Interregional Distribution Grid Company of the South”.

Currently “IDGC of the South” PJSC by occupying a dominant position on market of services on electricity transmission across the Southern federal district is a part of “Rosseti” group, one of the largest infrastructure companies of Russia holding about 70% of country’s distribution grid complex.

## 1.2. Corporate structure



The Company’s Corporate structure was designed in accordance with joint resolution of “RAO UES of Russia” JSC and FGC UES JSC No. 356p/459p dated 24 December 2007 “On improvement of corporate structure of IDGC”, approved at the meeting of the BoD (minutes of meeting No.7/2008 dated 28.01.2008) and introduced on 01.04.2008 (Order of “IDGC of the South” JSC No.11 dated 28.01.2008).

The Board of Directors introduced a number of changes to the corporate structure:

- minutes of meeting No.16/2008 dd 25.07.2008;
- minutes of meeting No.21/2008 dd 23.12.2008;
- minutes of meeting No.28/2009 dd 03.06.2009;
- minutes of meeting No.31/2009 dd 07.08.2009;
- minutes of meeting No.52/2010 dd 06.08.2010;

- minutes of meeting No. 59/2011 dd 11.02.2011;
- minutes of meeting No.65/2011 dd 01.06.2011;
- minutes of meeting No.84/2012 dd 19.03.2012;
- minutes of meeting No.105/2013 dd 11.03.2013
- minutes of meeting No.141/2014 dd 18.08.2014;
- minutes of meeting No.156/2015 dd 24.04.2015;
- minutes of meeting No.160/2015 dd 29.05.2015;
- minutes of meeting No.193/2016 dd 11.07.2016.

The main sectors of the Company's activity are divided into functional blocks managed by Deputy CEOs of the Company:

- economy and finance, accounting and tax reporting;
- service sales department;
- development and grid connection;
- investments, capital construction, inventory and logistics management;
- technical block;
- corporate management, property management, and legal support;
- HR department, administrative services, labour organization, normalization and compensation, administration of affairs, public relations;
- special projects;
- security and state secret protection, mobilization arrangements and civil defense, department of anti-corruption compliance procedures;

The key sectors are separated into independent structural units that are directly subordinate to the Chief Executive Officer of IDGC of the South PJSC:

- Department of Internal Audit
- Internal Control and Risks Management
- Department of Corporate and Technological Automatic Control Systems

In the organizational structure is also represented by Deputies Director General – directors of the Company's branches who manage their current activities.

### **Branches of the Company**

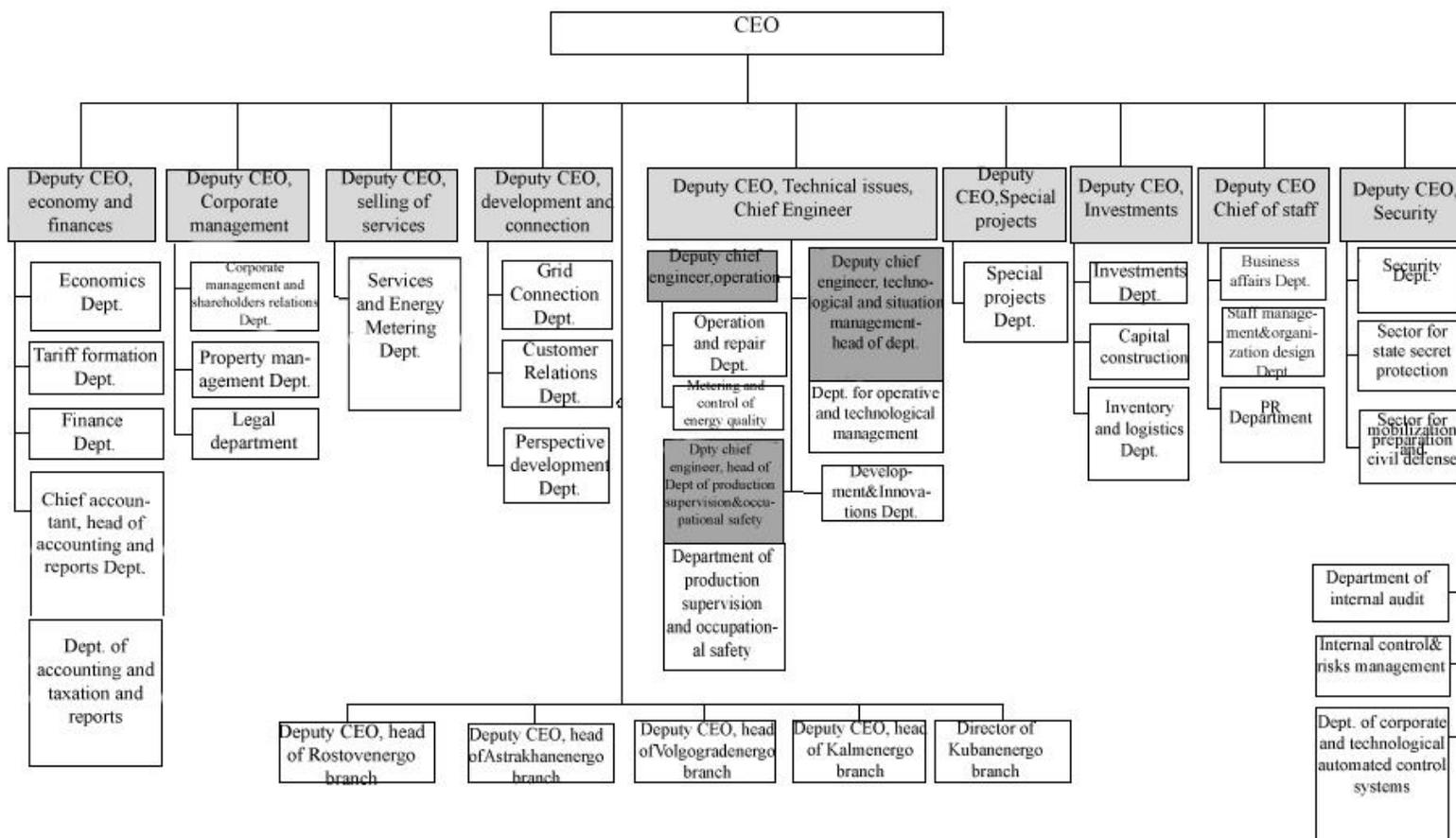
In accordance with the decision of the Board of Directors of the Company (Minutes of meeting No.6/2008; 11.01.2008), five branches of the Company were established (from July 1, 2015, they were renamed to the branches of IDGC of the South PJSC):

1. “Astrakhanenergo” branch of IDGC of the South PJSC (32 Krasnaya Naberezhnaya st, Astrakhan, 414000);
2. “Volgogradenergo” branch of automatic control system (15 prospect Lenina, Volgograd, 400066);
3. “Kalmenergo” branch of automatic control system (Northern industrial area, Elista, Republic of Kalmykia, 358007);
4. “Kubanenergo” branch of automatic control system (2 Stavropolskaya str., Krasnodar 350033)
5. “Rostovenergo” branch of automatic control system (49 Bolshaya Sadovaya st, Rostov-on- Don, 344002).

Except Kubanenergo JSC, all other branches of IDGC of the South JSC perform their activity since 31 March 2008.

Branch of IDGC of the South – Kubanenergo does not perform operating activity.

**Corporate structure of executive office of IDGC of the South PJSC  
(approved by the BoD, minutes of meeting No.193/2016, 11.07.2016)**



**As of 31.12.2016 IDGC of the South JPSC owned 100% of voting shares of the following companies:** (for more details see chapter 3.6. and appendix 4 to the annual report):

1. PSKh named after Grechko A.A. JSC;
2. PSKh Sokolovskoye JSC;
3. Recreation Centre “Energetik” JSC;
4. Energoservis Yuga JSC.

#### 1.4. Key Events and News

News, events of the reporting period (by months)			
#	Published on	News	Published at
1.	<b>14.01.2016</b>	<p><b>IDGC of the South PJSC: 13.8 thousand consumers connected to grids in 2015.</b>            More than 400 MW of the contracted capacity was provided to consumers in January-December 2015 in accordance with 13.8 thousand contracts for technological connection to the networks of IDGC of the South PJSC</p>	The Company’s webpage, local mass media
2.	<b>22.01.2016</b>	<p><b>IDGC of the South PJSC received gratitude for sharing the best practice in the subjects of the Russian Federation</b>            IDGC of the South PJSC represented by Dmitry Zhuravlev, Deputy Director General for Development and Technological Connection, was thanked for presentation to the representatives of Russian regions of the pilot project on improving conditions of technological connection to the power grids.</p>	The Company’s webpage, local mass media
3.	<b>27.01.2016</b>	<p><b>IDGC of the South PJSC energy management corresponds to the international standard</b>            IDGC of the South PJSC has received the certificate of compliance with the international standard ISO-50001: 2011 in the field of rendering services for electricity transmission and technological connection to power networks.</p>	The Company’s webpage, local mass media
4.	<b>28.01.2016</b>	<p><b>IDGC of the South PJSC received about 200 thousand applications from consumers in 2015, which is 19% more than in 2014.</b></p>	The Company’s webpage, local mass media

5.	<b>04.02.2016</b>	<p><b>IDGC of the South reduced number of technological faults by 21% in 2015.</b></p> <p>To achieve such results the Company: step-by-step modernized DC operational systems, relay protection and automation devices, equipped 6-10kV switchgear with high-speed arc protection, replaced of primary equipment of 35-110kV substations and defective supports of 0.4-110kV overhead lines, renewed the vehicle fleet and special equipment, installed telemechanic devices.</p>	The Company's webpage, local mass media
6.	<b>09.02.2016</b>	<p><b>The project on electricity supply to the "Yuzhny" Airport will be completed in May 2017.</b></p> <p>IDGC of the South PJSC received a positive conclusion from the RF State Expert Evaluation Department on the project "Reconstruction of 110/10 kV substation "AS-10" with replacement of transformers with 2x40 MVA to provide power supply to the "Yuzhny" Airport. The implementation of this project will provide electricity for the new airport, including the terminal building and the runway infrastructure.</p>	The Company's webpage, local mass media
7.	<b>25.02.2016</b>	<p><b>IDGC of the South in December will connect to the power supply a logistic center in the Rostov region</b></p> <p>The company will provide electricity to Rostov logistics center of the Russian Post. The contracted capacity of technological connection is 3.5 thousand kW.</p> <p>The complex is to be connected to the power supply system on a permanent basis in December 2016.</p>	The Company's webpage, local mass media
8.	<b>17.03.2016</b>	<p><b>IDGC of the South in January - February completed more than 1.1 thousand grid connection contracts</b></p> <p>In total since the beginning of 2016, the company's branches have concluded over 1.5 thousand connection contracts for provision of 41.4 MW. 94% of connection contracts were from individuals and small businesses which facilities have capacity of up to 15kW. In the first two months since the beginning of this year, the energy sector received more than 2.000</p>	The Company's webpage, local mass media

		applications for grid connection, the total requested capacity exceeded 94.8 MW.	
9.	<b>30.03.2016</b>	<b>At the Startup-tour IDGC of the South estimates projects in the field of Power Industry and Energy Efficient Technologies</b> Within the framework of the Startup-Tour took place a session dedicated to the Russian competition in the field of science-intensive innovative projects and developments “Energoproryv-2016”. It is organized by Rosseti in partnership with the Skolkovo Foundation in order to find and support those who are not indifferent to the development of the electric power industry, to help present their projects to potential investors and institutions.	The Company’s webpage, local mass media
10.	<b>06.04.2016</b>	<b>Astrakhan region and IDGC of the South will cooperate in the sphere of power industry</b> Issues of interaction were discussed during the meeting of the region's governor Alexander Zhilkin and the general director of IDGC of the South Boris Ebzeev.	The Company’s webpage, local mass media
11.	<b>03.05.2016</b>	<b>In the south of Russia, engineers increased control over the operation of power facilities during holidays</b> In Rostov, Volgograd, Astrakhan regions and the Republic of Kalmykia, enhanced control of the operation of substation equipment is organized, extraordinary inspections of overhead transmission lines are conducted. Constant monitoring of weather conditions is organized.	The Company’s webpage, local mass media
12.	<b>18.08.2016</b>	<b>IDGC of the South in January-July installed 550 remote data collecting devices in the Astrakhan region</b> Electric meters of the new generation can significantly reduce power losses in the private sector of the region. Installation of devices for consumers is free of charge and is financed within the framework of the investment programme of IDGC of the South.	The Company’s webpage, local mass media
13.	<b>30.08.2016</b>	<b>In the Don region of engineers managed to ensure safety of school territories at the Day of Knowledge.</b> The educational institutions in the responsibility area of IDGC of the South are inspected, some of	The Company’s webpage, local mass media

		them have been reequipped: existing pylons have been rebuilt and additional ones installed, complete transformer substations have been inspected, the integrity of fences, doors and locks on them has been restored, warning signs and information posters with rules of behavior near power facilities have been updated.	
14.	<b>05.09.2016</b>	<b>IDGC of the South took part in the festival #TogetherBrighter</b> Within the framework of the Russian Festival of Energy Saving #TogetherBrighter the Company held an interactive quiz and creative competitions for young residents of Rostov-on-Don and Volgograd. The festival was held on the initiative of the Ministry of Energy of the Russian Federation and with the support of Rosseti PJSC, which represents the IDGC of the South in the SFD.	The Company's webpage, local mass media
15.	<b>16.09.2016</b>	<b>IDGC of the South provided electricity to the Air Products plant in the Rostov region</b> IDGC of the South PJSC provided 8 MW of capacity to Air Products Industrial Gas Plant, which is included in the list of "100 Governor's investment projects". To supply electricity to the facility, it was necessary to build a new cable line and replace the current transformer at the power substation.	The Company's webpage, local mass media
16.	<b>04.10.2016</b>	<b>IDGC of the South PJSC obtained Certificate of Preparedness for autumn-winter period</b> Getting a Certificate of Preparedness for autumn-winter period 2016-2017 confirmed the full readiness of the grid complex of IDGC of the South for the forthcoming peak of seasonal loads.	The Company's webpage, local mass media
17.	<b>13.10.2016</b>	<b>For the upcoming FIFA World Cup 2018 IDGC of the South will renovate one of the heritage buildings of Rostov-on-Don – the building of "Rostovenergo".</b> This building of Rostov branch of IDGC of the South is an object of the city cultural heritage created by Lev Eberg. Completion of the restoration work is scheduled for the end of 2017. The project is financed from the Company's own sources.	The Company's webpage, local mass media

18.	<b>19.10.2016</b>	<p><b>IDGC of the South strengthens cooperation with Gazprombank</b></p> <p>Gazprombank will reduce the original interest rate by 0.45% per annum on two loans of IDGC of the South of total sum of 1.5 billion rubles.</p> <p>The bank is intended to render additional financial services. The parties agreed on expansion of cooperation in the frameworks payroll services and other additional financial services.</p>	The Company's webpage, local mass media
19.	<b>19.10.2016</b>	<p><b>IDGC of the South and Tavrida Electric Company sign cooperation agreement</b></p> <p>At the International Electric Power Forum Rugrids-Electro-2016, the parties signed an agreement on cooperation in implementing pilot projects on intelligent networks. It provides for the joint development of the concept of technical solutions for the creation of intelligent grid clusters (Smart Grids), in particular, implementation of the Smart Grids project, as well as the pilot sections of networks using Smart Grids technologies.</p>	The Company's webpage, local mass media
20.	<b>21.10.2016</b>	<p><b>Astrakhan branch of IDGC of the South increased the number of processed applications by 23%</b></p> <p>Customer relations specialists from Astrakhan branch IDGC of the South PJSC in 9 months of 2016 accepted and processed about 3 thousand calls of consumers. Since the beginning of the year, more than 14.000 residents of the Astrakhan region have used the customer service centers (CSC) of the branch.</p>	The Company's webpage, local mass media
21.	<b>05.11.2016</b>	<p><b>Young power industry specialists took part in the international forum ENES 2016</b></p>	The Company's webpage, local mass media

### **1.5. Position of IDGC of the South PJSC in the industry**

IDGC of the south PJSC encompasses distribution networks of four territorial subjects of the Russian Federation, namely the Republic of Kalmykia, Astrakhan, Volgograd and Rostov regions and carries out the following types of activity:

- paid services on electricity transmission, which are provided by a range of organizational and technical activities, as well as operational and process management;
- services on grid connection of power receivers (electric power installations) of legal entities and natural persons to the Company's electric networks;
- repair and maintenance activity.

By the Order of the Federal Tariff Service No. 208-e dated 16 June 2008, the Company was included in the register of natural monopolies in the fuel and power industry sector, in respect of which the state regulation and control is performed by means of setting the tariffs for electric power transmission and technological connection of consumers to the electric networks of the Company.

At the present time there are three operating levels of grid companies in electric power industry of Russia, defined on the basis of technologies and territory:

**Level 1.** Federal Grid Company (FGC UES JSC) is the organization managing Unified National (Russian) Electric Grid (UNEG), owning 220 kV and higher grids operating on the territory of Russian Federation (having branches in all regions of Russia).

**Level 2.** Interregional Distribution Grid Companies (IDGC), formed in the result of AO-energo reorganization as distinguished on the basis of their activity types and subsequent incorporation of Regional Grid Companies.

IDGC owns 110-0.4 kV grids, provides services on the transmission and distribution of electric energy on the territory of territorial subjects of the Russian Federation, the Regional Grid Companies of which are their constituents.

**Level 3.** Local Grid Companies formed as municipal enterprises (serving customers within one municipal entity) owning mostly 10-0.4 kV grids.

The process of reorganization resulted in incorporation of enterprises of this level: local Grid Companies serve consumers of several municipal districts and some of the Companies serve consumers of the entire Russian Federation subdivision territory.

Presently, IDGC of the South PJSC is an Interregional Distribution Grid Company of the second level, technologically connected to UNEG and dominating in transmission service market of the Southern Federal District of the Russian Federation.

The consumers of the Company's services are mostly energy selling companies, consumers that are participants of the wholesale- and retail electricity markets as well as local grid companies.

Considerable part of electricity, supplied to the consumers on the service territory of IDGC of the South PJSC, is transmitted via the Company's grids.

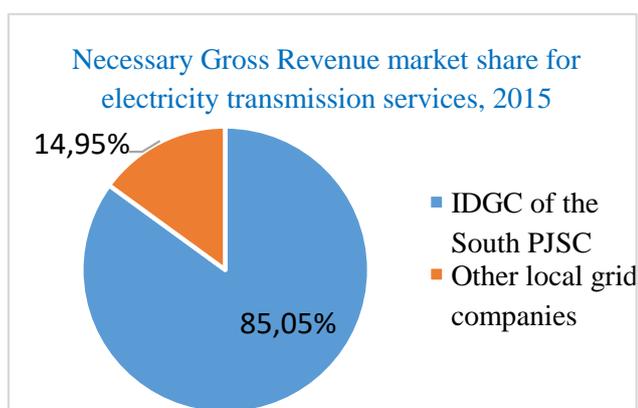
With the presence of the grid connection of electricity consumers the grids of the UNPG (Unified National Power Grid), IDGC of the South PJSC concluded with the owner of the equipment of UNPG (UES FGC PJSC) contracts on rent of grid property ("last mile" agreements), and thereby acquired the right to provide such services on electricity transmission.

The Company performs its main activity in the conditions of natural monopoly regulated by the state in terms of the establishment of tariffs for electricity transmission and technological connection rates, as well as ensuring for consumers a non-discriminatory access to electric grids.

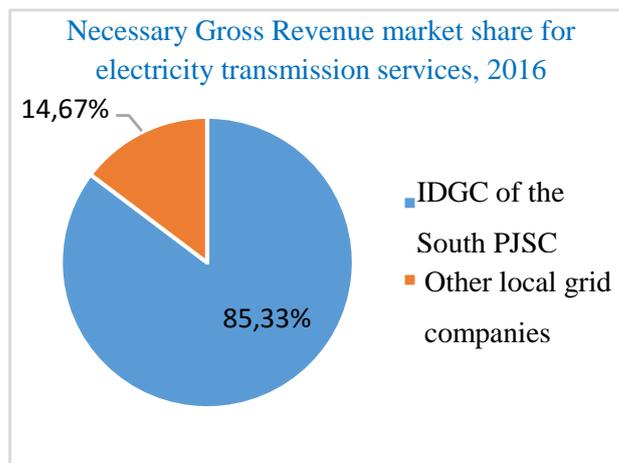
IDGC of the South PJSC is the largest entity in electric power industry that provides services on electric energy transmission to consumers in the territory of the Southern Federal District of Russia.

### **Market share of transmission services within the corporate footprint in absolute and relative terms**

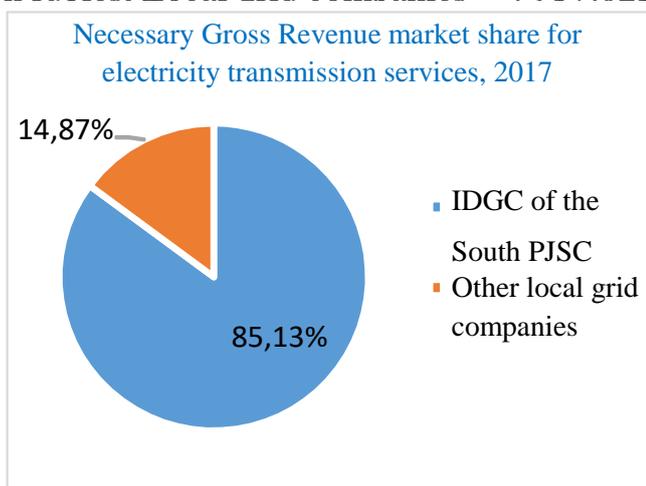
Change in the market share of electricity transmission services (for the necessary gross revenue for maintenance of electrical networks) in 2015-2017 across the service area of IDGC of the South PJSC is represented in the diagrams:



Necessary gross revenue for maintenance of IDGC of the South PJSC –27 563.62 million rubles, Local grid companies – 4 844.71 million rubles.



Necessary gross revenue for maintenance of IDGC of the South PJSC –28 717.58 million rubles. Local grid companies – 4 937.025 million rubles.



Necessary gross revenue for maintenance of IDGC of the South PJSC –29 223.73 million rubles, Local grid companies – 5 104.85 million rubles.

The share of the branch of IDGC of the South PJSC – “Rostovenergo” in the region's required gross revenue in 2015-2016 is determined with regard of the controlled company – Donenergo JSC (an agreement “On transferring the powers of the sole executive body of Donenergo JSC to the Management Company: was signed on September 20, 2014).

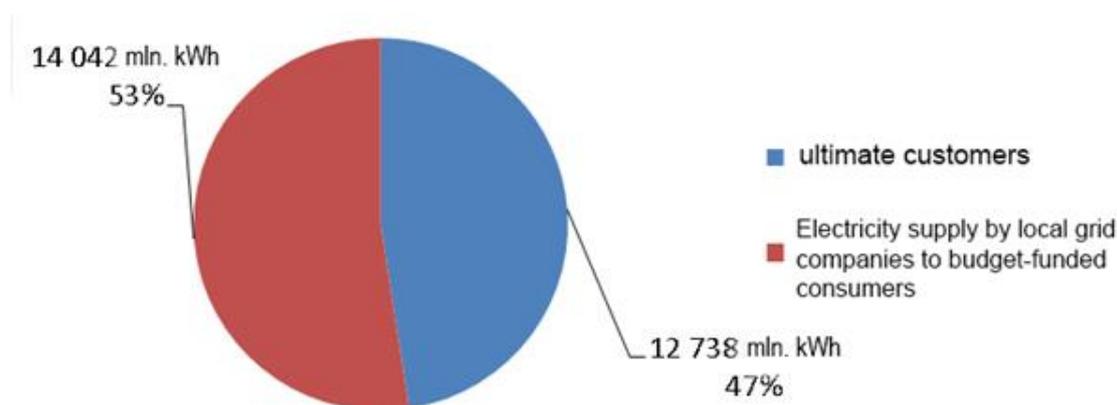
The share of the branch of IDGC of the South PJSC – “Kalmenergo” in 2017 is with regard of consolidation of the electric grid equipment of Kalmenergo JSC as of December 31, 2016 (the contract of purchase and sale of equipment dated

December 19, 2016 and the act of acceptance and transfer of property as of December 31, 2016). Thus, in 2017 the share of the branch of IDGC of the South PJSC – “Kalmenergo” in the required gross revenue of the Republic of Kalmykia is 100%.

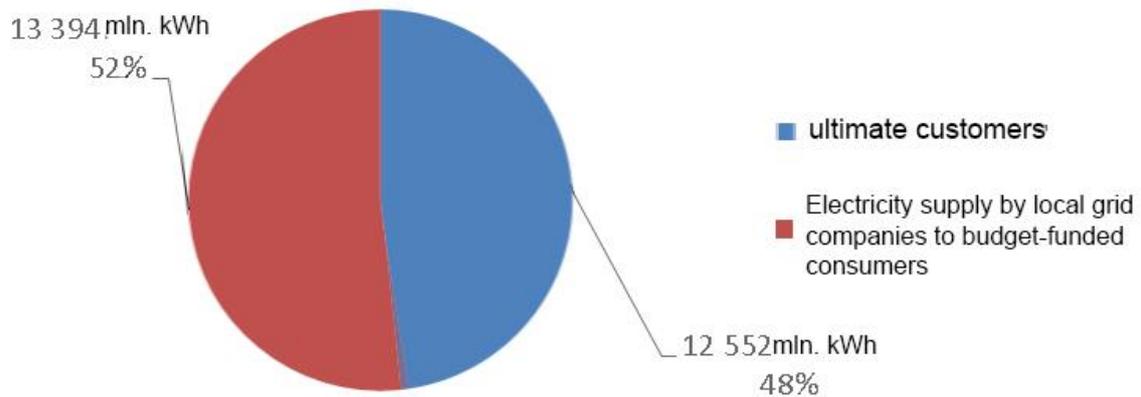
The decrease in the share of IDGC of the South PJSC in 2017 relative to 2016 is due to the following reasons:

- the emergence in 2017 in the Astrakhan region of a new territorial network organization – Astrakhan “Gorelektroset”;
- withdrawal from 01.07.2017 of contracts for the lease of UNEG facilities (the last mile) in Volgograd and Rostov regions in compliance with the requirements of Federal Law No. 35-FZ of March 26, 2003 “On Electric Power Industry”;
- decrease in the cost of electricity transmission services across the networks of FGC UES PJSC for the branch of IDGC of the South PJSC – “Volgogradenergo” (bringing the value of the contracted capacity of FGC UES PJSC to the level of actual capacity from 01.07.2017);
- restoration of the required gross revenue of the territorial grid organization of Rostov region “Energiya” JSC to economically reasonable level.

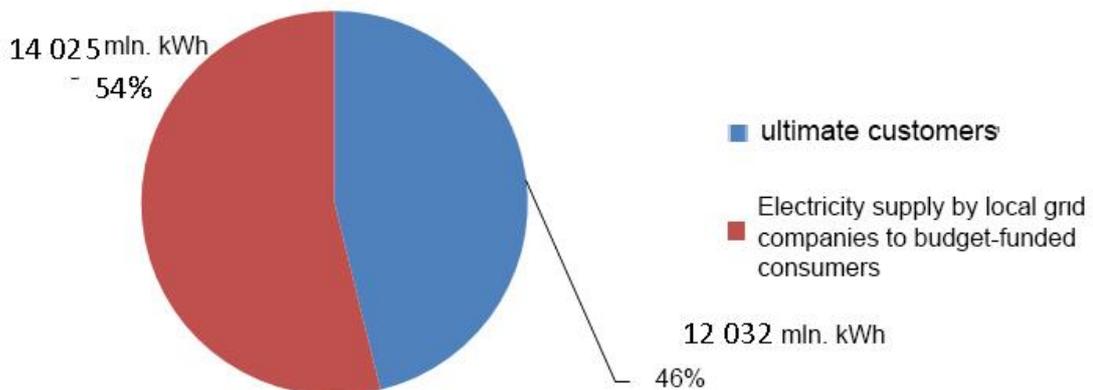
Productive supply in 2014: 26 781mln. kWh



### Productive supply in 2015: 25 947mln. kWh



### Productive supply in 2016: 26 056 mln. kWh



In 2016, the net electricity supply (productive supply) amounted to 26 056 million kWh in relation to 2015. The increase amounted to 260 million kWh (or 1.01%), which is mainly due to increase in net electricity supply by the branch “Rostovenergo” by 3.5% in comparison the same period of the last year. The increase in the volume of productive supply in 2016 compared to 2015 is due to:

- increase in electricity consumption by “Tagmet” JSC (Vostok” JSC) – 28 million kWh;
- increase in electricity consumption by RZD PJSC – 19 million kWh;

- increase in the net supply of electricity by consumers of the energy sales company Garant Energo LLC – 56 million kWh (consumers: Alcoa Metallurg Rus CJSC, NZNP OJSC, Rostselmashenergo LLC);
- growth of net power flow in the network of the territorial grid organization “Donenergo” JSC – 139 million kWh;
- increase in electricity consumption by “KTK-R” CJSC by 8.5 million kWh, or by 25.8%.

At the same time, it is necessary to note a significant decrease in the volume of net electricity supply in 2016 as compared to 2015 for the following consumers:

- “Lukoil –Volgogradneftepererabotka” LLC – by 187.35 million kWh, or 24%, which is related to transfer to own generation from August 1, 2016;
- “Khimprom” JSC – by 23.9 million kWh, or 69%, due to the shutdown of the main production and dissolution of a company;
- “Krasny Oktyabr” CJSC – by 44.25 million kWh, or 9%, due to decrease in production volumes.

This in turn is the reason of such small increase in productive supply of electricity in general for the Company.

**To keep the positive tendency, the Company undertakes the following activities:**

- Continuous monitoring of regional energy markets that consists in forecasting and analyzing factors influencing the Company business, as well as working out ways to reduce their negative impact on the Company performance;
- Interaction with the Russian Federal Tariff Service, Ministry of Energy, administrations of Russian Federation constituent entities, distribution grid companies, RTS, FGC UES, Rosseti PJSC, local grid companies, and energy sales and supply companies in terms of tariffs and balance regulation and the operation of regional energy markets.

In order to minimize financial and other losses, IDGC of the South PJSC, promptly reveals and prevents all possible risks of insolvency of energy sales companies for the rendered electricity transmission services. The Company is taking measures to standardize settlements with energy selling companies: transition to direct contracts

for the provision of electricity transmission services with consumers, settlement of disagreements during the conclusion of contracts, and involvement of administrative and regulatory bodies.

**Total production capacity of the Company (MVA, km):**

<b>Fixed assets</b>	<b>UOM</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
<b>6–220 kV substations</b>	<b>pieces</b>	31 344	31 393	31 884
<b>Total capacity (total)</b>	<b>MVA</b>	23 752.9	23 800.0	23 946.2
35–220kV substations	<b>pieces</b>	1 221	1 220	1 218
	<b>MVA</b>	18 723.2	18 735.3	18 724.5
Transformers, distribution transformer substation 6–10(35)/0.4 kV	<b>pieces</b>	30 123	30 173	30 666
	<b>MVA</b>	5 029.7	5 064.8	5 221.8
<b>Length of overhead lines 0.4–220kV</b>	<b>km</b>	155 449.2	155 188.7	155 888.9
220 kV and higher overhead lines	km	386.2	386.2	386.2
110–150 kV overhead lines	km	15 801.2	15 801.7	15 801.7
35 kV overhead lines	km	11 575.4	11 575.8	11 557.8
6–10 kV overhead lines	km	75 800.8	75 644.1	75 817.5
0.4 kV overhead lines	km	51 885.5	51 781.0	52 325.7
<b>Length of cable lines 0.4–220 kV</b>	<b>km</b>	2 166.9	2 196.5	2 438.2
220 kV and higher cables lines	km	0	0	0
110 kV cables lines	km	15.3	15.3	19.9

35 kV cables lines	km	57.1	57.2	57.2
6–10 kV cables lines	km	1 434.1	1 455.9	1 589.3
0.4 kV cables lines	km	660.5	668.1	771.8

#### Information on revenue from each type of activity

In 2016 IDGC of the South received 31 414 million rubles of revenue, 97.9% is the revenue from electricity transmission, 1.5% the revenue from technological connection and 0.6% revenue from other types of business activity.

#### Profit and revenue by types of business activities and regions:

branch	Revenue total, million rubles	% from the total revenue	Grid services (electricity transmission)	% from IDGC of the South total	Grid services (grid connection)	% from IDGC of the South total	Miscellaneous services	% from IDGC of the South total
Astrakhanenergo	4 778	15.2%	4 567	14.8%	190	40.3%	21	12.0%
Volgogradenergo	9 765	31.1%	9 686	31.5%	43	9.1%	36	20.3%
Kalmenergo	931	3.0%	914	3.0%	2	0.4%	15	8.5%
Rostovenergo	15 848	50.5%	15 601	50.7%	236	50.2%	11	6.5%
Kubanenergo	69	0.2%	0	0.0%	0	0.0%	69	39.0%
Main office	24	0.1%	0	0.0%	0	0.0%	24	13.7%
<b>Total</b>	<b>31 414</b>	<b>100.0%</b>	<b>30 768</b>	<b>100.0%</b>	<b>470</b>	<b>100.0%</b>	<b>176</b>	<b>100.0%</b>

### 1.6. Business priorities future development

#### Mission of IDGC of the South PJSC

The role and mission of IDGC of the South PJSC are based on the expectations of the main participants of the market:

- For the investment community, the Company is an investment instrument that is aimed at ensuring their recoverability, reliability, profitability and liquidity.
- For its consumers, the Company focuses on quality of services, safe and reliable power supply, timely and transparent technological connection to electric grids.
- For the regions and local governments, the Company that meets the needs of the economy in transmission capacities; a reliable partner for the executive authorities of the constituent entities of the Russian Federation in planning and implementation of regional programmes for territorial development, a conscientious taxpayer and employer.

- For employees, the Company is a conscientious employer, an effectively organized company that has a transparent and understandable corporate governance system that provides opportunities to maximize the potential of employees.

Our mission is to ensure reliable and high-quality supply of electric energy to the growing needs of the economy and the social sector at payment for the services economically justified for consumers.

### **Values of IDGC of the South PJSC**

Values of IDGC of the South PJSC are a set of principles that are understood and observed by all our employees.

- Reliability (minimum of interruptions in energy supply);
- Responsibility (attitude of the Company's employees to their duties, realization of the importance of their work and accountability for the results of such work);
- Customer-oriented approach (shows the place of a client in the priority system of the Company, a wish to meet the requirements of customers);
- Leadership (personal feature allowing the top and medium level managers to make a good team of employees; take the initiative);
- Professionalism (ability to reach the best results in professional activity for the Company's benefits with the minimum resources spent);
- Social responsibility (understanding by the top managers the responsibility to society, customers, employees, shareholders, future generations; search of the best ways to reduce negative impact of Company's production activity);
- Sustainability (ability of the Company to function during a long period of time without negative changes and simultaneous development and introduction of new technologies).

### **Company's priority activities**

#### **Implementation of strategy for development of the power grid**

In accordance with the targets and objectives set out in the Strategy for the Development of the Electric Grid Complex, the Company strives to address the following priorities in order to improve operational and investment performance:

1. reduction of operating expenses per unit of maintenance of electrical equipment;

2. reduction of operating expenses for implementation of the Directives of the Government of the Russian Federation No.2303p-P13 dated 16.04.2015, No.2073p-P13 dated 29.03.2016 and No.4750p-P13 dated 04.07.2016;
3. reduction of specific investment costs of electric grid companies (in rubles per physical unit);
4. increase of capacity utilization in percentage from the installed capacity of transformers for all voltage levels minus mandatory redundancy;
5. enhancement of energy efficiency, including reduction of the amount of energy losses (electricity consumption for technological needs);
6. enhancement of efficiency of managing the main production assets of IDGC of the South, introduction of modern technologies and use of innovations, as well as enhancement of energy efficiency.

In 2016, the Company jointly with the Russian Ministry of Energy and Rosseti PJSC developed and approved the Company's Development Plan for 2016-2018, which provides for implementation of a range of strategic measures aimed at improving the Company's efficiency, its financial and economic condition and focusing on sustainable pace of development over the medium term.

In 2017, the Company will continue to work on implementation of the Strategy for the Development of the Electric Grid Complex of the Russian Federation and the activities of the "Development Plan", following the results of which IDGC of the South PJSC plans to break even.

#### [Priority activities determined by the Board of Directors of the Company](#)

By the decision of the Company's Board of Directors adopted on 13 March 2015 (Minutes No.154/2015 of 16.03.2015), **centralization and automation of the treasury function** are identified as a priority area of the Company's activity.

In addition, in 2016 the Company continued to implement the following priority areas identified by the Board of Directors of the Company in 2014-2015:

1. reasonability of applying recommendations on the management of intellectual property rights;
2. certification of equipment, materials and systems at the Company's facilities;

3. ensuring availability of energy infrastructure and quality of technological connection to the Company's electric networks;
4. improvement of the internal control and risk management system, development of the internal audit function;
5. transfer of the powers of the sole executive body of "Donenergo" JSC to the Company.

Detailed information on the Company's development results in its priority areas is provided in the section "Activities of the Board of Directors of the Company in 2016" of this Annual Report.

#### [Enhancement of the reliability and quality of the rendered services](#)

Within the agreement on certification of activities of IDGC of the South PJSC in the areas of the integrated management system (quality, environment and labor protection – IMS) in November 21-24, 2016 the auditors of "SGS Vostok Limited" JSC carried out a supervised audit for compliance with the requirements of international standards ISO 9001: 2008, ISO 14001: 2004, OHSAS 18001: 2007 in the departments of the main office and in "Volgogradenergo", branch of IDGC of the South PJSC.

During this audit, for the first time since 2009, there were no discrepancies in the Company's activities.

Based on the results of observations within the framework of the supervisory audit of the ISM, the main office and "Volgogradenergo" developed plans of preventive actions. The Company's branches organized and conducted studying of report on the audit.

Based on the results of the audit, the Company confirmed the compliance of the performed activity with the requirements of international standards ISO 9001: 2008, ISO 14001: 2004, OHSAS 18001: 2007.

When preparing for the audit, 107 people were trained the basics of knowledge of international standards ISO 9001: 2008, ISO 14001: 2004, OHSAS 18001: 2007 and the rules for application of internal standards in the field of quality, ecology

and labour protection. Based on the results of the training, the personnel's knowledge was tested.

In 2016, the ISM audits were carried out in full in the main office and branches of the Company in accordance with the plan.

### **Future development in presence regions**

Currently IDGC of the South PJSC is one of the largest and most dynamically developing power companies in the Southern federal district, being at the same time the youngest. To keep the success and continue growing it is significant for the Company choose the right goals and right development directions, as well as the ways and methods for achieving these goals

The main development directions of IDGC of the South PJSC are:

- customer-centric policy and increase of 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 re-equipment of power facilities;
- construction of the power grid facilities;
- energy efficiency and energy saving.

In order to create a single approach to solutions in the field of development, territorial planning and investment projects of small and medium business, IDGC of the South PJSC has prepared 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, level of load on grid equipment as well as planned reconstructions and new construction.

Information on the load of the power centers is information for 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 No.24 dated 21 January 2004 (current version).

The Interactive map helps communicate on-line with local authorities of the territorial subjects of the Russian Federation and potential investors to coordinate development of the power grid depending on the needs for capacity.

Pursuant the decree of the Government of the Russian Federation No.1131, dated 9 December 2013 as well as in order to enable customers to obtain information on free capacities, grid connection, possibility of tracking the performance stages, calculate connection payments, the Company has launched an Internet Portal.

The Portal contains information on submitted applications for grid connection (hereinafter – the GC application) that were both received via the Portal and submitted to IDGC of the South JSC. Thus, a customer can obtain information on any application.

The users have a free access to information on the load of substations of territorial grid companies on the interactive maps at the Company's web-page.

Apart from that projects on development of large business and social and economic growth are being implemented on the territory of the Company's presence. Such projects are ground-breaking for development and formation of schemes and programmes of prospective growth of the region's network.

Interaction with local executive authorities in elaboration of schemes and programmes of prospective growth is carried out with the help of meetings of coordinating bodies where projects on network development are reviewed.

To implement schemes and programmes of prospective development of power industry of the constituent units of the Russian Federation as well as to enhance availability of grid infrastructure, the Company conducts trainings that are aimed not at improving the reliability of the existing power grid, but also at ensuring the possibilities of technological connection of new consumers. The activities include reconstruction of substations and increase of cross-section of wires as well as new construction of feeding centers and building of overhead 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 PJSC has organized active interaction with the executive authorities.

To provide electricity supply to sport and infrastructure facilities for the Championship in Volgograd, the Company has planned reconstruction of 110kV “TDN” substation, and in Rostov-on-Don a new 110kV substation is being contracted. The Company estimates to perform the works by the end of 2017.

It should be also specified 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.

All branches of IDGC of the South PJSC are carrying out activities under the investment programme in order to ensure the Company 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.

### **Astrakhan region**

To fulfill the obligations under grid connection contracts, in 2016 branch of IDGC of the South PJSC “Astrakhanenergo” implemented 3 914 grid connection contracts for the total capacity of 73.035 MW.

For the future development of the distribution grid complex, the branch has a plan of activities.

The long-term investment programme of “Astrakhanenergo” branch of IDGC of the South PJSC for the period 2016-2022 consist in the following activities:

- reconstruction of 110kV substation “Vostochnaya” with replacement of power transformers with two transformers of 25MVA to connect homes and facilities of public use in the Sovetskiy district of Astrakhan;
- reconstruction of 35kV substation “Trusovskaya” with replacement of power transformers with two transformers of 25MVA to connect homes and facilities of public use on the left bank of Astrakhan;
- reconstruction of 35kV substation “Oktyabrskaya” with replacement of power transformers with two transformers of 10MVA to connect homes and facilities of public use left-bank part of Astrakhan, as well as consumers located in Trusovsky and Narimanovsky districts;

- reconstruction of 35kV substation “Nachalovo” with replacement of power transformers with two transformers of 16MVA for connection residence area under construction and individual housing construction in the village Nachalovo, Astrakhan region;
- Reconstruction of 110kV “Kiri-Kili” substation with replacement of power transformers with two transformers of 40MVA to connect the facilities in Leninsky district of Astrakhan.

It is also planned to continue the reconstruction of the existing system-forming 110kV overhead transmission lines on wooden poles with replacement for reinforced concrete and metal ones:

- “Kapustin Yar – Pologoe Zaimishche” (No.701): the approximate length is 26.6 km;
- “Pologoe Zaimische – Pokrovka” (No. 02) – 19.03 km.

The branch of IDGC of the South, Astrakhanenergo, is actively engaged in new construction and reconstruction of 6-10kV distribution networks in Astrakhan.

In 2016, construction and installation work was performed to transfer 6kV loads to 10kV from 110kV “Severnaya” substation to the newly constructed 110kV “Yubileinaya” substation. The project will continue in subsequent years as well.

For development of its power grids, “Astrakhanenergo” branch of IDGC of the South continued its interaction and cooperation with “FGC UES” JSC within the frameworks of provision of reliable power supply and new connections.

### **Volgograd region**

Industrial consumers of the services of the Volgograd power sector are: oil and gas processing, chemical, metallurgical and engineering plants. Though, the general population and agriculture industry take a large proportion of consumption.

Annual measures envisaged by the investment development programme of the “Volgogradenergo” branch of IDGC of the South PJSC, provide a reliable electricity supply in the region.

Within 2016, the Company connected 2 181 new consumers with the declared capacity of 100.663 MW to the electric grids of “Volgogradenergo”, branch of IDGC of the South PJSC.

Moving beyond the achieved results, “Volgogradenergo” branch of IDGC of the South PJSC, now is planning to carry out activities aimed at development of the electric power industry in the major cities of the region: Volgograd and Volzhsky. Within the investment programme of “Volgogradenergo”, branch of IDGC of the South PJSC, for the period 2016-2022 it is planned to perform works at the following large objects:

- reconstruction of 110kV “Cementnaya” substation with replacement of power transformers with a capacity of 20 MVA for the one with larger capacity; production unit “Mikhailovskie electrical networks” (transformer capacity – 80 MVA);
- reconstruction of 110 kV substation “Elshanskaya” with replacement of power transformers T1, T-2 by 40MVA transformers;
- reconstruction of 110 kV “TDN substation” with replacement of the existing two 20 MVA power transformers with two 25MVA each for power supply of facilities during the World Cup in Volgograd;
- reconstruction of 110kV power line No. 550 with the branch lines to 110/10 kV substation “Shiryai”; reconstruction of 110kV power line No 446 “Lemeshkino – Zhirnovskaya”;
- reconstruction of 110kV power line No.3, Razvilka-2;
- reconstruction of power line section from transmission tower No.41 to transmission tower No.50 of 110 kV overhead lines “Volzhskaya HPP-2 – Volzhskaya No. 1” with taps (110 kV overhead line No.203) with replacement of towers and wires for the wire with larger cross-section;
- reconstruction of 110kV power line section the No. 8 transmission towers 1 - 86 with replacement of wire;
- construction of branch lines from 110 kV power line “Razvilka-2” to 220/110/10/6 kV “Sadovaya” substation;

Implementation of the above-mentioned measures will ensure reliability of power supply to the existing consumers, and provide easy grid connections for the new customers.

### **The Republic of Kalmykia**

The natural and climatic conditions 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 billion kW.

The Republic is among the most favourable 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/m<sup>2</sup> and specific annual production of heat — to 800-900 kWh/m<sup>2</sup>.

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

By 2018 it is planned to construct in the western part of Elista blocks of residential houses and high-rise apartments block in the north-western and eastern parts of the town. The total electric load of the power receivers of customers is estimated to be 7-8 MW.

Implementation of activities under the investment programme of “Kalmenergo”, branch of IDGC of the South PJSC, will ensure reliable and uninterrupted power supply to consumers (will eliminate the possibility of accidents at grid facilities) and connection of new consumers in Elista.

### **Rostov region**

Rostov-on-Don is 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 these cities, as well as the suburbs, 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 PJSC, plans implementation of measures for the development of power grids and improving the availability of grid structure for the period 2016-2022.

To provide electricity supply to venues of the World Football Cup in Rostov-on-Don in 2018, the Company is constructing 110/10kV substation “Sportivnaya”.

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. Under grid connection contracts of IDGC of the South PJSC branch “Rostovenergo” connected 6 291 customers for the total capacity of 170.346MW in 2016.

Future plans include development of power grids of “Rostovenergo”, branch of IDGC of the South PJSC in connection with the planned construction of a number of large enterprises in Rostov region.

Rapid development of 110kV network leads to the need to build new power grid facilities of 500-220 kV and reconstruct the existing 220kV power centers. Moreover, construction of 220KV power grid facilities should be carried out at a pace that is ahead of the construction of 110kV power grid facilities.

The long-term investment programme for development of “Rostovenergo” branch of IDGC of the South PJSC for the period 2016-2022 presupposes the following activities:

- construction of 110/10kV substation “Sportivnaya” with 110kV branch and reconstruction of the adjacent network;
- reconstruction of 110/10 kV substation “AS-10” with replacement of transformers with the transformers of larger capacity to provide power supply for the “Yuzhny” airport;

- reconstruction of 110/10/6 kV substation “AS-6” with replacement of the existing power transformers with two transformers of 16 MVA for connection of “Golf Invest” LLC;
- reconstruction of 110/30/10 kV substation “Chaltyr” with replacement of transformers;
- reconstruction of 110/35/10 kV substation “AS-1” with replacement of the existing power transformers with two transformers of 16 MVA for power supply of objects in Olginskaya village;
- reconstruction of 110/35/10 kV substation “A-12” (Donelektrostral);
- re-equipment of 110kV power line “VDTEC – Zimovniki”

The main aim of “Rostovenergo”, branch of IDGC of the South PJSC is to create a database to perform activities 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 programmes and plans for capital construction of power grid facilities.

## 2. Business Results

### 2.1. Production

#### 2.1.1. Electric power transmission

Branch / IDGC (FGC)	Grid output, mln kWh	Output from the grid to consumers and integrated territorial grid companies within balance and operation responsibility, mln kWh	losses	
			mln kWh	%
Astrakhanenergo	3 511.1	2 735.3	775.8	22.09%
Volgogradenergo	10 413.2	9 649.2	764.1	7.34%
Kalmenergo	530.4	434.7	95.7	18.05%
Rostovenergo	14 516.9	13 237.1	1 279.8	8.82%
<b>Total, IDGC of the South PJSC</b>	<b>28 971.6</b>	<b>26 056.2</b>	<b>2 915.4</b>	<b>10.06%</b>

Based on the results of the work of IDGC of the South PJSC in 2016, the volume of grid output to consumers and related local grid companies within the limits of balance and operational responsibility amounted to 26 056 million kWh, which is 260 Million kWh, or 1.01% higher than in 2015 (25.796 million kWh).

In “Astrakhanenergo” branch in 2016, the volume of grid output to consumers and related local grid companies within the limits of balance and operational responsibility amounted to 2.735 million kWh, which is 46 million kWh, or 1.69%, higher compared to 2015 (2.690 million kWh). Significant growth in the volume of services provided occurred for the following consumers:

- “Astrakhan Power Sales Company” PJSC (by 46 million kWh);
- “Management Astrakhanmeliovodkhoz Kamyzyak branch” FGBU (by 3 million kWh).

In “Volgogradenergo” branch in 2016, the volume of grid output to consumers and related local grid companies within the limits of balance and operational responsibility was 9.649 million kWh, which is 247 million kWh or 2.5%, less compared to 2015 (9.867 million kWh). A significant decrease in the volume of services provided occurred for the following consumers:

- “Lukoil-Energoservice” LLC (wholesale) transmitted for the consumer “Lukoil-Volgogradneftepererabotka” LLC 187.35 million kWh, or 24% less than in the previous reporting period, because the company switched to own generation of electric energy on 1 August 2016;
- “Khimprom” JSC – by 23.9 million kWh, or 69%, due to the shutdown of the main production and dissolution of the company;
- “VMK Krasny Oktyabr” CJSC (through the marketing companies “ESCO” LLC and “ESC Leader” LLC) – by 44.25 million kWh, or 9%, due to a decrease in output.

The decrease in the volume of output to the consumers from the guaranteeing supplier “Volgogradenergosbyt” PJSC is due to the transition of consumers from the guaranteeing supplier to “direct” contracts concluded with the branch of IDGC of the South PJSC – “Volgogradenergo” and to other energy sales companies, including “Lukoil-Energoservice” LLC with a volume of 116.07 million kWh, “Magnit-Energo” LLC with a volume of 10.83 million kWh, “EC Centerenergy” LLC with a volume of 36.4 million kWh, “MSK Energo” LLC with a volume of

15.2 million kWh, and also due to decrease in the volume of large consumers of “Kaustik” LLC by 33 million kWh.

At “Kalmenergo” branch in 2016, the volume of the network output to consumers and related local grid companies within the limits of balance and operational responsibility amounted to 435 million kWh, which is 11 million kWh or 2.4%, more compared to 2015 (424 million kWh). The increase in the supply of electricity was mainly due to increase in the consumption of electric energy by “KTK-R” CJSC by 8.5 million kWh.

At branch “Rostovenergo” in 2016, the volume of the network output to consumers and related local grid companies within the limits of balance and operational responsibility amounted to 13.237 million kWh, which is 451 million kWh or 3.5%, more compared to 2015 (12.786 million kWh). The increase in consumption from consumers: “Donenergo” JSC – by 139 million kWh, “EC “Vostok” JSC – by 28 million kWh, “Rusenergoby” JSC (“RZhD” PJSC) – by 19 million kWh, “Garant Energo” LLC – by 56 million kWh.

#### Dynamics of rendered services on electricity transmission, 2015-2016

Branch / IDGC (FGC)	Electricity transmission services						
	2015		2016		difference		
	mln kWh	mln rubles	mln kWh	mln rubles	mln kWh	mln rubles	%
<b>Astrakhanenergo</b>	2 663	4 093	2 702.8	4 566.8	40	474	1.49%
<b>Volgogradenergo</b>	9 841.7	9 922.5	9 209.0	9 686.4	-632.7	-236.1	-6.4%
<b>Kalmenergo</b>	424.3	810.8	434.7	914.2	10.4	103.4	2.4%
<b>Rostovenergo</b>	12 556.2	14 581.8	12 990.5	15 601.0	434.3	1 019.1	3.5%
<b>Total, IDGC of the South PJSC</b>	<b>25 485</b>	<b>29 408</b>	<b>25 337.0</b>	<b>30 768.3</b>	<b>-148</b>	<b>1 360</b>	<b>-0.58%</b>

\* The information is reflected with consideration of the retrospectively conducted adjustment of accounting data for 2015 in terms of revenue for electricity transmission services in the amount of 267 million rubles (excluding VAT) and costs for compensation of energy losses in amount of 278 million rubles (excluding VAT) for “Astrakhanenergo” branch (the contractor of “Astrakhan power sales company” PJSC).

By the results of 2016, the volume of electricity transmission services provided by IDGC of the South PJSC amounted to 25.337 million kWh, which is 148 million kWh, or 0.58 million kWh less than in the same period of 2015 (25.485 million kWh) %.

#### Actual losses of electric energy in 2015-2016

Branch / IDGC (FGC)	Electricity losses						
	2016 actual		2015 actual			Difference*	
	mln kWh	%	mln kWh	%	% (in compared conditions. **)	mln kWh*	%
<b>Astrakhanenergo</b>	775.8	22.09%	861.9	24.27	24.27	-86.1	-2.17%
<b>Volgogradenergo</b>	764.1	7.34%	779.1	7.30	7.47	-15.0	0.04%
<b>Kalmenergo</b>	95.7	18.05%	99.6	19.02	19.02	-3.9	-0.97%
<b>Rostovenergo</b>	1 279.8	8.82%	1 239.2	8.84	8.84	40.6	-0.02%
<b>Total, IDGC of the South PJSC</b>	<b>2 915.4</b>	<b>10.06%</b>	<b>2 979.8</b>	<b>10.36</b>	<b>10.36</b>	<b>-64</b>	<b>-0.29%</b>

\* calculated as difference between 2016 and 2015.

\*\* level of losses in 2016 is calculated under conditions comparable to 2015, taking into account a retrospective adjustment of accounting data for 2015 in terms of revenue for electricity transmission services in the amount of 267 million rubles (excluding VAT) and costs for compensation of energy losses in amount of 278 million rubles (excluding VAT) for “Astrakhanenergo” branch (the contractor of “Astrakhan power sales company” PJSC).

Actual losses of electric power in the electric networks of IDGC of the South PJSC amounted to 2 915 million kWh or 10.06% of supply to the grid. In comparison with the same period of 2015, the growth of supply to the grid was by 0.68%, reduction of losses electric energy was 64 million kWh or 0.29%.

In 2016 the actual losses of electric power in the networks of Astrakhanenergo branch amounted to 776 million kWh, or 22.09% of the supply to the grid. Compared to the same period of 2015, with a drop in supply to the grid by 1.14%, the decrease in electricity losses was 86 million kWh, or 2.17 %. Nevertheless, it should be noted that the company failed to implement the programme of energy saving and increasing energy efficiency, thus failed to reduce presupposed by the

programme electricity losses by 6.5 million kWh. This happened because of the failure to fulfill the planned energy service contract in the amount of 12.72 million kWh with savings of 26.42 million rubles, accounted for in the SME Programme in the 4<sup>th</sup> quarter of 2016. Information on the measures taken by the branch to reduce electricity losses is provided in chapter 2.1.3 of this annual report.

In 2016 the actual losses of electric power in the networks of Volgogradenergo branch amounted to 764 million kWh, or 7.34% of the productive supply to the grid. Compared to the same period of 2015, with a drop in supply to the grid by 2.46%, the decrease in electricity losses was 15 million kWh. Nevertheless, there was an increase in the level of electricity losses by 0.04 percentage points.

The main reasons for the increase in the level of electricity losses are:

- from August 1, 2016 the consumer “LUKOIL-Volgogradneftepererabotka” LLC was excluded from the contract for the provision of electricity transmission services, that was concluded with “LUKOIL-Energoservice” LLC; the company started own generation of electric energy. This circumstance led to the exclusion in 2016 of a useful supply of electricity for this consumer in the amount of 219.5 million kWh as compared to 2015.
- the energy service company did not fulfill its obligations under the energy service contract because of financial and technical difficulties that occurred in the course of the project implementation. The planned savings on energy losses due to the implementation of the energy service contract for 2016 was estimated in the amount of 31.4 million kWh.
- “Khimprom” LLC stopped the main production and started the process of liquidation, as a result of which, compared to the same period in 2015, the reduction was 23.9 million kWh.

When we estimated the indicator “Level of electricity losses in comparison to the grid output” for 2016 in comparable conditions, taking into account the volumes of “LUKOIL-Volgogradneftepererabotka” from its own generation from August 2016 and the cessation of business of “Khimprom” JSC, the indicator of

“Volgogradenergo” branch in 2015 was 7.47%, which means that by the results of 2016 there is a decrease by 0.13%.

In 2016 the actual losses of electric power in the networks of Kalmenergo branch amounted to 96 million kWh, or 18.05% of the supply to the grid. Compared to the same period in 2015, when the supply to the grid grew by 1.23%, the decrease in electricity losses reached 4 million kWh, or 0.97 percentage points.

In 2016 the actual losses of electric power in the networks of “Rostovenergo” branch amounted to 1.280 million kWh, or 8.82% of the supply to the grid. Compared to the same period of 2015, when the supply to the grid grew by 3.51%, the increase in electricity losses amounted to 41 million kWh. Nevertheless, the level of electricity losses decreased by 0.02 percentage points, which is associated with an increase in electricity consumption by 42 million kWh by consumers of the “last mile” in comparison to 2015.

IDGC of the South PJSC within the framework of the priority activities, implements a set of measures aimed at optimizing (reducing) the level of losses. Thanks to this, in 2016 the total savings from reducing losses of electricity amounted to 240 million kWh for a total of 536 million rubles, which is 85 million kWh (or 177 million rubles) higher than the effect achieved in 2015. At the same time due to organizational measures, the volume of savings amounted to 232 million kWh (or 517 million rubles), due to technical measures, the savings amounted to 2.14 million kWh (or 4.5 million rubles), due to measures that are aimed to improve the accounting of electrical energy the volume of savings amounted to 6.03 million kWh (or 14.5 million rubles).

In 2016, with a plan of the modernization of 15.77 thousand points of accounting and planned expenditures of 30.93 million rubles, 16.8 thousand accounting points were modernized, costs amounted to 30.32 million rubles. Remote data collection was organized from 3.45 thousand accounting points.

The plan for reduction of losses of electric energy in 2016 (in physical terms) is fulfilled by 121.7%.

### **The planned and actual indicators in 2016**

#	Indicator	Unit of measurement	2016	
			Planned	Actual
1	Electric power losses	million kW*h	2 707	2 915
		million rubles, VAT excluded	6 045	6 351
		% from grid input	<b>9.29</b>	<b>10.06</b>

### 2.1.2. The tariff policy of the Company

#### General information

The main activities of IDGC of the South PJSC are:

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

According to the current legislation of the Russian Federation, the provision of services on electric power transmission and technological connection of consumers to electric networks are a natural monopoly activity and are subject to government regulation in terms of the establishment of tariffs (price) for the services on electric power transmission and technological connection to networks.

Regulation of tariffs for electric power transmission is carried out both by the federal authorities and the regional (executive bodies of subjects of the Russian Federation in the field of state regulation of tariffs) in strict accordance with the current legislation of the Russian Federation.

The main legal acts regulating the activity of “IDGC of the South” JSC in the sphere of price formation are:

- Federal Law No.35-FZ dd 26.03.2003 “On Electric Power Industry”;
- Resolution of the Government of the Russian Federation No.1178 dd 29.12.2011 “On pricing in the sphere of regulated prices (tariffs) in the electric power industry”;
- Resolution of the Government of the Russian Federation No.442 dd 04.05.2012 “On functioning of retail electricity markets, and the full (or) partial restriction of electric power consumption mode”;

- Resolution of the Government of the Russian Federation No. 861 dd 27.12.2004 “On Approval of the Rules of non-discriminatory access to electric power transmission and provision of these services, of the Rules of non-discriminatory access to operational dispatch management in the electric power industry and rendering of these services, of the Rules of non-discriminatory access to services of Administrator of Trading System at the wholesale market and rendering of these services and the Rules of grid connection of consumers of electric energy facilities for the production of electric energy and transmission facilities owned by grid companies and other entities to electric networks”;
- Government Decree No. 1220 dd 31.12.2009 “On definition used in setting long-term rates of reliability and quality of goods and services”;
- Government Decree No.184 from 28.02.2015 “On acknowledging owners of grid facilities as territorial grid companies”;
- Order of the Federal Tariff Service of Russia No.20-e/2 dd 06.08.2004 “On approval of guidelines for calculation of regulated tariffs and prices for electric (thermal) power in the retail (consumer) market”;
- Order of the Federal Tariff Service of Russia No.228-e dd 30.03.2012 “On approval of the guidelines for the regulation of tariffs using the method of return on invested capital”;
- Order of the Federal Tariff Service No. 98-e dd 17.02.2012 “On approval of the guidelines for calculation of tariffs for services on electric power transmission installed using the method of long-term indexation necessary gross revenue”;
- Order of the Federal Tariff Service of Russia No. 209-e/1 dd 11.09.2012 “On approval of the guidelines for determining the amount of payment for technological connection to electric networks”;
- other legal acts.

#### [Dynamics of revenues of IDGC of the South PJSC in 2012-2016:](#)



By the results of the activity in 2016 IDGC of the South PJSC received a revenue from transmission services in the amount of 30 768.28 million rubles, VAT excluded, which is 1 360.33 million rubles or by 4.6% more compared to 2015 (29 407.95 million rubles). The increase in revenue is due to the growth of tariffs for electricity transmission services. Thus, the average tariff for transmission of electric energy before the deduction of load losses for 2016 amounted to 127.93 kopecks/kWh, which is 7.21 kopecks/kWh, or by 6% more compared to 2015 (120.72 kopecks/kWh).

The volume of revenue from technological connection in 2016 amounted to 469.89 million rubles, excluding VAT, which is 29.71 million rubles, or 5.95% less in comparison to 2015 (499.60 million rubles).

The decrease in the revenue from technological connection services in the reporting year in comparison to 2015 occurred because of the following key factors:

- 1) The decline in demand for connected capacity due to a decrease in the investment attractiveness of the national economy in general and at the regions of presence of IDGC of the South PJSC in particular, caused by unfavorable geopolitical situation and the consequences of introduction of the international sanctions.
- 2) Loss of large customers/potential applicants for technological connection because of unstable financial and economic situation in the country, since the largest share in the total amount of funds is the revenue from large consumers with a high cost based on the investment component. For the period 2013-2016 there is

some negative dynamics in filing of applications for technological connection by counterparties with a capacity of over 150 kW: in 2013, 1.383 applications were submitted, in 2014 – 1.111, in 2015 – 827 and in 2016 – 718.

3) Postponement of the deadlines for implementation of technological connection agreements at the initiative of the applicants to later dates, as well as termination of existing contracts due to unfavorable macroeconomic conditions (reduction in the volume of production of goods and services provided by enterprises and organizations, insolvency (bankruptcy) of economic entities, etc.)

4) Changes made to the order of pricing in the field of regulated prices in the electric power industry with the entry into force of Federal Law No.83-FZ on 20.04.2014: from October 1, 2015, the size of the investment component to cover the costs of construction of electric grid facilities included in the composition fees for technological connection of power receivers with a maximum power of not more than 150 kW cannot be more than 50% of the value of these costs.

The amount of revenue from other activities in 2016 was 175.97 million rubles excluding VAT, which is 14.41 million rubles, or 7.6% less compared to 2015 (190.38 million rubles). The decrease in the revenue from other activities is due to the fact that in 2015, a one-time agreement was concluded with “Kubanenergo” PJSC for elimination of the consequences of accidents No.407/30-270/10001501000042 from March 30, 2015, amounting to 19.07 million rubles.

### **Electricity Transmission Tariffs**

In 2016 uniform (“boiler”) method of making rate of transport services is in force in the territory of all RF entities within liability area of IDGC of the South PJSC. A peculiarity of the method is in the fact that electricity is transmitted to absolutely all consumers of one and the same voltage class as per uniform tariff, irrespective of the type of company the grid of which they are connected to.

Thus, pursuant to Resolution of the RF Government dated December 29, 2011 No. 1178 the single (boiler) tariffs for the transmission of electrical energy in 2016 are set by semester, with periods:

- from 1 January 2016 to June 30, 2016;

- July 1, 2016 December 31, 2016.

### **Branch of IDGC of the South PJSC – “Astrakhanenergo”**

The accepted system of payments in the region is a “boiler from above”. Its owner is “Astrakhanenergo” branch of IDGC of the South PJSC. The branch manages all grid necessary gross revenue 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. Users of electricity transmission services are making settlements with the branch of IDGC of the South PJSC “Astrakhanenergo” at double-rate tariff and straight-line tariff. Unified (“boiler”) tariffs for power transmission services in 2016 were approved by the decision of Tariff Service of Astrakhan region No. 2 on 29.01.2016.

The required gross proceeds of the branch of IDGC of the South PJSC “Astrakhanenergo” was formed by the return on invested capital (RAB) method with the long-term period 2009-2017.

According to the provisions of the Federal Law of the Russian Federation No. 35-FZ starting from 1 January 2014 in the Astrakhan region contracts of the “last mile” with customers directly connected to the grids of the Unified National Power Grid (UNPG) were terminated.

Pursuant to paragraph 6 of the Article 8 of the Federal Law of the Russian Federation № 35-FZ dated 26 March 2003, the company entered into agreements providing for consent of a number of consumers (including indirectly connected through a network of other grid company) to enter into an agreement with the branch of IDGC of South PJSC – “Astrakhanenergo” on transfer of electric power.

### **Branch of IDGC of the South PJSC – “Volgogradenergo”**

Settlements with “the integrated boiler” method were implemented where “Volgogradenergo” gets revenue from service consumers (from “Volgogradoblektro” JSC, Municipal State Production Enterprise “Volga Inter-District Power Grids”, Municipal State Enterprise “Volgograd Inter-District Grids”, “Oboronenergo” JSC (Branch “Yuzhniy”). Consumers of the electric power transmission services pay the branch under double-rate and flat-rate tariffs.

The unified (“boiler”) tariffs for 2016 are approved by the order of the Tariff Regulation Committee of the Volgograd Region of 30 December 2015 No.57/23 (in the wording of the order of the Tariff Regulation Committee of the Volgograd Region dated 09.09.2016 No.34, taking into account the revision of tariffs from October 1, 2016).

Individual tariffs of mutual settlements between local grid companies are approved by the order of the Tariff Regulation Committee of the Volgograd Region of 30 December 2015 No.57/24 (in the wording of the order of the Tariff Regulation Committee of the Volgograd Region dated 09.09.2016 No.34).

The necessary gross proceeds of “Volgogradenergo”, branch of IDGC of the South PJSC, are formed by the long-term indexation method with the long-term period 2014-2018.

Under the provisions of the Federal Law of the Russian Federation No. 35-FZ dated on 26 March 2003, Volgograd region is one of the regions in which the operation of contract of the “last mile” was extended until 1 July 2017. Therefore, when making tariff decisions for 2016 in the Volgograd region factor of extending contracts of the “last mile” was taken into consideration. Consumers of “the last mile” were transferred to the voltage level HV1 with a calculated rate, which takes into account the payment to “FGC UES” JSC and the rate of cross-subsidization.

#### **Branch of IDGC of the South PJSC – “Kalmenergo”**

The accepted system of mutual settlements is a “boiler from below” in the region. “Kalmenergo” gets its own revenue under boiler tariffs for productive supply of consumers of “Kalmenergosbyt” PJSC consumers connected to the grids of the branch of IDGC of the South PJSC – “Kalmenergo” and under individual tariffs for supply from the grids of the branch in grids of territorial grid companies (“KalmEnergoKom” JSC). Customers for electric power transmission services pay the branch under double-rate and flat-rate tariffs.

The required gross proceeds of “Kalmenergo”, branch of IDGC of the South PJSC, is formed by the method of return on invested capital (RAB) with a long-term period 2011-2017.

The unified (“boiler”) tariffs and individual tariffs for mutual settlements with “KalmEnergoCom” LLC in 2016 are approved by the order of the Regional Tariff Service of the Republic of Kalmykia of 25 December 2015 No.105-p/e (as amended on 08.04.2016 No.27-p/e).

The branch of IDGC of the South PJSC “Kalmenergo” does not have the “last mile” contracts.

#### Branch of IDGC of the South PJSC – “Rostovenergo”

The accepted system of mutual settlements in the region is a “integrated boiler”. Its owners are two large power grid companies — “Rostovenergo” JSC and “Donenergo” JSC. “Rostovenergo” gathers its part of the grid joint operations from all energy selling companies under boiler tariffs and from “Donenergo” JSC under individual tariffs and gives the part of the grid revenue to the subordinate territorial grid companies under individual tariffs. “Donenergo” JSC gathers its part of the grid joint operations from “TNS Energo Rostov-on-Don” PJSC and other supply companies under boiler tariffs and gives the part of the revenue to “Rostovenergo” and to the subordinate territorial grid companies under individual tariffs. Customers of electric power transmission services pay “Rostovenergo”, branch of IDGC of the South PJSC, under both double-rate and flat-rate tariffs.

Unified “boiler” tariffs for 2016 were approved by the decision No. 83/5 of the Regional Tariff Service of Rostov region on 29.12.2015 (as amended by the Resolution No. 3/2 on 04.02.2016).

Individual tariffs for mutual settlement between the branch and “Donenergo” were approved by the Decree No. 83/6 of the Regional Tariff Service of Rostov region on 29.12.2015.

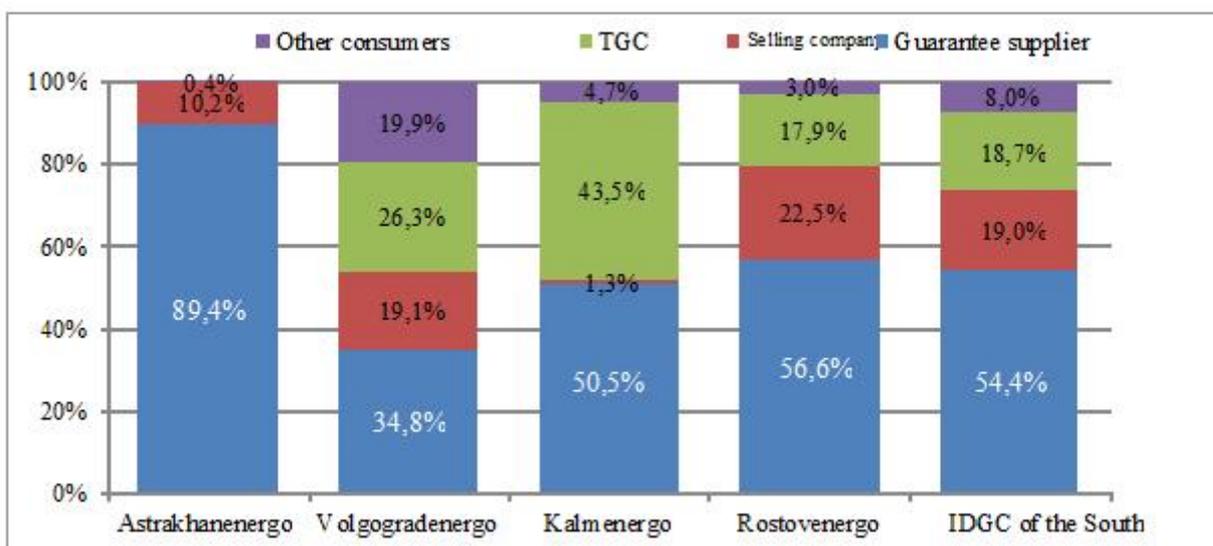
The required gross revenue of the branch of IDGC of the South PJSC “Rostovenergo” was formed by the method of return on invested capital (RAB) with the long-term period 2009-2017.

Under the provisions of the Federal Law of the Russian Federation No. 35-FZ dated 26 March 2003 Rostov region is among the regions in which the operation of contracts “the last mile” was prolonged till 1 July 2017. Therefore, when making

tariff decisions for 2014 in the Rostov region the extension of contracts of “the last mile” was considered consumers of “the last mile” were transferred to the voltage level HV1 with a calculated rate, which takes into account the payment to “FGC UES” JSC and the rate of cross-subsidization.

The tariffs for electricity transmission services approved by the executive authorities of the constituent entities of the Russian Federation in the field of state tariff regulation (hereinafter referred to as regulating bodies) for 2016 are posted on the official website of IDGC of the South PJSC at <http://mrsk-yuga.ru/potrebitelyam/tarify-na-uslugi-po-peredache-elektroenergii/> in accordance with clause 11 (a) of “Standards of information disclosure by subjects of wholesale and retail electricity markets” (approved by the Resolution of the Government of the Russian Federation No.24 on 21.01.2004).

Structure of revenue of IDGC of the South PJSC from electric power transmission in 2016 by consumer groups



Difference of revenue structure for services on power transmission in the context of consumer groups in the branches of IDGC of the South PJSC is connected with various schemes of mutual settlements 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 Astrakhanenergo branch of IDGC of the South PJSC there is no system “boiler from below”, so there are no profitable contracts with territorial grid companies and the main share in the revenues is made by guaranteeing suppliers.

In the Volgogradenergo branch of IDGC of the South PJSC there is a big share of services under “direct” service contracts in connection with the Company’s campaign for conclusion of contracts on power transmission in the regions directly with the consumers is due to systematic non-payment of guaranteeing supplier “Volgogradenergosbyt” PJSC. In 2016, accruals were made for 922 direct contracts, which is 6 more contracts than in 2015.

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 of IDGC of the South PJSC is insignificant. Relatively low share of services on power transmission of territorial grid companies in the structure of “Rostovenergo” branch is caused by the region’s tariff and balance decisions to establish individual tariffs for calculations of “Donenergo” JSC with “Rostovenergo”. The share of revenue from “Donenergo” in the revenue structure of the branch “Rostovenergo” in 2016 decreased as compared to 2015 by 1.23%.

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

Branch	2012	2013	2014	2015	2016
Astrakhanenergo	118.06	126.49	143.22	152.11	169.45
Volgogradenergo	76.53	85.75	89.81	99.61	101.36 *
Kalmenergo	160.15	171.64	183.05	202.65	230.68
Rostovenergo	93.55	104.85	116.01	125.03	131.44
<b>IDGC of the South PJSC</b>	<b>90.70</b>	<b>101.15</b>	<b>109.62</b>	<b>119.41</b>	<b>125.68</b>
Growth, %		111.52	108.37	108.93	105.25

\* taking into account the revision of the unified (“boiler”) tariffs on 1 October 2016 (the order of the Tariff Regulation Committee of the Volgograd Region dated 09.09.2016 No.34).

The required gross revenue of Volgogradenergo for 2016 was approved below the level recognized by the Tariff Regulation Committee of the Volgograd region as economically justified. Based on the Order of FAS Russia No.1109/16 of 05.08.2016, the Order No.34 of the Tariff Regulation Committee of the Volgograd region revised the “boiler” and individual tariffs in the Volgograd region, increased them and made them come into effect from 1 October 2016, along with it, the growth of flat-rate tariff was from 8.9% to 39%. Taking into account the adopted tariff decisions, the increase in own gross revenue of Volgogradenergo in 2016 amounted to 148.2 million rubles.

The growth of the approved average tariff for electricity transmission services for 2016 in relation to 2015 by IDGC of the South PJSC was as follows:

- at “Astrakhanenergo” – 11.40%;
- at “Volgogradenergo” branch – 1.76%;
- at “Kalmenergo” branch – 13.83%;
- at “Rostovenergo” branch – 5.13%.

Significant increase in the average tariff at “Astrakhanenergo” branch of IDGC of the South PJSC (13.23%) is related to bringing the structure of productive supply in the tariff decision in 2016 to the actual structure (redistributed volumes of productive release from the level of voltage “High Voltage” to lower voltage levels).

A significant increase in the average tariff for the branch of IDGC of the South PJSC “Kalmenergo”, is due to the approval by the Tariff Department of the Republic of Kalmykia the unified (“boiler”) tariffs at the level of maximum tariffs (pursuant to FAS Russia order No. 342/15 of 29.12.2015). At the same time, the growth of the flat-rate tariff was 11%, the rates for the maintenance of electric networks of the two-part tariff – 13.3%, the rates for payment for technological consumption (losses) in the electric networks of the two-part tariff – from 10.61%

to 10.86%, which is higher than the forecast of the social and economic development of the Russian Federation in 2016 and the planned period 2017 and 2018.

Dynamics of gross revenue required for the provision of services on power transmission according to the decisions of the regulators for branches:

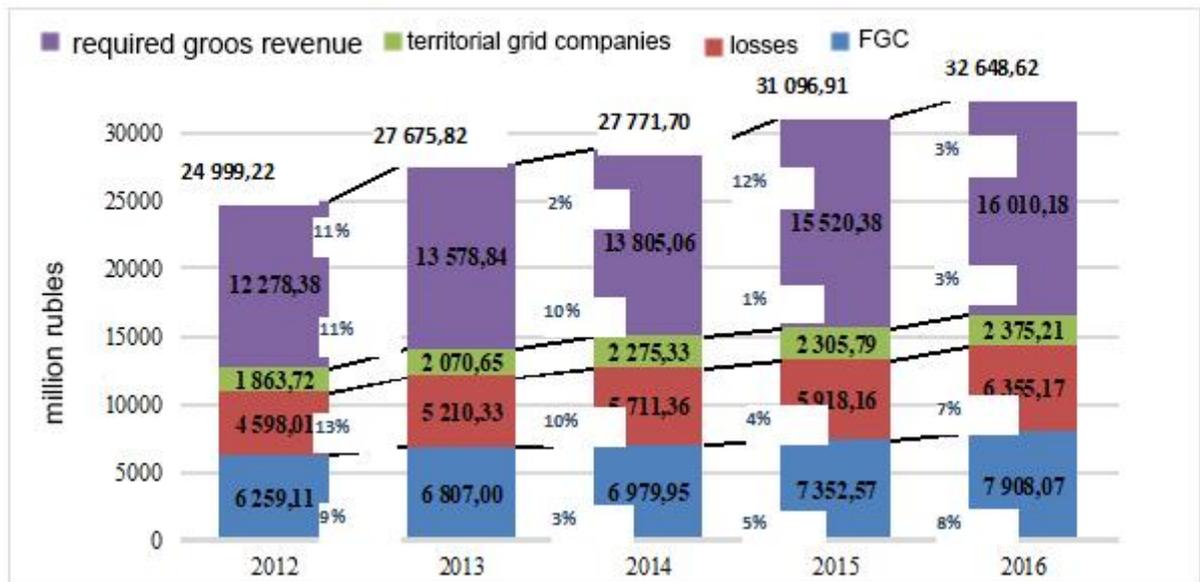
thousand rubles

Branch	2012		2013		2014		2015		2016	
	total	prop.								
<b>Astrakhanenergo</b>										
<b>Volgogradenergo</b>	3 947	2 238	4 342	2 355	3 986	2 033	4 294	2 315	4 882	2 633
<b>Kalmenergo</b>	8 331	3 974	9 188	4 479	9 347	4 610	10 039	4 949	10 145	4 865
<b>Rostovenergo</b>	597	364	751	489	802	525	875	584	973	660
<b>IDGC of the South PJSC</b>	12 124	5 702	13 395	6 266	14 637	6 637	15 889	7 672	16 648	7 852
<b>Growth, %</b>	24 999	12 278	27 676	13 588	28 772	13 805	31 097	15 520	32 649	16 010

The growth in required gross revenue from transmission services in 2016 in comparison to 2015 amounted:

- “Astrakhanenergo” — 13,76%
- “Volgogradenergo” — (-)1.70%
- “Kalmenergo” — 13.05%
- “Rostovenergo” — 2.34%

Dynamics of required gross revenue for services on electric power transmission IDGC of the South PJSC in 2012-2016:



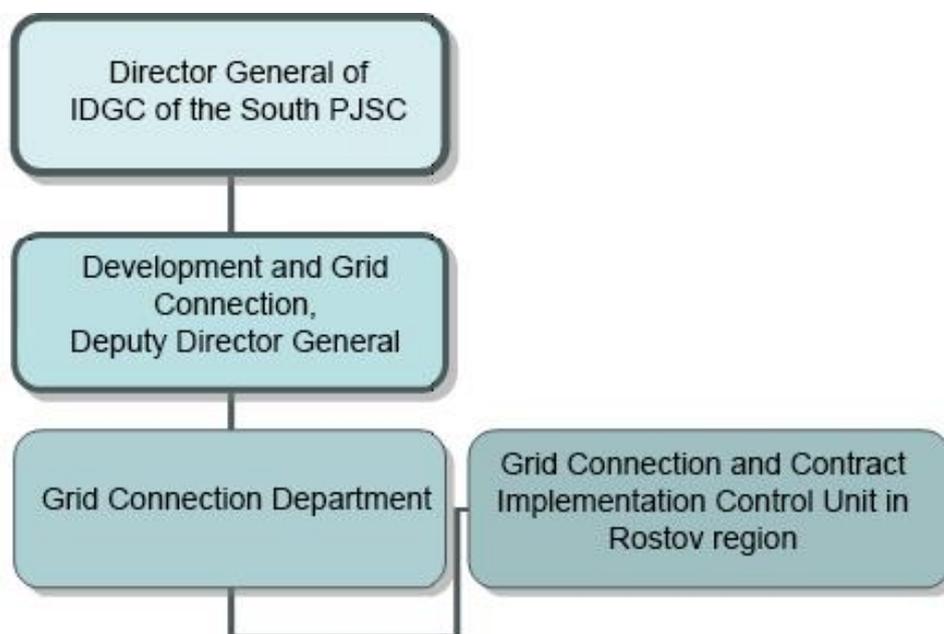
The required gross revenue from the activity of IDGC of the South PJSC on electric power transmission in 2016 exceeds the required gross revenue approved for 2015 by 5%, namely:

- share of private required gross revenue has increased by 3.16% (in “Astrakhanenergo” it has increased by 13,76%, in “Kalmenergo” by 13.05%, in “Rostovenergo” by 2.34%, in “Volgogradenergo” it has decreased by 1.70% due to the fact that in the required gross revenue of 2015 the company included the write-off of accounts receivable in the amount of 359.645 thousand rubles with respect to counterparties excluded from the Unified State Register of Legal Entities. These costs were used on a one-time basis.);
- the expenditures on purchased electricity for compensation of losses has increased by 7.38% (in “Astrakhanenergo” – by 12.91%, in “Volgogradenergo” – by 1.42%, “Kalmenergo” – by 5.34%, “Rostovenergo” – by 8.53%);
- expenditures on payment for services of FGC UES PJSC have increased by 7.56% (in “Astrakhanenergo” – by 16.13%, in “Volgogradenergo” – by 4.88%, in “Kalmenergo” – by 9.86%, in “Rostovenergo” – by 8.22%);
- the share of expenses to pay for services of the territorial grid organizations in general in the Company increased by 3.01% (in “Astrakhanenergo” – by 11.27%, in “Volgogradenergo” – by 4.31%, “Rostovenergo” – by 0.91%).

### 2.1.3. Technological connection to eclectic networks

## Technological connection performance indicators

In order to deal with issues of technological connection of electrical installations of consumers to the power grid of branches of IDGC of the South PJSC the Technological Connection Department was established.



The general management of technological connection is responsibility of Deputy Director General in charge of Development and Grid Connection, IDGC of the South PJSC.

Responsibilities for construction or reconstruction of power grids necessary for performance of contractual terms on technological connection of IDGC of South PJSC fulfills by inviting contractors. Functions of technical supervision over construction and reconstruction of power grids of contractors are fulfilled by the Department of Capital Construction of IDGC of the South PJSC.

Applications for technological connection are accepted in the main office of the Company's branches and Customer service centers of production departments of power grids of branches of IDGC of the South PJSC.

The regulatory framework, laws: federal, regional, and other regulations used by the Company when carrying out technological connection and long-term development.

1. Federal Law No.208-FZ dd 26.12.1995 "On Joint Stock Companies";

2. Federal Law FZ 26.03.2003 No.35 “On Electric Power Industry”;
3. Resolution of the Government of the Russian Federation No. 861 dd 27.12.2004 “On Approval of the Rules of non-discriminatory access to electric power transmission and provision of these services, of the Rules of non-discriminatory access to operational dispatch management in the electric power industry and rendering of these services, of the Rules of non-discriminatory access to services of Administrator of Trading System at the wholesale market and rendering of these services and the Rules of grid connection of consumers of electric energy facilities for the production of electric energy and transmission facilities owned by grid companies and other entities to electric networks”;;
4. Resolution of the Government of the Russian Federation No.442 dd 04.05.2012 “On functioning of retail electricity markets, and the full (or) partial restriction of electric power consumption mode”;
5. Order of the Federal Tariff Service of Russia No. 209-e/1 dd 11.09.2012 “On approval of the guidelines for determining the amount of payment for technological connection to electric networks”;;
6. Resolution of the Government of the Russian Federation No.1178 dd 29.12.2011 “On pricing in the sphere of regulated prices (tariffs) in the electric power industry”;
7. Order of the Ministry of Industry and Energy of the Russian Federation No.380 dd 23.06.2015 “On the procedure of calculating the ratio of consumption of active and reactive power for the individual power receivers (groups of power units) of electricity consumers”;
8. The Government Decree No. 24 dd 21.01.2004 (as amended) “On approval of standards of information disclosure at the wholesale and retail energy markets”;
9. The Government Decree No. 764 dd 28.09.2010 “On approval of rules for monitoring of compliance with natural monopolies disclosure standards”;
10. The Government Decree No. 977 dd 01.12.2009 “On the investment programmes of electric power industry”;

11. RF Government Decree No. 823 dd 17.10.2009 “On the schemes and programmes of perspective development of electric power industry”.

#### Regulations issued by regulatory authorities

1. Resolution of the Tariff Service of Astrakhan region No. 203 (11.12.2015) “On rates for 2016 per unit of maximum power and standardized tariff rates for technological connection to electric networks of IDGC of the South PJSC located in the Astrakhan region”;

2. Resolution of the Committee of the tariff regulation of the Volgograd region No. 53/1 (16.12.2015) “On establishment of a standardized tariff rates and the rates per unit of maximum power to determine the amount of payment for technological connection to electric networks of IDGC of the South PJSC (branch “Volgogradenergo”)”;

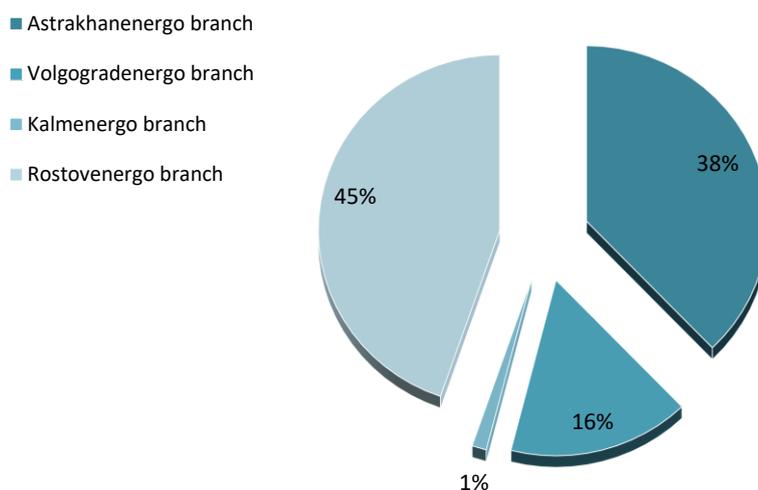
3. The Order of the Regional Tariff Service of the Republic of Kalmykia No. 108p/e (25.12.2015) “On establishing the payment for connection to territorial distribution grids of the branch of “IDGC of South” JSC – “Kalmenergo” in 2016” (amended on 22.01.2016 by Order of the Regional Tariff Service of the Republic of Kalmykia No.9-p/tpe);

4. The decision of the Regional Tariff Service of the Rostov region No.79/5 (24.12.2015) “On the establishment of standardized tariff rates and rates for units with a maximum capacity for technological connection to the networks of branch of IDGC of South PJSC – “Rostovenergo” in 2016” (amended on 29.12.2015 and 04.02.2016 by the decisions of the Regional Tariff Service of the Rostov region No.83/7 and No.3/1).

The full list of the regulations governing the activities of technological connection is publicly available on the corporate web site: [www.mrsk-yuga.ru](http://www.mrsk-yuga.ru).

#### Information on demand on grid connection and demand response

## Applications for grid connection in 2016

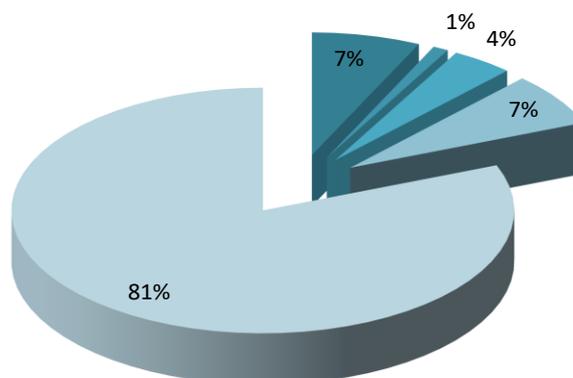


### Applications by types of businesses

Applicants		Amount of applications for grid connection			
		Amount	Amount in %	Capacity, kW	Capacity, %
1	2	3	4	5	6
Individuals	Up to 15kW - individuals	12 822	75	127 770	7
Small business	Up to 15kW - business	2 406	14	17 704	1
	from 15 to 150kW, total	1 110	6	76 879	4
Medium business	from 150 to 670 kW	420	2	128 652	7
Large business	670 kW and higher	476	3	1 463 582	81
	<b>Total</b>	17 234	100	1 814 587	100

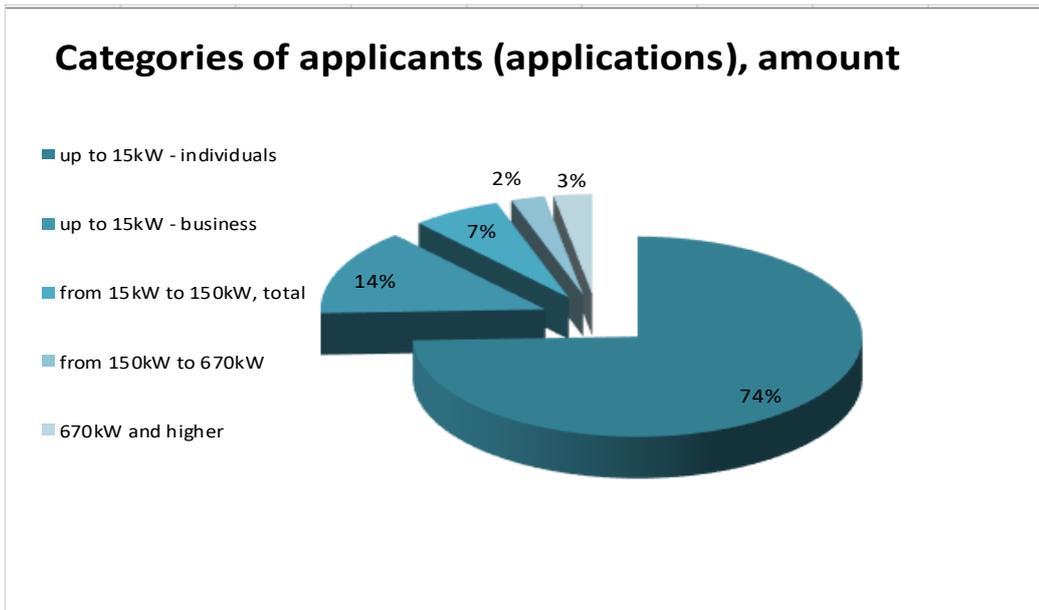
## Catagories of applicants (applications), kW

- up to 15kW - individuals
- up to 15kW- business
- from 15kW to 150kW, total
- from 150kW to 670kW
- 670kW and higher

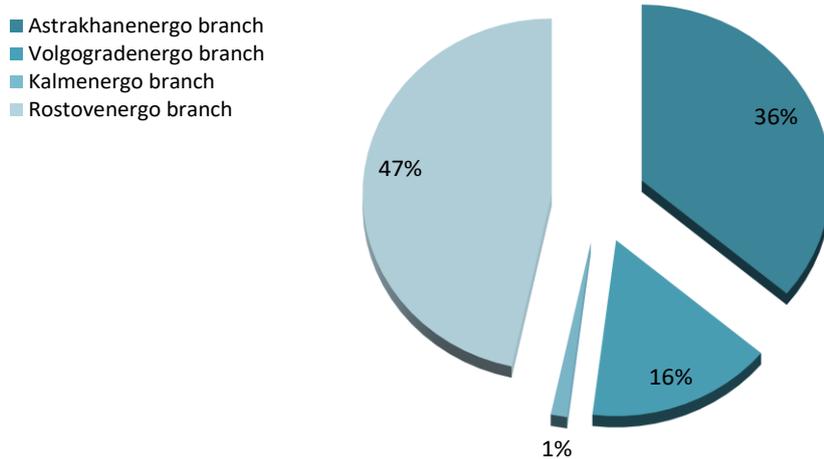


## Applications by industries

Sector of national economy	Amount of applications for grid connection	
	Applications	kW
<b>Individuals</b>	<b>12 822</b>	<b>127 770</b>
Agriculture, hunting and forestry	292	140 825
Fishery, fish farming	14	5 404
Extraction of mineral resources	207	106 794
Manufacture	176	189 022
Production and distribution of electricity, gas and water (generation)	12	340 750
Production and distribution of electricity, gas and water (TGC electrical networks)	144	69 921
Production and distribution of electricity, gas and water (other)	141	78 413
Construction	239	160 939
Wholesale and retail trade	269	85 585
Hotels and restaurants	0	0
Transport and communication	598	33 782
Education	44	2 364
Health care and social services	71	5 774
Misc.	2 205	467 244
<b>Total, including individuals</b>	<b>17 234</b>	<b>1 814 587</b>

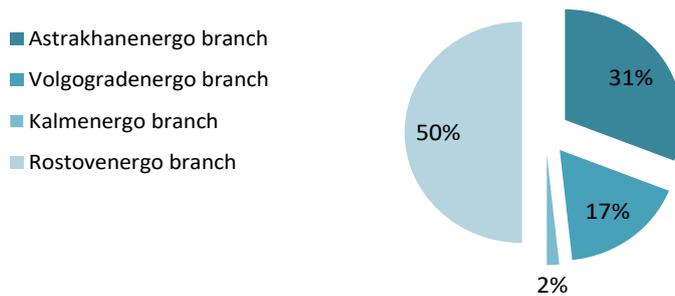


### Grid connection contracts concluded in 2016 (amount)



In 2016 the Company performed 12 599 technological connections for the total capacity of 345 944kW.

### Grid connection contracts completed in 2016 (amount)



Analytical data on the demand for technological connection in the context of branches and categories of connections are presented below:

Branch and category of connection	Amount of filed applications for grid connection during the current period (total)		Contracts concluded the current period (total)		Contracts performed (signed certificates of grid connection)	
	applications	kW	applications	kW	applications	kW
<b>Astrakhanenergo branch</b>						
Up to 15kW inclusive, total	5 914	51 758	4 877	42 496	3 738	31 299
Including individuals up to 15kW inclusive	5 018	45 723	4 165	37 918	3 248	28 545
over 15kW and up to 150kW inclusive	469	30 874	189	12 301	140	9 447
including Applicants with 50% discount	172	11 508	19	1 402	2	250
including Applicants paying by instalments	0	0	0	0	0	0
over 150kW and lower than 670kW	96	31 554	21	7 475	27	7 421
min 670kW	37	123 193	7	10 561	8	21 369
Electricity generating facilities	5	75 000	2	30 000	1	3 500
<b>Total, not including temporary connections</b>	<b>6 521</b>	<b>312 379</b>	<b>5 096</b>	<b>102 833</b>	<b>3 914</b>	<b>73 036</b>
temporary connections	0	0	0	0	0	0
<b>Total</b>	<b>6 521</b>	<b>312 379</b>	<b>5 096</b>	<b>102 833</b>	<b>3 914</b>	<b>73 036</b>
<b>Volgogradenergo branch</b>						
Up to 15kW inclusive, total	2 378	24 504	2 071	21 263	1 957	19 936
Including individuals up to 15kW inclusive	1 850	21 380	1 643	18 869	1 559	17 530
over 15kW and up to 150kW inclusive	204	14 544	97	6 622	90	6 010
including Applicants with 50% discount	91	7 002	19	1 452	6	330
including Applicants paying by instalments	1	50	1	50	2	130
over 150kW and lower than 670kW	112	33 425	32	9 814	35	8 926
min 670kW	101	236 529	34	43 957	99	65 792
Electricity generating facilities	1	24 925	1	24 925	0	0
<b>Total, not including temporary connections</b>	<b>2 796</b>	<b>333 927</b>	<b>2 235</b>	<b>106 581</b>	<b>2 181</b>	<b>100 664</b>
temporary connections	0	0	0	0	0	0
<b>Total</b>	<b>2 796</b>	<b>333 927</b>	<b>2 235</b>	<b>106 581</b>	<b>2 181</b>	<b>100 664</b>
<b>Kalmenergo branch</b>						
Up to 15kW inclusive, total	206	1 371	183	1 171	202	1 274
Including individuals up to 15kW inclusive	129	780	125	754	144	880
over 15kW and up to 150kW inclusive	12	459	8	358	10	462
including Applicants with 50% discount	3	71	1	35	1	35

including Applicants paying by instalments	1	16	1	16	0	0
over 150kW and lower than 670kW	0	0	0	0	1	161
min 670kW	3	4 607	0	0	0	0
Electricity generating facilities	3	76 025	0	0	0	0
Total, not including temporary connections	<b>224</b>	<b>82 462</b>	<b>191</b>	<b>1 529</b>	<b>213</b>	<b>1 897</b>
temporary connections	0	0	0	0	0	0
Total	<b>224</b>	<b>82 462</b>	<b>191</b>	<b>1 529</b>	<b>213</b>	<b>1 897</b>
<b>Rostovenergo branch</b>						
Up to 15kW inclusive, total	6 730	67 841	6 179	61 807	5 960	57 913
Including individuals up to 15kW inclusive	5 825	59 888	5 405	55 085	5 260	52 087
over 15kW and up to 150kW inclusive	424	30 976	171	13 209	165	12 277
including Applicants with 50% discount	201	14 490	42	3 233	8	380
including Applicants paying by instalments	18	1 296	7	445	6	479
over 150kW and lower than 670kW	212	63 674	62	16 392	64	18 111
min 670kW	324	758 529	161	141 205	100	70 794
Electricity generating facilities	3	164 800	0	0	2	11 250
Total, not including temporary connections	<b>7 693</b>	<b>1 085 820</b>	<b>6 573</b>	<b>232 611</b>	<b>6 291</b>	<b>170 347</b>
temporary connections	0	0	0	0	0	0
Total	<b>7 693</b>	<b>1 085 820</b>	<b>6 573</b>	<b>232 611</b>	<b>6 291</b>	<b>170 347</b>
<b>the Company, total</b>						
Up to 15kW inclusive, total	15 228	145 474	13 310	126 737	11 857	110 423
Including individuals up to 15kW inclusive	12 822	127 770	11 338	112 625	10 211	99 041
over 15kW and up to 150kW inclusive	1 109	76 854	465	32 490	405	28 196
including Applicants with 50% discount	467	33 072	81	6 123	17	995
including Applicants paying by instalments	20	1 362	9	511	8	609
over 150kW and lower than 670kW	420	128 652	115	33 681	127	34 619
min 670kW	465	1 122 857	202	195 722	207	157 956
Electricity generating facilities	12	340 750	3	54 925	3	14 750
Total, not including temporary connections	<b>17 234</b>	<b>1 814 587</b>	<b>14 095</b>	<b>443 553</b>	<b>12 599</b>	<b>345 944</b>
temporary connections	0	0	0	0	0	0
Total	<b>17 234</b>	<b>1 814 587</b>	<b>14 095</b>	<b>443 553</b>	<b>12 599</b>	<b>345 944</b>

### Information on payment for grid connection

Payment for grid connection is calculated in cases of connection of the previously connected reconstructed devices that are launched for the first time, the maximum

power of which 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 grid connection when changing the reliability category shall be calculated for the amount of maximum capacity of power receiving devices of the applicants with changeable category of reliability.

Payment for grid connection in case of change of the scheme of external power supply, not entailing the revision of the 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 territorial subjects of the Russian Federation in the field of state regulation of tariffs (hereinafter RTS) for calculation of payment for grid connection to the territorial distribution grids approved:

1) For the regulated period:

- standardized tariff rates (the cost for approval by the regulatory authority standardized tariff rates shall be 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 maximum 550 rubles (including VAT) upon connection of objects 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. Within the

boundaries of municipal districts, town districts and in the intra-city territories of city with federal status, the same person can carry out the technological connection of power receiving devices owned by such person on the basis of ownership or other legal basis, corresponding to the above criteria, with a payment for technological connection in the amount not exceeding 550 rubles, no more than once within 3 years.

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 in case of connection under individual project.

**Analysis of changes in the average rate per unit of capacity \* in the context of branches**

Type of standard tariff rate	Astrakhanenergo	Volgogradenergo	Kalmenergo	Rostovenergo
Standard tariff rate for covering the costs of technological connection of power receivers of electric power consumers, electric grid facilities belonging to network organizations and other persons, by the activities specified in paragraph 16 of the guidelines for determining the amount of payment for technological connection to electric grids approved by the Federal Tariff Service, with the exception of subparagraphs “b” and “c” of paragraph 16, per 1 kW of maximum capacity, rubles/kW-C1	166.06	514.93	75.17	1562.95
including				
- Standard tariff rate for covering the costs of preparation and issuance of technical specifications for the applicant by the grid organization (hereinafter - TS), rubles\kW - C1.1	56.74	91.87	19.87	641.87
- Standard tariff rate for covering the costs for the network organization's testing the applicant, TU, rubles/km - C1.2	29.14	102.37	17.47	400.95

- Standard tariff rate for covering the costs of the network organization's participation in the examination performed by the official representative of the federal state energy supervision authority of the applicant's attached devices rubles/km - C1.3	16.13	18.89	0.00	0.00
- Standard tariff rate for covering the costs of actual connection of the applicant's facilities to the electrical networks by the network organization and switching on the switching device (fixing the switchgear in "on" position) rubles/kW - C1.4	64.05	301.80	37.83	520.13
Rate for covering the costs of the network organization for the construction of overhead transmission lines - C2 **, rubles/km	1 908 137	618 833	530 784	1 066 093
Rate for covering the costs of the network organization for the construction of cable power lines - C3 **, rubles/km	4 765 806	2 883 051		2 814 508
Rate for covering the costs of the network organization for the construction of substations - C4 **, rubles/kW	9 086	2 238	16 127	5 664

\* Average standardized tariff rates in the context of branches are indicated in the prices of the reporting period.

\*\* Rates of payments C2, C3 and C4 for technological connection to electric grids are indicated as average in the branch.

As presented in the table above, the value of the standardized tariff rate C1 is defined as the ratio of the approved required gross revenue (without the investment component) to the total amount of the connected capacity (without a preferential category of applicants up to 15 kW). The average investment standardized tariff rates are calculated as the average of those approved by branches in 2016.

For the branches of IDGC of the South PJSC the tariffs for technological connection in 2016 were approved:

1) Branch of IDGC of the South PJSC – “Astrakhanenergo”: Order of the Astrakhan tariff service No.203 (11.12.2015), published in the “Laws and regulations digest” No.50 dated 24.12.2015).

2) Branch of IDGC of the South PJSC – “Volgogradenergo”: Order of the tariff regulation committee No.53/1 dated 16.12.2015; published in the newspaper “Volgogradskaya Pravda” No190 dated 22.12.2015.

3) Branch of IDGC of the South PJSC – “Kalmenergo”: Order of regional tariff service No.108-p/tpe (25.12.2015); published in the newspaper “Khalmg Unn” No. 238 (17320) on 30.12.2015.

4) Branch of IDGC of the South PJSC – “Rostovenergo”: Order of regional tariff service of the Rostov region No. 79/5 dated 24.12.2015 and Decree of the Regional Tariff Service of the Rostov Region No. 83/7 (29.12.2015); published on official webpage of Internet portal for legal information in Rostov region).

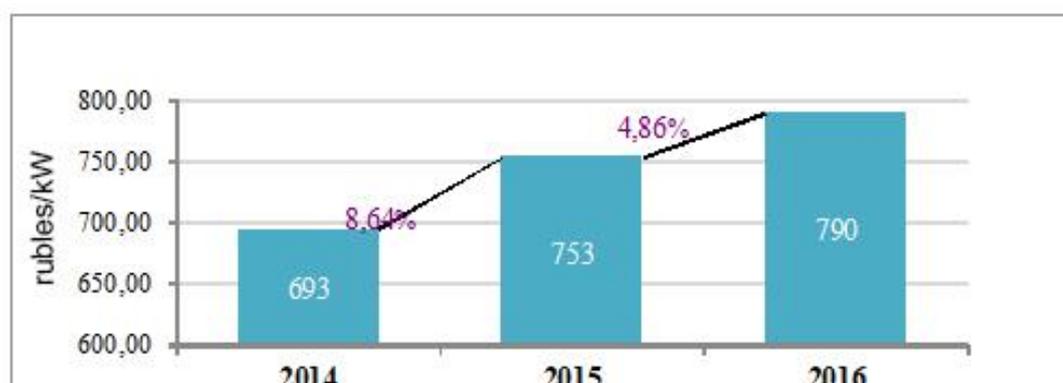
The grading of standardized tariff rates and rates for the maximum output unit approved for the branches of IDGC of the South PJSC for 2016, adopted by the regulating authorities, includes differentiation in power ranges, voltage levels, constant/temporary power supply scheme, material, cross-section and wire type, and is reflected in the tariff menu for branches on the official website of IDGC of the South PJSC at the following link: <http://mrsk-yuga.ru/potrebityam/tarify-na-tekhnologicheskoe-prisoedinenie>.

The volume of shortfall in revenues of IDGC of the South PJSC from provision of technological connection services, included in accordance with the decision of the Regional Tariffs Service in the tariff for provision of electricity transmission services for 2016, amounted to 330 million rubles, precise for the branches:

- “Astrakhanenergo” – 39.61 million rubles (the Tariff Service of the Astrakhan Region in the tariff for the transmission of electricity for 2016 included only the actual shortfall in revenues for technological connection for 2014 in the amount of 39.61 million rubles);
- “Volgogradenergo” – 165.98 million rubles;
- “Rostovenergo” – 114.75 million rubles;

- “Kalmenergo” – 9.66 million rubles.

### **Dynamics of changes in rates for the unit of maximum capacity C1 in total in DGC of the South PJSC**

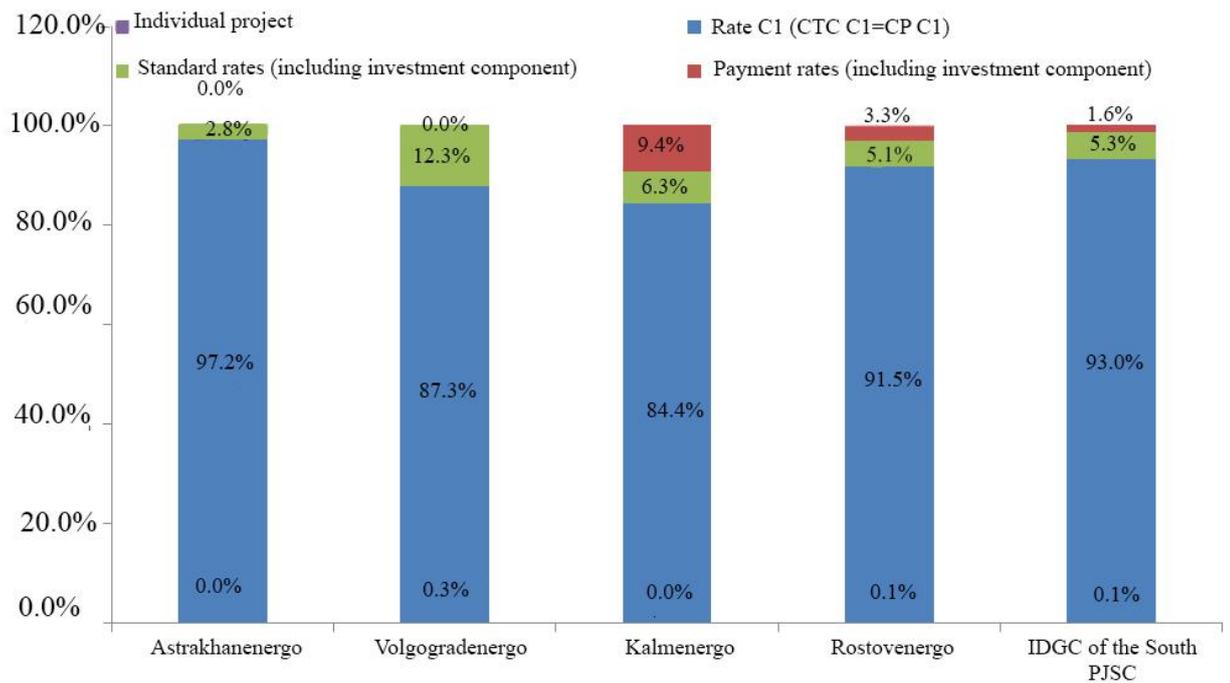


The value of the average rate per unit of maximum capacity C1 is defined as the ratio of the approved required gross revenue (without the investment component) to the total amount of connected capacity (without preferential category of applicants below 15 kW).

Analysis of the dynamics of the change in the average rate per unit of maximum capacity C1 at the branches of IDGC of the South PJSC made it possible to conclude that this average rate has been increasing within the years in the range from 4.86% to 8.64%.

Based on the results of contracts for technological connection concluded in the reporting period (2016), with the exception of the preferential category of applicants below 15 kW, the company made an analysis of the frequency of use (selection by the applicant) of one or another method of calculating payment for technological connection. The analysis is presented in the form of a diagram for each branch and for IDGC of the South PJSC in general.

### **Analysis of choosing payment for grid connection in IDGC of the South PJSC in 2016, by branches, %**



As can be seen from the diagram, the applicants, in the process of technological connection to the networks of IDGC of the South PJSC, in most cases chose the standardized tariff rates set for the branches of IDGC of the South PJSC.

#### **2.1.4. Energy Saving and Enhancement of Energy Efficiency**

In 2016 IDGC of the South PJSC was carrying out its activities in the sphere of energy saving and energy efficiency of in accordance with the Russian Federal Law No.261-FZ “On energy saving and energy efficiency improvements and on amendments to certain legislative acts of the Russian Federation”, Resolution of the Government the Russian Federation No. 340 dated May 15, 2010 “On the procedure of establishing requirements for the programme in the field of energy conservation and energy efficiency for organizations engaged in regulated activities”, Regulation of the Government of the Russian Federation no. 977 “On investment programmes of power industry participants (as amended by the Government Decree No. 484 dd 30.06.2010, No.1178 dd 29.12.2011 N 1178), decisions of the executive authority of the territorial subject(s) of the Russian Federation in the field of state regulation of tariffs in relation to organizations carrying out activities on the transmission of electricity energy, as well as in accordance with the programme of energy saving and energy efficiency of IDGC

of the South PJSC for the period 2016 - 2020 (hereinafter - the Programme), that was approved by the BoD of IDGC of the South PJSC on 10.05.2016, minutes No.188/2016.

In order to ensure implementation of the Programme at the executive office of IDGC of the South PJSC and the branches of IDGC of the South PJSC in accordance with the order of Rosseti PJSC dated 09.09.2013 No.561 “On organization of activities on energy saving and increase of energy efficiency in Rosseti PJSC, the company appointed the managers responsible for monitoring implementation of the Programme, and set up working groups to analyze implementation of the Programme (order of IDGC of the South PJSC dated 18.05.2016 No.301 “On organization of implementation of the energy saving and energy efficiency programme of IDGC of the South PJSC in 2016-2020”).

In order to organize introduction (development) of the energy management system (hereinafter referred to as the “EnMS”) in IDGC of the South PJSC and branches of IDGC of the South, the company set up working groups to develop and implement the EnMS, and drafted a schedule of activities (Order of IDGC of the South from 10.04.2015 No.211 “On development and introduction of energy management system in IDGC of the South PJSC). Based on the results of the certification audit of EnMS, conducted by the company “SGS Vostok Limited” JSC from November 11 to December 11, 2015, a certificate of compliance with the ISO 50001:2011 international standard No. RU15/81841707 dated January 19, 2016 was issued. On December 8, 2016, “SGS Vostok Limited” JSC conducted a supervisory audit of the energy management system for compliance with the international standard ISO 50001:2011 at the executive office and branches of IDGC of the South PJSC.

In 2016, 80 employees passed the advanced training course in the field of energy saving and enhancement of energy efficiency; 6 employees took up the course “Energy Efficiency and Energy Saving in the Design of Electric Grid Complex Facilities”; 14 employees took up the course “Conducting energy audits in order to improve energy efficiency and energy saving”; 40 employees –the course “Energy

Saving and Energy Efficiency” (as part of a training programme “School of Directors of Distribution Zones”); 20 employees – the course “Basic information on the requirements of the international standard ISO 50001:2011. Energy Management Systems” (an internal seminar).

In the sphere of energy saving and energy efficiency the target indicators in accordance with the Programme are:

- reduction of electricity losses in the networks during transmission and distribution;
- consumption of energy resources for domestic needs;
- installation of modern electricity meters in the retail market in accordance with the Programme.

Quantitative values of target indicators of the Program are set for the period of 2016-2020.

Planned and actual values of target indices in 2016:

Indicators*	Unit of measurement	2016	
		Planned	Actual
Electric power losses including:	mln. kWh	2 706.72	2 915.39
	% to fixed assets	9.29	10.06
consumption for needs of substations	mln. kWh	40.07	36.69
resources consumption for economic needs, including by types of resources	mln rub.	266.55	252.62
fuel and energy, including:	thous. tons of coal equivalent	10780	10490
	mln rub.	255.00	247.12
	tons of coal equivalent per m <sup>2</sup> of floor space	0.0166	0.0161
electric energy	mln. kWh	59.69	57.78
	mln rub.	228.74	219.54
heat energy	Gcal	16187.00	12 961.51
	mln rub.	20.64	19.22
gas	thous. m <sup>3</sup>	1529.10	1 477.54
	mln rub.	8.89	8.37
other (diesel fuel, kerosene, gasoline and other)	thous. tons of coal equivalent	-	-
	mln rub.	-	-
hot water supply	thous. m <sup>3</sup>	16.45	7.16
	Gcal	-	-
	mln rub.	0.91	0.31
cold water supply	thous. m <sup>3</sup>	312.37	176.87
	mln rub.	10.64	5.18
Implementation of modern devices for electricity metering in the retail market	%	4.46	4.54

\*other types of power resources were not used

The programme consists of sections, targeted programmes (events) and related activities, like, reduction of electricity losses during transmission and distribution of electric networks and reduction of consumption of energy resources at the sites of production and economic needs; the programme includes organizational and technical measures.

The target activities are those, implementation of which provides a reduction in energy consumption (including electricity), and (or) water for at least 15% of the annual consumption of the resources, with paybacks of 80% of invested assets over 5 years for the consumption of energy resources and (or) water for production and economic needs and less than 10 years payback for measures to ensure reduction of losses in transmission and distribution of electrical energy.

The auxiliary measures for optimization of costs for production and economic needs and measures for reduction of electricity losses are events with positive energy efficiency and do not meet the criteria for the target.

At the same time activities such as turning off the transformers at substations with seasonal load, load leveling phases in distribution networks 0.38 kV, detection of violations in the accounting system, conducting control readings from current meters, etc., are performed annually, are considered as “supporters” of the current level of energy losses, and do not affect the balance sheet of electricity companies. In 2016 the planned effect of the Programme was 49.64 million kWh or 109.95 million rubles, and the effect of sub-programmes was the following:

- Target organizational measures for reduction of power losses: 46.18 million kWh or 98.20 million rubles.
- Target technical measures reduction of power losses 1.21 million kWh or 2.81 million rubles.
- measures aimed at reduction of electricity consumption for the needs of substations by 0.01 million kWh or 0.03 million rubles;
- measures aimed at reducing the consumption of energy resources and water for economic needs of administrative and industrial buildings by 48.46 tons of fuel equivalent or 0.83 million rubles;

- measures aimed at reducing the consumption of motor fuel by road and special transport by 119.45 tons of fuel oil equivalent or 2.60 million rubles.

It was planned to save 3.46 kWh or 8.32 million rubles from implementing these activities.

By the results of 2016 the Company has reached the following indicators: the effect – 239.39 million kWh or 908.43million rubles:

- Target organizational measures for reduction of power losses 232.14 million kWh or 908.43 million rubles.

- measures aimed at reducing electricity consumption for the needs of substations by 0.01 million kWh or 0.03 million rubles;

- measures aimed at reducing consumption of energy resources and water for economic needs of administrative and industrial buildings by 152.48 tons of fuel equivalent or 6.63 million rubles.

- measures aimed at reducing consumption of motor fuel by road and special transport 115.12 tons of fuel equivalent or 2.49 million rubles.

The savings from these activities amounted 6.34 kWh or 15.19 million rubles.

The effect from implementation of measures “supporting” the current level of losses amounted to 17.73 million kWh for a total of 41.61 million rubles.

Expenditures on implementation of activities amounted to 29.67 million rubles.

Financing sources for the energy saving programme was solely repair and maintenance programme.

#### [Activities in the field of energy saving and energy efficiency](#)

According to the results of 2016, the technological effect of implementing project on reduction of energy losses amounted to 239.39 million kWh at the Company in general, the economic effect – 925.51 million rubles. More detailed measures implemented to reduce losses are disclosed in the section “Activities to Reduce Electricity Losses”.

The primary target measures to reduce the consumption of resources for economic needs are: maintaining systematic monitoring of energy consumption indicators at facilities; collection and analysis of information on energy consumption of

buildings, structures and structures; sealing of window and doorways; reduction of heating load in buildings or in separate premises during non-working periods; partial replacement of outdoor and indoor lighting fixtures with energy saving lamps (LED); thermal insulation of pipelines in buildings, structures, structures with polyurethane foam insulation with a long service life; reduction of the volume of cold water consumption by means of optimization of cold water supply points for watering of green plantations.

According to the results of 2016, the effect of implementing the target measures to reduce the consumption of resources for economic needs amounted to 152.48 tons of fuel oil equivalent for the total the amount of 6.63 million rubles, while the plan was 48.46 thousand tons of fuel oil equivalent for the amount of 0.83 million rubles.

### **2.1.5. Enhancement of reliability and efficiency of the power system**

#### **Repair programme of DGC of the South PJSC**

<b>Activity</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Overhaul of overhead lines, km	13 961.1	14 471.6	14 776.0	14 141.7	13 844.4
Clearing of power lines right-of-ways, hectares	396.6	262.9	1 054.7	1 050.6	1 181.6
Overhaul of transformers and autotransformers, pieces	43	41	38	39	41
Overhaul of switching devices, pieces	3 837	3 977	3 604	4 264	4 410
Repair campaign (million rubles)	670.3	781.8	1 419.7	1 397.6	1 533.2

#### **2.1.5. Development of information technologies**

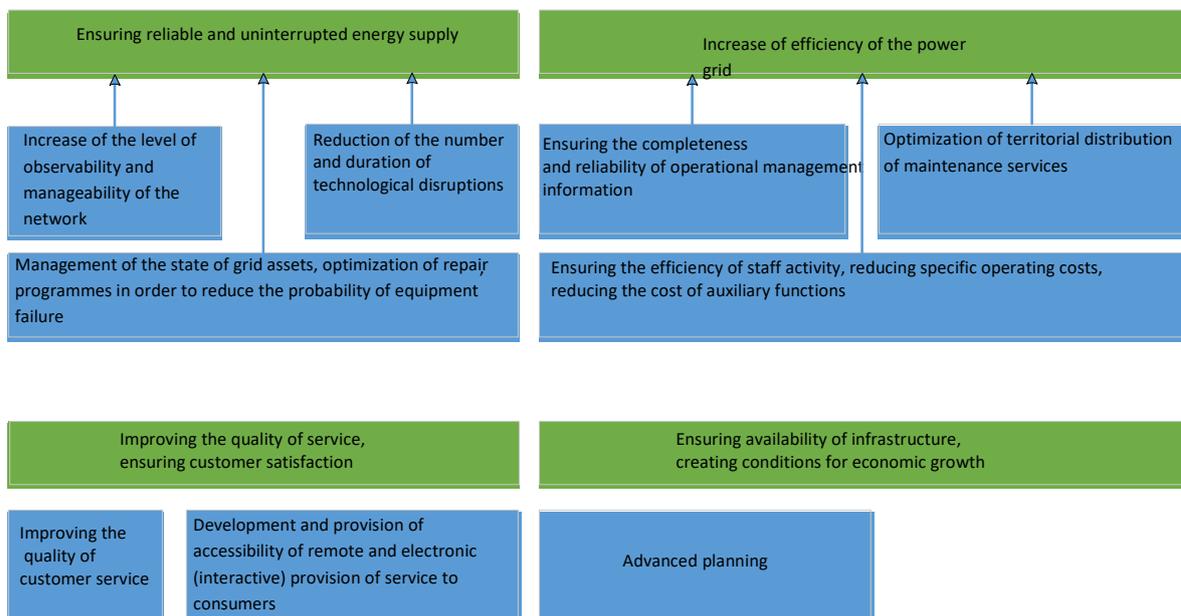
Short description of necessity of information technologies and telecommunication development (hereafter - ITT), list of technological and economic effects.

IDGC of the South PJSC is a modern power company, the efficiency of its activity essentially depends on the use of information technologies and automation facilities. In modern conditions, the operation of the power grid complex in general and in IDGC of the South PJSC in particular, cannot be arranged without such elements as:

1. Automated control systems for technological processes, that ensure effectiveness of processes of managing interaction with consumers, automating the management of technological equipment, improving the transmission of electricity.
2. Automated business management systems designed to automate the management of the company's business processes, improve the quality of management and financial discipline, improve the quality and efficiency of providing IT services.
3. Communication systems and IT infrastructure that ensure the working capacity of the whole set of the listed automation tools, as well as uninterrupted communication for all employees of the company.

The most important role of information technologies is in implementation of key business tasks of the company, such as ensuring reliability and continuity of energy supply and improving the quality of service and ensuring customer satisfaction. The growth in process automation also makes it possible to increase the efficiency of the electric grid complex.

### Activity in IT sphere



implemented projects in the area of information technology refers to the continuous activity that is carried out in accordance with “The Strategy for Information Technologies and Telecommunications of the Company” (hereinafter referred to as

the “ITT Strategy”). This Strategy determines the Company’s IT development goals, strategic initiatives and steps taken to achieve them, approved by the Board of Directors of IDGC of the South PJSC on July 27, 2012. In 2014, the Company updated the road map of the ITT Development Strategy of IDGC of the South PJSC until 2016 (Decision of the Board of Directors of IDGC of the South PJSC dated 21.11.2014).

The following stages in accomplishing of the goals were identified during development of the Strategy:

- Introduction and development of system of financial and operational activities;
- Introduction of corporate information systems based on SAP;
- Introduction and development of corporate centralized information systems;
- Optimization and development of ITT-infrastructure;
- Development of information security system;
- Development of automated systems of technological control;
- Development of telecommunications infrastructure;
- Optimization of ITT business processes.

Information on Company’s activity in sphere of information technologies and telecommunications development (including as part of Strategy) on the following areas:

#### Telecommunications

In 2016, the Company organized at the branches of IDGC of the South PJSC the backup digital channels for data transmission at 7 substations of 110kV that are equipped with modern telemetry systems.

**Automatic systems technical record-keeping (including automated technological process control system, telemetry, equipping the dispatch offices of the Network control centers (NCC), operative dispatching services of production units (power grids), operative dispatching group (distribution zone)).**

Branches of IDGC of the South PJSC took some actions to increase the observability and manageability of the power grid complex. As part of modernization of the information acquisition & transmission system, the branches carried out tele-automation of one substation with a voltage of 110 kV. The modernization of telemetry equipment at one substation with a voltage of 110 kV has also been carried out, which meets the requirements of the system operator, which is necessary for managing the power system.

Within the framework of the programme of technical re-equipment and reconstruction of the branch of IDGC of the South PJSC - Volgogradenergo, tele-automation of 110 kV substation “Sportivaya” was completed. The substation is included in the list of facilities involved in the scheme of electricity supply for the 2018 World Cup.

#### **IT-infrastructure**

In order to reduce operational costs, improve security, productivity and accessibility of information resources, the Company has performed a project to centralize some of the infrastructure services at the level of the Executive Office of IDGC of the South PJSC (e-mail, Internet access, data backup).

Order No.32 dated February 05, 2016 approved design estimates for the project “Construction of a system for collective display of operational information for the needs of the Situation Analysis Center of the 2018 FIFA World Cup” in “Rostovenergo”, branch of IDGC of the South PJSC.

In 2016 information security of IDGC of the South PJSC was audited. In the course of the audit, the security of 8 information systems, the corporate and technological network of IDGC of the South PJSC were analyzed and specific threats to information security were identified. Based on the results of the audit, a plan was drawn up to improve the level of information security and accessibility of the corporate and technological network of IDGC of the South PJSC. The implementation of these activities is planned to be completed by the end of 2018. Some of these activities were implemented in 2016.

#### **Corporate and technological business applications**

In 2016, the Company implemented the following activities:

1) In order to fulfill the plan of measures on introduction of the asset management system of IDGC of the South PJSC, approved by the decision of the Board of Directors of IDGC of the South PJSC (extract from the minutes of meeting No.185/2016 dated 26.04. 2016), the system of production assets management on the basis of “1C: Power Industry” was introduced as a part of the “Planning of work and resources for implementation of the repair programme”, “Accounting of the costs of the repair programme”, “Technical survey” in full and “Planning of physical volumes, costs and resources for performing maintenance, diagnostics, technical examination, inspection” in a limited amount, before preparation of a typical centralized methodology and the development of its requirements.

2) For the purpose of forming acts of investigation of technological violations based on the database of equipment of the Production Assets Management System, the functionality of the integration of the production assets management system based on “1C: Power Industry” with the software package “Accidents” was implemented.

3) By order of IDGC of the South PJSC dated 06.04. No. 194, an automated information management system for treasury operations was put into commercial operation.

4) As part of development of a data management system for the transmission of electricity, the company:

- created a functional to maintain the registration of dispensing forms of unaccounted consumption;
- implemented the functionality of recording the raising coefficients for the calculation of the productive supply of electricity to consumers – individuals;
- at the branch of IDGC of the South PJSC – “Rostovenergo” transferred the date of the settlement period for individuals.
- in order to minimize costs, improve the quality, reliability and timeliness of the information transmitted by the electricity metering department on the registration of meter readings, unauthorized actions, performance of routine maintenance and

operational control for decision-making purposes, a software packed “Monitoring of technical and economic indicators of the enterprise” and module “Mobile event/indicator recorder” were introduced.

5) In order to increase efficiency of introduction of information technologies and telecommunications in IDGC of the South PJSC, the order of IDGC of the South PJSC dated 29.03. 2016 No.167 established the Committee on Information Technologies and Telecommunications.

6) The order of IDGC of the South PJSC dated 25.02. 2016 No.96 put into commercial operation an electronic document flow system of IDGC of the South PJSC on the platform EMC Documentum (hereinafter referred to as “EDMS”).

7) Within the framework of the federated interaction between automated system of data management of Rosseti PJSC and subsidiary companies, the functional “Wait for permit ” for the EDMS of IDGC of the South PJSC was set up, the module “Protocols of the committees” was set up.

8) In order to increase the efficiency of work on introduction and development of information technologies and documentation of the life cycle of automated systems, IDGC of the South PJSC approved and enacted the Regulations for a unified approach to information technology processes.

9) Within the framework of implementation of research and development work, an integrated system of specialized monitoring, forecasting and support for making operational management decisions in the event of hazardous weather events in the zone of operational responsibility of IDGC of the South PJSC was integrated with the following systems:

- Integrated Assets Management System
- system for management of services on electric energy transportation
- software package “Accident”
- automated system of commercial electricity metering (ASKUEE)
- operative-information complex - SK2007, operative-information complex Dispatcher, KOTMI, other solutions
- GLONASS/GPS transport monitoring system

- production asset management system based on 1C: Power Industry;
- early ice accretion warning system;
- meteorological parameters collection system.

10) In order to increase accessibility to electronic services of IDGC of the South PJSC related to acceptance of applications for technological connection on the basis of the multiservice center in Rostov region, the functionality “Receiving applications from the multiservice center” was developed into the software package “Technological connection” via the website of IDGC of the South PJSC.

11) At KPK “Technological connection” of IDGC of the South PJSC” was developed a data exchange service with the subsystem of technological connection and energy transport of “Rosseti” PJSC. The service provides receiving and processing of electronic applications and transmission of information about the power centers, formed by the means of the KPK “Technological connection” without incurring additional costs.

12) In order to automatically generate and upload the annual production report of IDGC of the South PJSC and branches, to speed up the deadlines for delivery and correction of reports and reduce the workload on the employees of IDGC of the South PJSC, the portal of the annual production report of IDGC of the South PJSC has been developed.

13) In accordance with the ITT Strategy, work was carried out to develop a unified corporate accounting system for economic activities based on 1C: Enterprise:

- in connection with the change in the “Regulations on Accounting Policy for the Purposes of Taxation”, IDGC of the South PJSC carried out activities to develop a mechanism for uploading data on the recalculation of the depreciation premium of fixed assets;
- in accordance with the order of IDGC of the South PJSC No.756 dated 11.11.2016 “On implementation of the project of consolidation of electric grid assets of “KalmEenergoKom” JSC in the course of the bankruptcy procedure”, a mechanism for uploading data on the receipt of fixed assets from the enterprise-bankrupt was developed;

- in the framework of the agreement concluded between IDGC of the South PJSC and EAE-Consult Ltd (dated 01.10.2015 NoA201508698/ 0001501000142) for technical support of 1C, work was carried out to upload legal characteristics of the facilities and characteristics of land plots from the programme “Accounting of the Register of Non-Financial Capital”;
- in the subsystem “Budgeting”, a mechanism has been developed to enter data on the planned expenditures for investment projects in order to form a financial model, system for planning property tax costs was modified, the reporting on profits and losses of the Company for management purposes was modified, a report “Calculation of target and Actual KPI values” was prepared;
- In the framework of the development of the subsystem “Formation of the needs and procurement plan of material and technical resources” of the module “Supply management of material and technical resources”, the functional was changed in terms of gathering the demand for subdivisions, approving the requests for demand, setting the procurement limit, preparing a package of documents for participation in the procurement tender;
- in the “Accounting for investment projects” subsystem, a modification of the algorithm for reflecting actual performance data for investment projects, modification of the programme “Implementation of investment projects on a no-charge write-off” and a report “Plan-fact of the investment project”;
- a system of accounting of non-core assets with the ability to classify and create consolidated statements was developed;
- data unloading functionality for “ROSEKO” CJSC was improved within the framework of works on fragmentation and extended inventorying of fixed assets – production assets with a voltage of 35 kV and higher;
- development of integration mechanisms for the unified accounting system of IDGC of the South PJSC on the basis of the software package “1C: Enterprise 8.2” with an integrated system of specialized monitoring based on the GIS system;
- a mechanism has been developed for integration of the unified accounting system of IDGC of the South PJSC with the system “Accounting of claims and lawsuit

work” on the basis of “1C: Document turnover” in the part of drawing up a register of lawsuits and reflecting the state of judicial proceedings;

- work was done to modify the system of personnel records and payroll “1C: Wages and human resources management”;

- the functional “Calculation of the reserve of holidays and rewards” was implemented;

- in connection with the participation of Rostov region in the pilot project of the Social Insurance Fund, the software for transferring information about disability benefits, childcare allowances and other data to the FSS has been modified;

- due to changes in the legislation, work was carried out to create a new regulated report “6-NDFL” and modify the documents and directories used when calculating the personal income tax.

14) within the framework of implementation of the powers of the sole executive body of IDGC of the South PJSC in relation to “Donenergo”, technical support is organized:

- 1C: Accounting of IDGC of the South PJSC;

- Subsystems “Budgeting” of IDGC of the South PJSC;

- data exchange between accounting systems based on 1C of IDGC of the South PJSC and Donenergo JSC;

- use of the software packages “Technological connection” and “Accidents” by the employees of Donenergo JSC.

15) Development of the management systems for electricity transmission and production asset management services was continued.

### Brief results and development plans of ITT

The Company reached the following results in 2016:

1) Put into operation:

- production asset management system based on “1C: Power Industry”;

- automated information management system for treasury operations;

- electronic document flow system of IDGC of the South PJSC.

## 2) Developed:

- Functionality for integration of the production assets management system on the basis of “1C: Power Industry” with the program complex “Accidents”
- Functionality for registering the issue of forms of unaccounted consumption by the data management system for transportation of electricity
- Functionality for accounting of raising coefficients for calculating the productive supply of electricity for subscribers – individuals of the data management system for the transportation of electricity
- Software package “Monitoring of technical and economic indicators of the enterprise”, module “Mobile event/indicator recorder”
- Functionality for downloading and verifying data on the results of the unbundling conducted in “1C: Enterprise” information system
- Functionality “Reception of applications from the multiservice center” of the corporate software complex “Technological connection” of IDGC of the South PJSC”
- Service for data exchange with subsystem of technological connection and transport of electric energy of “Rosseti” PJSC
- Webpage with the annual production report of IDGC of the South PJSC

## 3) Works performed:

- postponement of the settlement period for individuals in the data management system for electric power transmission (at the branch of IDGC of the South JSC – “Rostovenergo”)
- the functional “Wait for permit” for the EDMS of IDGC of the South PJSC was set up, the module “Protocols of the committees” was set up
- Integration of a system of specialized monitoring, forecasting and support for making operational management decisions in the event of hazardous weather events in the zone of operational responsibility of IDGC of the South PJS with the following systems:
  - Integrated Assets Management System

- system for management of services on electric energy transportation
- automated control system for management of distributed resources during emergency recovery operations for displaying electric grid facilities and the order of overlapping vector layers
- software package “Accidents”
- automated system of commercial electricity metering
- operative-information complex – SK2007, operative-information complex Dispatcher, KOTMI, other solutions
- GLONASS/GPS transport monitoring system
- production asset management system based on “1C: Power Industry”;
- PC system “Accidents”
- early ice accretion warning system;
- meteorological parameters collection system

Continued development:

- the functional of the unified information system based on “1C: Enterprise” on accounting of financial and economic activities and management of fixed assets under IFRS, as well as automated accounting systems under IFRS of IDGC of the South Group;
- systems for management of services for transmission of electricity and management of productive assets;
- data management systems for electricity transmission.

4) Over 2016, the programme of modernization of information collection and transmission systems was implemented in the part of remote control of 110kV substations. Also, modernization of tele-mechanics equipment was carried out. This will reduce the time and costs for restoration of power supply during power cuts and increase reliability of power supply, and consequently, reduce the under-supply of electricity to consumers. At the same time, preparation for the World Cup 2018 is being conducted.

In 2017, the main direction of IT development is ensuring that the company is of client-oriented, development of the production assets management system and

solution of questions of import substitution of software. The stages of accomplishing these tasks are included in the following main activities for development and introduction of software packages:

- Development of system for production assets management based on 1C in the part of:
  - integration of 1C production assets management with the unified automated information management system of Rosseti PJSC;
  - automation of the planning and organization of work on maintenance of equipment;
  - reliable accounting of works in the automated control system of MRO and provision of the required reporting;
  - automatic generation of actual indicators in reports on maintenance and repair,
  - formation of maintenance and repair programs for 2018 on the basis of the updated status indices in 2016;
  - automation of electronic defect log;
  - automation of the formation of technical passports for substations and transmission lines;
  - trial operation of the failure probability methodology.
- Development of an integrated system of specialized monitoring, forecasting and support for the adoption of operational management decisions in the event of hazardous weather events in the zone of operational responsibility of IDGC of the South, JSC with integration of data from corporate information systems implemented in IDGC of the South PJSC.
- Development of a unified information system on the basis of the functional of “1C” for accounting of financial and economic activities.
- Development of functionality for recording the readings of the automatic system for commercial measurement of power consumption when calculating the productive supply of electricity in the system of management of electricity transmission services, which will allow the users to quickly receive data on

electricity consumption, monitor and verify the volumes and quality of electricity, and pay bills for services provided in a timely manner.

- Introduction of an integrated system of specialized monitoring, forecasting and support for the adoption of operational management decisions in the event of hazardous weather events in the zone of operational responsibility of IDGC of the South PJSC with the integration of data from corporate information systems implemented in IDGC of the South PJSC.
- Activities aimed to increase the observability and controllability of the power grid complex in the part of tele-automation of 110kV substations, using telemetry equipment produced by domestic manufacturers as part of the project on import substitution.
- Creation of a system for collective display of operational information for the needs of situation analysis center for the period of the 2018 FIFA World Cup.

### **2.1.7. Procurement activity**

#### **Regulation of procurement activities**

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

#### **1. The Regulations on the procedure for procurements of goods, works and services for the needs of IDGC of the South PJSC**

From December 29, 2015, procurement activity is regulated by the “Unified Standard of Procurements of Rosseti PJSC” (“Regulations for the purchase of goods, works, services for the needs of IDGC of the South PJSC”) approved by the Board of Directors of the Company (Minutes of meeting No.175/2015; 29.12.2015), establishing the procedure for procurement of goods, works, services regardless of their cost.

#### **2. The Rules of interaction between structural subdivisions of IDGC of the South PJSC when carrying out regulated procurements of goods, works and services**

As of December 30, 2015, “The Regulations for interaction between the structural divisions of IDGC of the South PJSC in the course of carrying out regulated

purchases of goods, works, services” was introduced by the Order No.858, approved on 30.12.2015, which defines the procedure for interaction between the structural subdivisions of the executive office and branches of the Company when planning and carrying out purchases, preparation of report following the results of purchases.

**3. The Rules on carrying out centralized (combined) procurements for the needs of subsidiary and dependent companies of Rosseti PJSC**, approved by the Company’s Order No.456 dated 06.09.2013 pursuant to Order of Rosseti JSC No.518 dated 21.08.2013 in order to efficiently coordinate the purchasing activity of Rosseti JSC and the Company.

#### **4. The Regulations on the operation of the Central Tender Committee of IDGC of the South PJSC**

From December 30, 2015, “The Regulation for the activity of the permanent procurement commission of IDGC of the South PJSC” (Order of the Company No. 856 dated 30.12.2015) was put into effect; the document is designed to determine the functions, tasks, procedures for preparing and holding the sessions of the Central Tender Commission of the Company.

#### **5.The Regulations on the permanent Procurement Committee of IDGC of the South PJSC**

From December 30, 2015, “The Regulation for the activity of the permanent procurement commission of IDGC of the South PJSC” (Order of the Company No. 857), dated 30.12.2015) was put into effect; the document is designed to determine the functions, tasks, procedures for preparing and holding the sessions of the permanent procurement commission of the Company.

#### **Principles of Procurement activity**

The 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 reasonable use of special techniques for enhancement of the effects of market laws for each specific 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 requirements planning;
- informational transparency of procurement;
- equality, justice, non-discrimination and freedom from unreasonable restrictions on competition in relation to 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 purchase of goods, works and services (including, if necessary, life-cycle cost of purchased products) and implementation of measures for reduction of Customer's expenses;
- no restrictions on participation in procurement through the establishment of immeasurable requirements for the participant;
- application of a 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 the procurement staff.

#### [Ways of conducting procurement procedure](#)

In case of absence of any specified by "Regulations for the procurement of goods, works and services for the needs of IDGC of the South" (hereinafter – the Regulations for procurement) reasons, the purchase of any products should be

carried out through an open one-stage tender without special procedures or public auction, unless otherwise provided by the legislation of the Russian Federation. In exceptional cases by the decision of the Board of Directors for certain specific procurement it might be possible to exceed thresholds for selecting methods of procurement (price or percentage of purchase), unless otherwise provided by the legislation of the Russian Federation.

#	Procurement method	Regulations for procurement, Minutes of Board of Directors No. 175/2015 dd. 29.12.2015	
		Reason of choosing procurement method	paragraph
1	Tender	Procurement of any type of products	5.2.1
2	Request for proposals	<ul style="list-style-type: none"> <li>- the expected amount of purchases exceeds 10 mln. Rubles (including VAT);</li> <li>- purchasing of design and exploration works on construction, technical re-equipment and reconstruction of electric grid facilities required for implementation of technological connection;</li> </ul>	5.6
3	Tender	Tender is carried out during the purchase of products for which there is a market and a technical specification was formed by the initiator of purchase; central procurement division is entitled to determine the list of products that are to be purchase by the results of the tender	5.5
4	Prices request	<p>when purchasing ordinary products for which there is a market and the only criteria is the price and on conduction that the price of a contract does not exceed 5 million rubles (including VAT) for open query and the deadlines do not allow an auction.</p> <p>By the results of open competitive procurement procedure, among those, who have signed framework agreements.</p>	5.7

5	Procurements from sole supplier (executor, contractor)	<p>Procurements from sole supplier are divided to:</p> <ol style="list-style-type: none"> <li>1. procurement of unique products (works, services) from sole supplier (executor, contractor): <ul style="list-style-type: none"> <li>- if products delivery and services are related to sphere of activities of subjects of natural monopolies on prices (tariffs) adjusted in accordance with legislation of the Russian Federation;</li> <li>- if there is a need for works or services that can be carried out or rendered exclusively by the executive authorities in accordance with their authority or state institutions subordinate to them, state unitary enterprises, the respective authorities of which are established by the regulatory legal acts of the Russian Federation, regulatory legal acts of the territorial subject of the Russian Federation;</li> <li>- if products can be received only from sole supplier and there is no equivalent replacement etc.;</li> </ul> </li> <li>2. Procurements from sole supplier (performer, contractor) to prevent extraordinary situations or elimination of their consequences;</li> </ol>	5.10-5.12
6	Procurement by participation in procedures organized by sellers	By the decision of central purchasing authority of Contractor, the procurement is implemented by participating of Contractor in auctions, tenders and other procedures organized by sellers of products (including on electronic trading platform). Positive decision on participation in such procedures is made if procedures supply fair and honest challenge of participants.	5.13

7	Simple procurement	<p>Simple procurements are implemented only in case if proceeds of Customer amount more than 5 billion rubles in the reporting period.</p> <p>Simple procurements are implemented on amount from 100 000 rubles to 500 000 rubles including VAT.</p> <p>Simple procurement by decision of Customer can be carried out when the initial (maximum) price of the contract less than 100 000 rubles (with value added tax).</p> <p>- in case of availability of clearly formulated technical specifications for products including functional specifications of product, size, package, shipment, set requirements for the results of work (service) in form of product requirements document.</p>	5.8
8	Small procurement	<p>Small procurement is implemented for 100 000 rubles including VAT and if any of the following conditions would be fulfilled:</p> <p>- availability of clearly formulated technical specifications for products including functional specifications of product, size, package, shipment, set requirements for the results of work (service) in form of product requirements document.</p>	5.9

#### Purchases conducted in 2016

In the 12 months of 2016 the Company carried out 683 purchases for a total amount of 10 059 110 thousand rubles, including VAT (83% of the planned amount).

#### By procurement procedures:

- 103 purchases (open tender) for the amount of 8 233 352 thousand rubles excluding VAT (15.08% of the total number of purchases, 81.85% of the total volume of purchases in monetary terms);

- 284 purchases (open invitation to tender) in the amount of 702 717 thousand rubles without VAT (41.58% of the total number of purchases, 6.99% of total purchases in monetary terms);
- 5 purchases (open invitation to tender) for the amount of 4 148 thousand rubles excluding VAT (0.73% of the total number of purchases, 0.04% of the total volume of purchases in monetary terms);
- 158 purchases (request for prices based on the results of open competitive procedures for the right to conclude frame agreements) for the amount of 404 032 thousand rubles excluding VAT (23.13% of the total number of purchases, 4.02% of the total volume of purchases in monetary terms);
- 50 purchases (request for proposals based on the results of open competitive procedures for the right to conclude frame agreements) in the amount of 171 648 thousand rubles excluding VAT (7.32% of the total number of purchases, 1.71% of total purchases in monetary terms);
- 1 purchase (purchase by means of participation in procedures organized by sellers of products) for the amount of 422 000 thousand rubles excluding VAT (0.15% of the total number of purchases, 4.2% of total purchases in monetary terms);
- 82 purchases from a single supplier in the amount of 121 212 thousand rubles excluding VAT (12.01% of the total number of purchases, 1.21% of the total volume of purchases in monetary terms).

#### Purchases by types of activity:

1. “New construction and expansion of grid facilities” – 224 purchases for the amount of 2 349 616 thousand rubles, excluding VAT (32.80% of total purchases; 23.36% of the total volume of purchases in monetary terms);
2. “Reconstruction and technical re-equipment of grid facilities” – 62 purchases for the amount of 1 215 632 thousand rubles, excluding VAT (9.08% of total purchases; 12.08% of the total volume of purchases in monetary terms);
3. “Power repair (repair) production, maintenance” – 234 purchases for the amount of 1 036 512 thousand rubles, excluding VAT (34.26% of total purchases; 10.30% of the total volume of purchases in monetary terms);

4. “IT purchases” – 33 purchases for the amount of 350 758 thousand rubles, excluding VAT (4.83% of total purchases; 3.49% of the total volume of purchases in monetary terms);

5. “R&D” – 1 purchase for the amount of 28 029 thousand rubles, excluding VAT (0.15% of total purchases; 0.28% of the total volume of purchases in monetary terms);

6. “Consulting services” – 6 purchases for the amount of 53 718 thousand rubles, excluding VAT (0.88% of total purchases; 0.53% of the total volume of purchases in monetary terms);

7. “Other procurement” – 123 purchases for the amount of 5 024 845 thousand rubles, excluding VAT (18.01% of total purchases; 49.95% of the total volume of purchases in monetary terms).

Purchases of innovative products, high-tech products: 3 purchases in the amount of 45 635 thousand rubles without VAT.

There were made 596 purchases using e-commerce for the amount of 9 929 415 thousand rubles, excluding VAT (98.71% of total purchases in monetary terms).

The share of open procurement procedures (open tenders, requests for proposals, competitive negotiations, price requests based on the results of open competitive negotiations) in the structure of purchases amounted to 98.79% of the total volume of purchases in value terms.

The economic effect according to the results of procurement procedures for the period amounted 530 387 thousand rubles, excluding VAT (5.01% of the planned cost of purchases).

#### [Purchases from small and medium businesses](#)

In 2016, 469 purchases were conducted in which small and medium-sized enterprises, who became winners in tenders. The total sum of purchases with such participants was 3 197 372 thousand rubles without VAT, which is 69.30% of the total volume of procurement procedures conducted in monetary terms. Along with it, in 2016 the amount of purchases, in which the participants of purchases could become only subjects of small and medium-sized business amounted to 162 units

for the amount of 632 953 thousand rubles without VAT, which is 13.72% of the total volume of procurement procedures carried out in monetary terms.

#### Activities aimed at improvement of procurement procedure

Procurement activity is aimed at purchase, on a public, competitive basis, goods, services and works from contractors that offer good value for money.

To improve the efficiency of procurement activities the Company implements a management programme for 2014-2018 (approved by the Board of Directors, Minutes of meeting No.121/2013 dated 12.19.2013), which sets activities such as increasing the share of public tender procedures, introduction of mandatory rebidding for competitive procedures.

In order to implement the state policy on development of small and medium business, the order of the Company No.123 dated 03.03.2014 approved a Partnership Programme between “IDGC of the South” and small and medium businesses. The Programme establishes a set of measures aimed at creating and supporting reliable, qualified and responsible suppliers (contractors, performers) among small and medium businesses. The Partnership Programme establishes requirements for small and medium businesses, terms and conditions of joining the programme.

By the results of 2016 seventeen organizations belonging to the category of small business have joined the Programme.

To reduce the specific investment costs, the Company approved and applied a technique of planning of investment costs by 30 percent relative to the level in 2012 when preparing investment programmes (the order of the Company No.526 dated 08.10.2013).

### 2.1.8. Investing activities

#### Parameters of investing activities

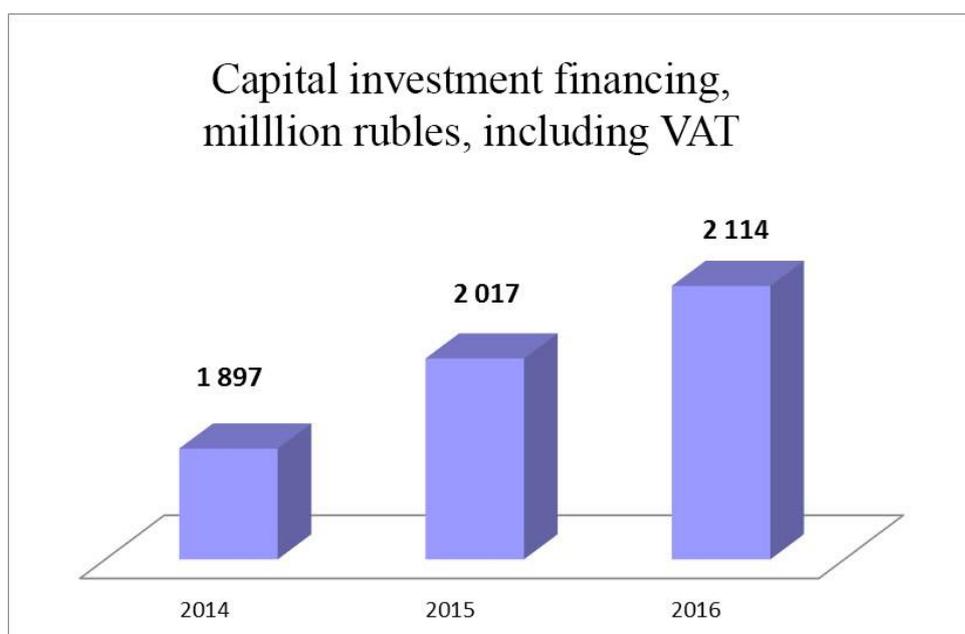
Cost and physical parameters of investing activity of IDGC of the South PJSC in 2016:

	2016
--	------

Branch of IDGC of the South PJSC	Capital investments	Working assets deployment	Funding	Increase of power capacities	
	mln rub. excl.VAT	mln rub. excl VAT	mln rub. incl. VAT	MVA	km
Astrakhanenergo	480	273	571	31	131
Volgogradenergo	389	175	248	3	16
Kalmenergo	474	481	482	91	771
Rostovenergo	568	659	812	13	146
Main Office	9	0	0	0	0
Kubanenergo	0	0	0	0	0
<b>Total</b>	<b>1 919</b>	<b>1 588</b>	<b>2 114</b>	<b>139</b>	<b>1 064</b>

The volume of capital investment in 2016 amounted to 1 919 million rubles. New funds were introduced for 1 588 million rubles. In physical terms, 1 064 km and 139 MVA were put into operation.

#### Dynamics of capital investments of IDGC of the South PJSC in 2014-2016 and capital investments of the branches



As we can see from the chart below, the actual capital investments increased in 2016 by 5% in comparison with 2015 and by 11% in comparison with 2014.

#### Sphere and structure of capital investments

The volume of financing of the investment programme by spheres is as follows:

- technical re-equipment and reconstruction of facilities – 432 million rubles including VAT;

- new construction and expansion of existing facilities – 54 million rubles including VAT;
- technological connection – 1 113 million rubles including VAT;
- other objects of the investment programme (including acquisition of fixed assets, R&D) – 515 million rubles including VAT.

The following project have been implemented:

- “Reconstruction of power line “Koisug-P31-R16-PP2-P22” and 110kV power line “P23-P25-PP2-P22” with moving of the power transmission line section to a new route” – the project was implemented as part of preparation of Rostov-on-Don infrastructure for the 2018 World Cup in the Russian a Federation. During implementation of the project, 1 420 km of 110kV transmission lines were reconstructed. Reconstruction of this object allowed to ensure uninterrupted power supply of the central part of Rostov-on-Don, as well as its left-bank part during the large-scale reconstruction and expansion of the Voroshilovsky Bridge.
- “Construction of 2 cable lines of 10kV to provide power supply for the system of the airport “Yuzhny” and adjacent settlements (water treatment facilities with the pumping station)” – the project was implemented as part of the technological connection agreement concluded with the Ministry of Municipal Affairs and Housing of the Rostov region to deliver electric energy to facility related with the preparation of the infrastructure of Rostov-on-Don for the 2018 World Cup in the Russian Federation (water supply system of the airport “Yuzhny”). During implementation of the project, 12 734 km of 10kV transmission lines were reconstructed.
- “Construction of 10kV overhead line for electricity supply of “PiterGaz” LLC – implementation of this project was carried out as part of the technological connection agreement concluded with “Gazprom Invest” LLC to provide electricity to the facilities associated with the implementation of the state programme to expand the unified gas pipeline system. Construction of 8 500 km of 10kV transmission lines was completed. The implementation of this project enabled the

company to promptly supply electricity to the transit section of the gas pipeline “South Stream”, which is being built on the territory of the Rostov region.

- “Reconstruction of 0.4kV overhead transmission line in Znamensk from transformer substations #8,9,39,41 and 40” – the project is aimed at improving reliability and quality of power supply to consumers in Znamensk in Astrakhan region and reducing costs for all types of repairs. Reconstruction of 15.05 km of 0.4kV overhead transmission line and transformer substations with total transformer capacity of 1.93 MVA was performed. A comprehensive reconstruction of the worn-out 0.4kV overhead transmission line was done to prevent possible emergency situations

- “Sportivnaya” substation with reconstruction of 6kV distribution unit (electric networks production unit)” – within the framework of this project the existing 6 kV switchgear was replaced with 6 kV switchgear consisting of 48 cells with vacuum switches. Reconstruction of this substation was carried out to improve reliability and quality of electricity supply to industrial and domestic consumers located in the Traktorozavodsky district of Volgograd, to reduce the number of disruptions, and to cut the costs for all types of repair and elimination of consequences of accidents.

- Acquisition of electric grid facilities of “KalmEnergoKom” KSC has been carried out. The electric grid assets were acquired with the aim of obtaining by the Company of the status of a company that carries out natural monopoly activity by increasing the market share of IDGC of the South PJSC in the region by 46.34% in 2016 and, correspondingly, reaching 100% coverage of the services market (previously 53, 66%) for electricity transmission in the Republic of Kalmykia. In addition, the purpose of this acquisition is to reduce the growth of accounts receivable, their partial repayment, minimize losses from writing off receivables that are impossible to recover, and technological connection of new applicants.

When documenting the commissioning of the completed construction projects of IDGC of the South PJSC, there are cases of violation of the requirements of

organizational and administrative documents in terms of timeliness of registration of the necessary permits and conclusions.

In the reporting period, implementation of the following facilities is being continued: “Reconstruction of 110/10kV “AS-10” substation with replacement of the existing transformers with two transformers of 40 MVA to provide power supply for “Yuzhny” Airport; “Construction of 110/10kV “Sportivnaya” substation with branch lines to 110 kV transmission lines and reconstruction of the adjacent network, Rostov-on-Don”; “Construction of 110 kV electricity transmission line from 110kV overhead line “Rassvet-Rezinovaya” branch lines to substation “Stroyindustriya”(No. 121) and 110kV “Rassvet--Lesnaya with branch lines “(No. 122) for power supply of 110/10kV substation under construction”; “Reconstruction of 110/35/6kV substation “TDN” with replacement of T-1 and T-2 transformers of “Production unit “Pravoberezhnye Electric Networks”, Volgograd”; “Reconstruction of 35kV overhead line “Yelshanka-2” with reconstruction of 35/6kV substation “Dar-Gora 35” and 110/35/6kV substation “Sovetskaya” of the “Production unit Pravoberezhnye Electric Networks”; Objects under contracts for technological connection of consumers at the Standardized tariff rates determining the amount of payment for technological connection to the electric grids of IDGC of the South PJSC, and for a privileged category of consumers.

Financing of the investment programme of IDGC of the South PJSC for the period of 2014 – 2016 is represented in the table:

million rubles including VAT

<b>IDGC of the South PJSC</b>	<b>2014 actual</b>	<b>2015 actual</b>	<b>2016 actual</b>
<b>The most important projects</b>	<b>50</b>	<b>3</b>	<b>16</b>
Retrofitting & upgrading	17	1	-
New construction	33	3	16
<b>Priority programmes (federal programmes, etc.)</b>	<b>-</b>	<b>9</b>	<b>185</b>
Retrofitting & upgrading	-	1	178
New construction	-	7	7
<b>Programmes</b>	<b>185</b>	<b>690</b>	<b>329</b>

Retrofitting & upgrading	131	375	318
New construction	54	315	12
<b>Technological connection</b>	<b>279</b>	<b>410</b>	<b>818</b>
Technological connection facilities with capacity over 750 kW	39	103	361
Technological connection facilities with capacity from 100 to 750 kW	89	38	90
Technological connection facilities with capacity from 15 to 100 kW	1	5	27
Technological connection facilities with capacity below 15 kW	150	264	341
Generation	-	-	-
Distribution grids	<b>126</b>	<b>80</b>	<b>169</b>
Retrofitting & upgrading	72	47	135
New construction	54	32	33
<b>Technological process control automation (except ASEMC)</b>	<b>127</b>	<b>152</b>	<b>82</b>
<b>Energy metering and control systems</b>	<b>232</b>	<b>89</b>	<b>31</b>
<b>Security assurance programmes</b>	<b>12</b>	<b>4</b>	<b>10</b>
<b>Acquisition of power grid assets, land and other facilities</b>	<b>2</b>	<b>0</b>	<b>418</b>
<b>Other programmes and events</b>	<b>884</b>	<b>579</b>	<b>55</b>
<b>Total</b>	<b>1 897</b>	<b>2 017</b>	<b>2 114</b>
For reference			
Retrofitting & upgrading	1 475	1 240	821
New construction	141	360	68
Grid connection	279	418	806
Misc	2	0	418

Commissioning of fixed assets of IDGC of the South PJSC for the period of 2014

– 2016 is represented in the table:

Branch of IDGC of the South PJSC	2014			2015			2016		
	Fixed assets commissioning, million rubles	Power input		Fixed assets commissioning, million rubles	Power input		Fixed assets commissioning, million rubles	Power input	
		km	MVA		km	MVA		km	MVA
Astrakhanenergo	334	128	59	318	140	17	273	131	31
Volgogradenergo	247	45	3	234	45	4	175	16	3
Kalmenergo	40	28	2	48	18	1	481	771	91
Rostovenergo	1 086	209	46	869	183	80	659	146	13
Main Office	0			1	0		0	0	0
Kubanenergo							0	0	0
<b>Total</b>	<b>1 707</b>	<b>410</b>	<b>111</b>	<b>1 470</b>	<b>385</b>	<b>101</b>	<b>1 588</b>	<b>1 064</b>	<b>139</b>

As reflected by the table, the actual introduction of fixed assets in 2016 has decreased by 7% in comparison to 2014 and increased by 8% in comparison to 2015.

In the reporting period, construction, installation and commissioning works at the object of technological connection were completed in accordance with the approved individual tariff: “Construction of 110kV transmission line from 110kV overhead line “Rassvet-Rezinovaya” with a branch line to substation “Stroyindustriya” (No. 121) and 110 kV “Rassvet-Lesnaya” with branch lines” (No. 122) for power supply of 110/10 kV substation which is under construction”. The project is implemented under the technological connection agreement concluded with “Oboronenergo” PJSC on 30.07.2014 No.33105-13-00145205-1 to provide electric power to “Privolzhsky” airfield of the Privolzhsky district of Astrakhan, an important facility of the Russian Defense Ministry in Astrakhan region, to strengthen the military and aviation forces of the Russian Federation. In accordance with the order of Rosseti PJSC dated 06.07.2015 No.332-r “On making amendments to the order of Rosseti PJSC from 30.03.2014 No.134r” the investment project “Construction of 110kV transmission line from 110kV overhead line “Rassvet-Rezinovaya” with a branch line to substation “Stroyindustriya” (No. 121) and 110 kV “Rassvet-Lesnaya” with branch lines” (No. 122) for power supply of 110/10 kV substation under construction” is included in the list of priority facilities. Currently, the company conducts procedures to obtain permission for connection, technical inventorying and registration of title to real property; commissioning of the facility is planned for 2017.

**Information on actual financing and assimilation of capital investments on projects implemented using the federal budget funds (in million rubles, including VAT)**

#	Project	Current status	Source	Total cost	impleme ntation of capital investme nt as of 31.12.20 16	before 01.01.2 016	12 months of 2016	% of implem entatio n	Amount of financing 31.12.	before 01.01.2 016	12 months of 2016	% of implem entatio n
					2016				2016			

1	Reconstruction of 110/35/6 kV substation "TDN" with replacement of T-1 and T-2 transformers of "Pravoberezhnye Electric Networks", Volgograd	construction and assembly operations	Total	694.994	268.244		268.244	39%	25.616	1.415	24.201	4%
			Federal budget		241.885		241.885		-	-	-	
2	Reconstruction of 110/10 kV "AS-10" substation with replacement of transformers with two transformers of 40 MVA to provide power supply for the airport "Yuzhny", Rostov-on-Don	construction and assembly operations	Total	422.706	16.031	0.907	15.124	4%	154.992	0.930	154.062	37%
			Federal budget		0.374		0.374		143.828	-	143.828	
3	Construction of 110/10kV "Sportivnaya" substation with 110kV overhead power lines and reconstruction of the adjacent network, Rostov-on-Don	construction and assembly operations	Total	1 018.575	19.757	7.972	11.785	2%	10.565	7.632	2.933	1%
			Federal budget		3.796		3.796		-	-	-	
Total for IDGC of the South PJSC			Total	2 136.275	304.032	8.878	295.153		191.174	9.978	181.196	
			Federal budget		246.056	-	246.056		143.828	-	143.828	

In accordance with the Preparation Programme for the FIFA World Cup 2018, approved by the Order of the Government of the Russian Federation No.518 dd of 20.06.2013 "On preparation for the FIFA World Cup 2018 in the Russian Federation", "IDGC of the South" JSC in 2014-2017 included in the investment programme two major investment projects.

**1. "Construction of 110/10kV substation "Sportivnaya" with 110kV feeders and reconstruction of the adjacent power line, Rostov-on-Don (paragraph 255 of the Programme).** The design solutions provide for connection of 110/10/10 kV "Sportivnaya" substation to the power grid through the transit scheme, by constructing two cable line from the existing 110 kV transmission line "Koisug-P31-R16-P22-P25-P23" at the section "PP2-P25" of the total length of 0.5 km. As part of the investment project the following activities are planned:

- Construction of a new 110/10 kV closed-type substation with 2 power transformers of 40 MVA;
- Cable re-laying from the substation “R-39” which is to be dismantled to a newly constructed 110/10/10 kV substation “Sportivnaya” and the shifting of existing loads 6 kV on the substation “Sportivnaya”;
- Dismantling of existing substation “R-39”;
- Construction of about 0.5km of 110kV cable lines.

In the reporting year, a building permit was obtained, a construction contract was signed for implementation of construction and installation works, pre-commissioning activities, logistical support and equipment with “Energia Yuga” LLC; construction and installation work have been started. Completion of work and commissioning of the facility is scheduled for 2017.

**2. “Reconstruction of 110/35/6 kV substation “TDN” with the replacement of T-1 and T-2”, “Pravoberezhniy electric networks”, Volgograd, (paragraph 249.1 of the Programme);**

The Statement of Work includes:

- Replacement of existing transformers T1 and T2 110/35/6 kV with 20MVA capacity with two power transformers of 25 MVA.
- Reconstruction of 110/35kV outdoor switchgear and 3kV indoor switchgear
- Installation of two additional cells 6 kV.
- Organization of the secondary circuit switching substation “DTN”
- Construction of two cable lines of 6kV

The estimated cost of the project based on the results of the state examination is 694 994 thousand rubles, VAT included.

In the reporting year, a building permit was obtained, a construction contract was signed for implementation of construction and installation works, pre-commissioning activities, logistical support and equipment with “Setstroy” CJSC, construction and installation works have been started. The 1st stage of the reconstruction of the substation is completed, the permission of Rostekhnadzor (Federal Service for Ecological, Technological and Atomic Supervision) for

commissioning of the power plant (T-2) (spotting) was obtained. Completion of the project and commissioning of the facility is scheduled for 2017.

**3. “Reconstruction of 110/10 kV “AC10” substation with replacement of the existing transformers with two transformers of 40MVA to provide electricity for the airport “Yuzhniy” in Rostov-on-Don, (paragraph 256 of the Programme).**

The Statement of Work includes:

- Replacement of two 110/10kV transformers with 20MVA capacity with 110/10/10 kV power transformers with capacity of 40 MVA.
- Replacement of equipment of 110kV outdoor switchgear.
- Replacement of the existing 10kV outdoor switchgear with 10kV indoor switchgear.
- Organization of cable outlets of the cells 10 kV to pylons of 10kV lines.
- Inter-circuit wiring at “AS-10” substation.

The estimated cost of the project based on the results of the state examination is thousand rubles, VAT included.

In the reporting year, a building permit was obtained, a construction contract was signed for implementation of construction and installation works, pre-commissioning activities, logistical support and equipment with “EnergoDonStroy” LLC, construction and installation work have been started. Completion of work and commissioning of the facility is scheduled for 2017.

For the purpose of checking compliance of the project documentation with the requirements of technical regulations, the results of engineering surveys, the requirements of the town planning plan for land plot in the process of construction, reconstruction, capital repair of capital construction facilities in accordance with the requirements of Article 53 of the Civil Code of the Russian Federation, RF from 21.06.2010 No.468 “On the procedure of construction control in the course of construction, reconstruction and overhaul of capital construction projects”, in 2016 the company concluded contracts for provision of construction control services with independent expert organizations.

## Results of the investment programme 2016

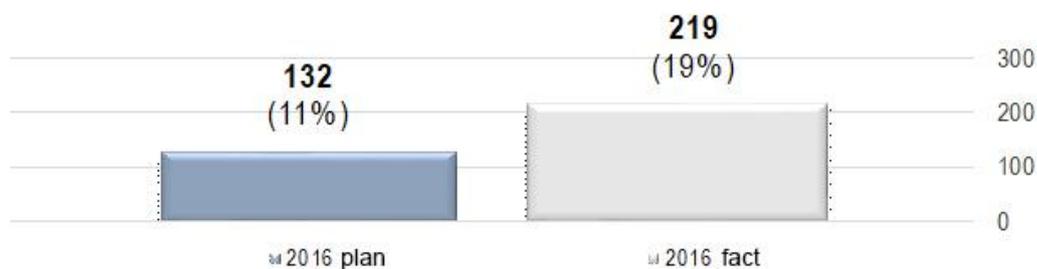
In 2016, 1 919 million rubles of capital investments were implemented; 2 114 million rubles were financed; 1 064 km and 139 MVA of capacity were put into operation for total sum of 1 588 million rubles.

To implement the investment programme in 2016, the Company used sources of financing in the amount of 2 114 million rubles, among which:

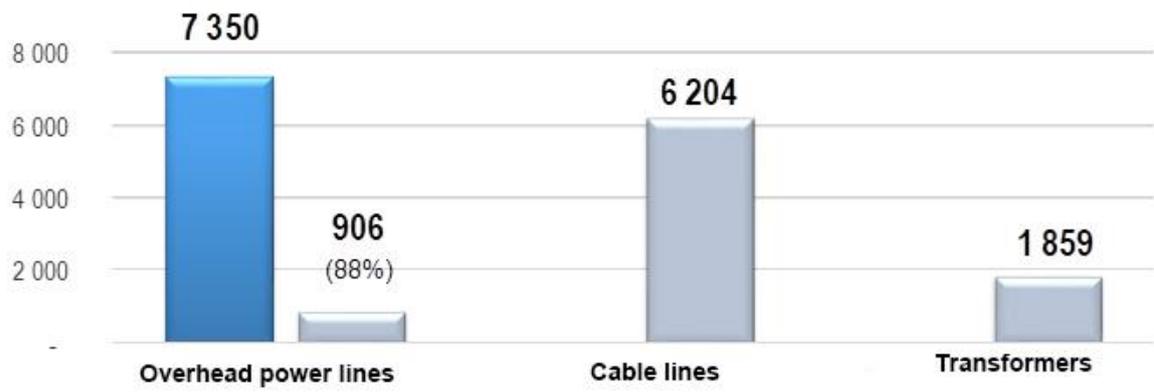
- amortization – 1 024 million rubles;
- borrowed funds – 467 million rubles;
- advance use of profit from technical connection – 474 million rubles;
- funds from the additional issue of shares – 144 million rubles;
- other own sources – 5 million rubles.

### **Implementation of measures to reduce specific investment costs**

Based on the results of capital construction projects implemented in 2016 in IDGC of the South PJSC, the actual indicator of decrease in investment costs in 2016 amounted to 219 million rubles, excluding VAT (or 19%), with a planned decrease in investment costs for the facilities included in the fixed assets was 147 million rubles without VAT (or 13%).



As a part of reduction of unit construction costs of IDGC of the South PJSC in 2016, reduced to the level of 2012, from received after the monitoring of unit construction costs of investment projects as part of the benchmarking and comparative analysis of unit construction cost indicators, actual costs of IDGC of the South PJSC in 2012, the indicators are fulfilled:



- Actual specific indicator of construction costs (2012)
- Actual specific indicator of construction costs (2016), compared to 2012

## Reduction of the unit cost of construction of facilities commissioned in 2016 by IDGC of the South PJSC

Name	Fact as of 2012, thousand rubles/km/MVA) in accordance with the order of Rosseti PJSC dated 18.03.2014 No.115-r	Plan 2016					Fact 2016				
		Physical parameters, km/MVA	Commissioning of fixed assets, thousand rubles. without VAT	“Per unit” indicator, thousand rubles/(km/MVA), gr.4/gr.3	“Per unit” indicator in the prices of 2012, thousand rubles/(km/MVA)(gr.5/1.06/1,049 /1,143/1,06)	Decrease in relation to 2012,% (1-gr.6/gr.2)	Physical parameters, km/MVA	Commissioning of fixed assets, thousand rubles. without VAT	“Per unit” indicator, thousand rubles/(km/MVA), gr.9/gr.8	“Per unit” indicator in the prices of 2012, thousand rubles/(km/MVA) (gr.10/1,06/1,049/1,143/1,06)	Decrease in relation to 2012,% (1-gr.11/gr.2)
<b>Power lines</b>	<b>7350,37</b>	<b>253,44</b>	<b>344 572,00</b>	<b>1 359,61</b>	<b>1 009,21</b>	<b>86%</b>	<b>257,02</b>	<b>313 601,00</b>	<b>1 220,14</b>	<b>905,68</b>	<b>88%</b>
Power line 220kV (HV)	21288										
Power line 110 kV (HV)	7 350,37	2,38	3573	1499,37	1112,95	84,86%	2,38	3059	1283,68	952,84	87,04%
Power line 35 kV (MV 1)	2163										
Power line 1-20 kV (MV 2)	1377	50,55	87896	1738,69	1290,59	6,28%	51,17	73182	1430,31	1061,69	22,90%
Power line 0,4 kV (LV)	1087	200,50	253103	1262,37	937,03	13,80%	203,47	237360	1166,55	865,90	20,34%
<b>Cable lines</b>	<b>-</b>	<b>40,33</b>	<b>325 050,00</b>	<b>8 060,56</b>	<b>5 983,17</b>	<b>-</b>	<b>37,12</b>	<b>310 251,00</b>	<b>8 358,05</b>	<b>6 204,00</b>	<b>-</b>
Cable line220kV (HV)	85507										
Cable line110 kV (HV)*	72475	1,40	189000	134807,42	100064,57	-38,07%	1,42	211591	149007,75	110605,16	-52,61%
Cable line20-35 kV (MV 1)	2527										
Cable line3-10 kV (MV 2)	5564	35,70	131080	3672,22	2725,81	51,01%	32,63	94568	2898,19	2151,26	61,34%

Name	Fact as of 2012, thousand rubles/km/MVA) in accordance with the order of Rosseti PJSC dated 18.03.2014 No.115-r	Plan 2016					Fact 2016				
		Physical parameters, km/MVA	Commissioning of fixed assets, thousand rubles. without VAT	“Per unit” indicator, thousand rubles/(km/MVA), gr.4/gr.3	“Per unit” indicator in the prices of 2012, thousand rubles/(km/MVA)(gr.5/1.06/1,049 /1,143/1,06)	Decrease in relation to 2012,% (1-gr.6/gr.2)	Physical parameters, km/MVA	Commissioning of fixed assets, thousand rubles. without VAT	“Per unit” indicator, thousand rubles/(km/MVA), gr.9/gr.8	“Per unit” indicator in the prices of 2012, thousand rubles/(km/MVA) (gr.10/1,06/1,049/1,143/1,06)	Decrease in relation to 2012,% (1-gr.11/gr.2)
Cable line below 1 kV (LV)	2070	3,23	4970	1539,18	1142,50	44,81%	3,07	4092	1332,90	989,38	52,20%
Substation	-	53,23	134 500,00	2 526,63	1 875,46	-	53,47	133 930,00	2 504,68	1 859,17	-
Substation, input voltage 110 kV HV	4422,00										
Substation, input voltage 35 kV MV1	4734,00										
Substation, input voltage 1-20 kV MV2	3856,00	53,23	134500,00	2526,63	1875,46	51,36%	53,47	133930,00	2504,68	1859,17	51,79%

\* During construction/reconstruction of cable lines with a voltage of 110 kV, the actual indicator of specific unit cost reduction was -52.61% with the target figure of -38.07%. The planned and actual specific cost indicators are exceeded in comparison to the ones established by the order of Rosseti PJSC dated March 18, 2014 No.115-r due to the fact that technical solutions for the construction of a 110kV cable line as part of the facility “Reconstruction of “Koisug-P31-R16-PP2-P22 power transmission line and 110kV transmission line P23-P25-PP2-P22 with the moving of the power transmission line section to new routes” is provided for laying the cable line by the HDD method, including laying up to 65% of the length of the route under the Don River. The actual specific indicator of the cost of construction exceeds the planned specific indicator of value because of addition to the cost of implementation of object of capitalization the interest on the loan in the amount of 27.293 million rubles, excluding VAT

### **Number of the implemented technological connection agreements:**

The number of technological connection contracts implemented in 2016 with capital expenditures: 1 466 units, including 1 322 for the preferential category of applicants up to 15 kW.

### **Volume of implemented technological connection contracts (MW):**

Actual connected capacity in accordance with the technological connection contracts implemented in 2016 with capital costs is 111.5 MW, including 15.3 MW for the preferential category of applicants up to 15 kW.

### **The level of electrical energy losses:**

In 2016, the Company failed to fulfill the planned target for the level of electricity losses. While the planned losses were 9.29%, or 2 707 million kWh, the actual losses are 2 915 million kWh, or 10.06%, which is higher than the planned figure by 0.77%, or by 209 million kWh in absolute terms. Compared to the same period of 2015, the level of electricity losses has increased by 0.23%, or by 87 million kWh in absolute terms. By branches, the level of losses is presented in the table:

Branch of IDGC of the South PJSC	Level of electricity losses in 2015-2016, %		
	Actual 2015	Actual 2016	Deviation
Astrakhanenergo	20%	22%	2%
Volgogradenergo	7%	7%	0%
Kalmenergo	19%	18%	-1%
Rostovenergo	9%	9%	0%
IDGC of the South PJSC	<b>10%</b>	<b>10%</b>	<b>0%</b>

### **Capacity utilization and increase of open power centers**

The increase in transformer capacity in 2016 compared to 2015 did not happen. There are no new open power centers of 35kV and higher in 2016 (there was an increase in closed power centers in 2016 compared to 2015).

### **Level of depreciation of fixed assets. Proportion of equipment with an excess lifetime**

As a result of the implementation of the Investment Programme in 2016, the estimated depreciation of fixed assets was 67.3%.

Electrical equipment installed at the Company's facilities operates in a continuous technological cycle. It was mainly produced in the 60-70s of the last century and does not meet modern requirements of reliability and economy of operation, it requires high operating costs, increasing annually with the service life of the equipment.

Despite the fact that the main share of capital investments at the actual performance of the Investment Programme in 2016 is occupied by works aimed at technical re-equipment and reconstruction of fixed assets, the dynamics of changes in physical deterioration of grid facilities has a steady tendency to increase.

**The dynamics of the share of equipment that has reached the normative service life is shown in the table:**

<b>Equipment</b>	<b>Fact 2016</b>
Power transformers 6–220 kV (>25 years), including:	84,1
Power transformers 35–220 kV (>25 years)	92,6
Power transformers 6–10 kV (>25 years)	83,6
High-voltage circuit breakers 35–220 kV (>25 years)	72,1
High-voltage circuit breakers 6–10 kV (>25 years)	58,2
Overhead power lines 0,4–220 kV (>35 years), including:	55,2
Overhead power lines 35–220 kV (>35 years)	57,9
Overhead power lines 0,4–10 kV (>35 years)	54,6
Cable power lines 35–110 kV (>25 years)	51,1
Cable power lines 0,4–10 kV (>25 years)	62,7

### **Accident rate**

As a result of implementation of the activities of the “Programme on improvement of reliability of equipment operation” a reduction in the damageability has been achieved:

- power transformers from 203 to 169;
- damage to the packaged transformer substation from 139 to 116;
- oil circuit breakers from 38 to 27;
- disconnectors from 44 to 27;
- insulators of overhead lines from 1 513 to 1 475;

- wires from 1 211 to 932;
- relay protection devices, power supply circuits from 48 to 37.

The implemented measures under the targeted programmes allow to reduce the damageability of certain types of equipment, but the lack of financing does not allow to significantly update the physically worn out equipment, which falls into the group of risk of accidents. It should be noted that the implementation of the measures of the above-mentioned programme has a greater impact on reducing the risks of emergence of emergency fires in the further operation of equipment in a state of considerable wear and tear. With systematic work to replace obsolete and worn-out equipment in the medium and long term, it will be possible to achieve a significant reduction in damages and reduce the severity of the consequences of the accident for the consumers.

In order to increase the reliability of electricity supply to consumers, IDGC of the South PJSC have developed programmes to reduce recurring outages, in which measures are envisaged with reference to specific objects that differ 2 or more times.

### **Long-term investment programme**

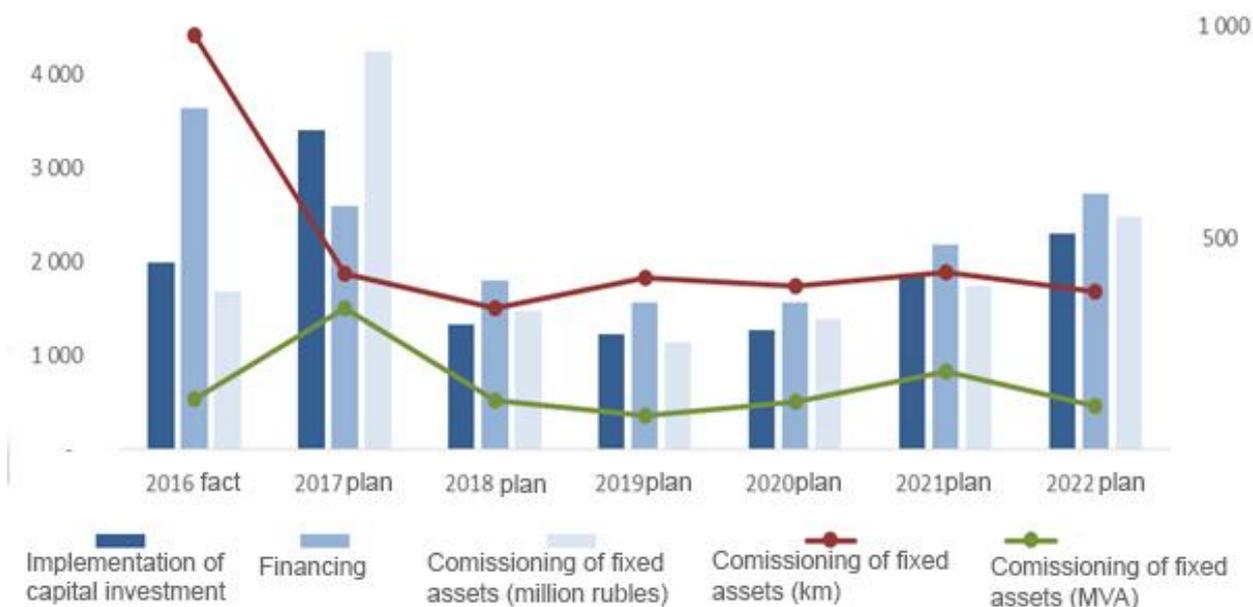
The investment programme of IDGC of the South PJSC for 2016-2022 was elaborated in accordance with the development plans of the territories and technical condition of local power grids, also taking into account the importance of the power supply facilities, and the forecasts of revenues from power transmission and applications for the technological connection.

The investment programme sets forth the following tasks:

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 within the requirements of System Operator UES JSC.

The dynamics of the volume of financing, development of capital investments and commissioning of fixed assets in terms of value and physical terms in accordance with the long-term investment programme of IDGC of the South PJSC for 2016-2022 are presented on the diagram:



The long-term investment programme 2016-2022 presupposes capital investments in the amount of 13 392 million rubles (excluding VAT), financing – 16 085 million rubles (VAT included), commissioning of fixed assets – 14 135 million rubles. For the period 2016-2022 it is planned to build and reconstruct 3 319 km and introduce transformer capacity in the volume of 1 056 MVA.

### 2.1.9. Innovative Development

1. The section “Innovative development” shows the following information (information is presented in the context of actually achieved indicators and a medium-term plan).

During 2016, in the process of transition to digital active-adaptive networks with a distributed intelligent automation and control system, to the integrated efficiency of business processes and automation of control systems, as well as with the use of new technologies and materials in the power industry, IDGC of the South PJSC performed the following activities that are included in “The medium-term plan for implementation of the Innovative Development Programme of Rosseti PJSC for the period 2016-2020 with estimates up to 2025”, approved at the meeting of the Board of Directors of Rosseti PJSC (Extract from the minutes of meeting dated December 30, 2016 No.250)”:

**Implementation of the project on an active-adaptive electric network in the distribution grid complexes of IDGC of the South PJSC branches “Rostovenergo” and “Volgogradenergo” by introduction of the “Smart Grid” system**

During 2016, in the process of implementation of the above-mentioned event, relevant documents were developed (feasibility studies, explanatory notes, network schedules for implementation of investment projects, enlarged calculations of construction costs, approved design specifications, investment project certificates, calculations of financial needs required for construction, etc.), which were submitted to the special structural units of investment activity department for their inclusion in “Investment programme of development of IDGC of the South PJSC” in 2017 and for the coming periods.

Implementation of the above-mentioned measures will improve the reliability of electricity supply to electricity consumers (SAIFI, SAIDI) in 10 kV distribution networks, and significantly reduce the time spent searching for the damage location, for the search and elimination of emergency consequences, which will allow monitoring of the condition of distribution electric grids at all levels of dispatching management, as well as at the expense of long-term innovation trend in the sphere of

integration of information resources created within the zone of operational responsibility of IDGC of the South PJSC within the framework of R&D with the system of specialized monitoring, forecasting and support for making operational management decisions in the event of hazardous weather events in the zone of operational responsibility of IDGC of the South PJSC.

In 2016, in accordance with the approved “The medium-term plan for implementation of the Innovative Development Programme of Rosseti PJSC for the period 2016-2020 with estimates up to 2025” the material costs for implementation of the above-mentioned measures were not presupposed.

**Integration of the automated technological process control system and automated measuring and information system for electric power metering, which are installed at 110/10 kV substation “Sportivaya” and adjacent substations with fiber optic lines on the basis of CISCO-3750G switches with optical modules with information resources of the specialized monitoring, forecasting and support system for adoption of operational management decisions in the event of hazardous weather events in the zone of operational responsibility of IDGC of the South PJSC**

Implementation of the above-mentioned measures will improve controllability and observability of electric power grid of “Rostovenergo”, branch of IDGC of the South PJSC, and increase the automation of the management process by integrating the equipment of the automated process control system installed at 110/10 kV “Sportivnaya” substation with information resources of the system of specialized monitoring, forecasting and support (created in IDGC of the South PJSC within the R&D) for the adoption of operational management decisions in the event of hazardous weather events in the zone of the operational responsibility of IDGC of the South PJSC in order to expand its coverage.

During 2016, in the process of implementation of the above-mentioned event, the work was carried out in full, while the actual costs for its implementation amounted to 12.72 million rubles. Financing was carried out at the expense of the federal budget in the period established by the Decree of the Government of the Russian Federation

of June 20, 2013 No.518 “On the programme of preparation for the FIFA World Cup 2018 in the Russian Federation”. The necessary design documents were approved in accordance with the established procedure by the relevant structural subdivisions and successfully passed the approval procedure in the Federal Autonomous Establishment RF Main State Expert Review Board (“Glavgosexpertiza Rossii”).

In accordance with the approved “Medium-term plan for implementation of the Innovative Development Programme of Rosseti PJSC for the period 2016-2020 with estimates up to 2025” the material costs for implementation of these activities were not envisaged.

**Integration of automated technological process control system equipment installed at 110/10 kV substation “AS-10” with information resources of the system of specialized monitoring, forecasting and support for making operational management decisions in the event of hazardous weather events in the zone of operational responsibility of IDGC of the South PJSC**

improve controllability and observability of electric power grid of “Rostovenergo”, branch of IDGC of the South PJSC, and increase the automation of the management process by integrating the equipment of the automated process control system installed at 110/10 kV “AS-10” substation with information resources of the system of specialized monitoring, forecasting and support (created in IDGC of the South PJSC within the R&D) for the adoption of operational management decisions in the event of hazardous weather events in the zone of the operational responsibility of IDGC of the South PJSC in order to expand its coverage.

During 2016, in the process of implementation of the above-mentioned event, the work was carried out in full, while the actual costs for its implementation amounted to 0.08 million rubles. Financing was carried out at the expense of the federal budget in the period established by the Decree of the Government of the Russian Federation of June 20, 2013 No.518 “On the programme of preparation for the FIFA World Cup 2018 in the Russian Federation”. The necessary design documents were approved in accordance with the established procedure by the relevant structural subdivisions and

successfully passed the approval procedure in the Federal Autonomous Establishment RF Main State Expert Review Board (“Glavgosexpertiza Rossii”).

In accordance with the approved “Medium-term plan for implementation of the Innovative Development Programme of Rosseti PJSC for the period 2016-2020 with estimates up to 2025” the material costs for the implementation of these activities were not envisaged.

**Integration of the automated technological process control system, which is installed at 110/35/6 kV substation “TDN” with information resources of the specialized monitoring, forecasting and support system for adoption of operational management decisions in the event of hazardous weather events in the zone of operational responsibility of IDGC of the South PJSC**

Implementation of the above-mentioned measures will improve controllability and observability of electric power grid of “Volgogradenergo”, branch of IDGC of the South PJSC, and increase the automation of the management process by integrating the equipment of the automated process control system installed at 110/35/6 kV “TDN” substation with information resources of the system of specialized monitoring, forecasting and support (created in IDGC of the South PJSC within the R&D) for the adoption of operational management decisions in the event of hazardous weather events in the zone of the operational responsibility of IDGC of the South PJSC in order to expand its coverage.

During 2016, in the process of implementation of the above-mentioned event, the work was carried out in full, while the actual costs for its implementation amounted to 10.4 million rubles. Financing was carried out at the expense of the federal budget in the period established by the Decree of the Government of the Russian Federation of June 20, 2013 No.518 “On the programme of preparation for the FIFA World Cup 2018 in the Russian Federation”. The necessary design documents were approved in accordance with the established procedure by the relevant structural subdivisions and successfully passed the approval procedure in the Federal Autonomous Establishment RF Main State Expert Review Board (“Glavgosexpertiza Rossii”).

In accordance with the approved “Medium-term plan for implementation of the Innovative Development Programme of Rosseti PJSC for the period 2016-2020 with estimates up to 2025” the material costs for implementation of these activities were not envisaged.

**Development of enterprise information system for resource management (KISUR) on the basis of SAP software**

Implementation of the above-mentioned measures will allow to create a system of production assets management integrated with the “Accidents” software package, as well as a more advanced functionality of the SAP system of IDGC of the South, in accordance with the business needs within the framework of support of SAP system of IDGC of the South PJSC, that includes maintenance of topology of distribution electrical networks, certification of electrical equipment, calculation of its state and consequences of failure; it will also allow to perform integration of information resources IDGC of the South PJSC D with the system of specialized monitoring, forecasting and support for making operational management decisions in the event of hazardous weather events in the zone of operational responsibility of IDGC of the South, as well as creating a unified information space for development of a system for transporting electric power on the basis of SAP, and to implement a pilot project for mobile reading of metering devices, etc.

During 2016, in the process of implementation of these activities at 1C: Power Industry platform the company carried out work on the integration of the asset management system with the “Accidents” software package and development of the SAP system functionality in accordance with business needs in the framework of support of SAP system of IDGC of the South PJSC; along with it, the actual costs for implementation of these activities amounted to 5.15 million rubles, while the planned value was 10.0 million rubles.

The company managed to save material assets because the work was performed in accordance with the terms of the contract for technical support of the SAP system, which instead of a fixed subscriber payment for services presupposed payment for the work performed.

## **Development of enterprise information system for resource management of IDGC of the South PJSC on the basis of “1C”**

During 2016, in the process of implementation of the above-mentioned activities, the company introduced a module that ensures integration of the single corporate accounting system of economic activity of IDGC of the South PJSC on the basis of “1C” with the corporate programme complex “Technological connection”; the actual costs of this project amounted to 1.14 million rubles while the planned value was 4.6 million rubles.

The company managed to save material assets because the work was performed in accordance with the terms of the contract for technical support, which instead of a fixed subscriber payment for services presupposed payment for the work performed.

### **Design of the system of operative (inductive) blocking of switching devices. The BREM-01M system at 110/35/10 kV substation “VdPTF”**

Implementation of this project will make it possible to install at electrical equipment of the 110 kV switchgear of 110kV substation the innovative microprocessor-based electromagnetic locking systems for disconnectors with inductive proximity switches BREM-01M, that were obtained as a result of performing P&D project in the distribution grid complex of IDGC of the South PJSC; it will ensure safety of operational personnel in the process of its switching operations and minimize the number of personnel required for the job, as well as to monitor the current state of the switching devices, and when working in conjunction with the control system of substation to display in real time the status of the switching devices at the control room and monitor the state of the electrical circuit of the substation at all necessary levels of dispatch control.

In accordance with the approved “Medium-term plan for implementation of the Innovative Development Programme of Rosseti PJSC for the period 2016-2020 with estimates up to 2025” the material costs for implementation of these activities were not envisaged.

## **Design of microprocessor system of electromagnetic blocking of disconnectors with inductive position sensors of switching devices BREM-01M at 110/10 kV substation “AS-10”**

Implementation of this project will make it possible to install at electrical equipment of the 110 kV switchgear of 110kV substation the innovative microprocessor-based electromagnetic locking systems for disconnectors with inductive proximity switches BREM-01M, that were obtained as a result of performing P&D project in the distribution grid complex of IDGC of the South PJSC; it will ensure safety of operational personnel in the process of its switching operations and minimize the number of personnel required for the job, as well as to monitor the current state of the switching devices, and when working in conjunction with the control system of substation to display in real time the status of the switching devices at the control room and monitor the state of the electrical circuit of the substation at all necessary levels of dispatch control.

In accordance with the approved “Medium-term plan for implementation of the Innovative Development Programme of Rosseti PJSC for the period 2016-2020 with estimates up to 2025” the material costs for implementation of these activities were not envisaged.

It is planned that financing will be carried out at the expense of the federal budget in the period established by the Decree of the Government of the Russian Federation of June 20, 2013 No.518 “On the programme of preparation for the FIFA World Cup 2018 in the Russian Federation”. The necessary design documents were approved in accordance with the established procedure by the relevant structural subdivisions and successfully passed the approval procedure in the Federal Autonomous Establishment RF Main State Expert Review Board (“Glavgosexpertiza Rossii”).

**Reconstruction of 110kV overhead line No.3, “Razvilka-2” of production enterprise “Pravoberezhnye electrical networks” – “Volgogradenergo” with replacement of the existing wires with the innovative high-strength heat-resistant wires of domestic production, type ASVT and ASVP**

This project is meant to reduce operating costs and risks of loss of electricity supply due to:

- Decrease of the probability of occurrence of accidents in the distribution grid complex of the branch of IDGC of the South PJSC “Volgogradenergo” caused by ice accretion and wind loads; such accidents are arising from the impact of intensive meteorological parameters (conditions) of the environment, including wind loads exceeding permissible values;
- The possibility of melting ice on phase conductors of 110 kV overhead lines without disconnecting consumers by using the method of redistribution of loads in distribution electric networks.

During 2016, in the process of implementation of this project, a survey was carried out on the condition of the reconstructed 110 kV overhead line; while the actual costs for the implementation of the project amounted to 0.16 million rubles.

In accordance with the approved “Medium-term plan for implementation of the Innovative Development Programme of Rosseti PJSC for the period 2016-2020 with estimates up to 2025” the material costs for implementation of these activities were not envisaged.

**Reconstruction of 110kV overhead line No.8 (transmission towers No.1-86) of production enterprise “Pravoberezhnye electrical networks” – “Volgogradenergo” with replacement of the existing wires with the innovative high-strength heat-resistant wires of domestic production, type ASVT and ASVP**

This project is meant to reduce operating costs and risks of loss of electricity supply due to:

- Decrease of the probability of occurrence of accidents in the distribution grid complex of the branch of IDGC of the South PJSC “Volgogradenergo” caused by ice accretion and wind loads; such accidents are arising from the impact of intensive meteorological parameters (conditions) of the environment, including wind loads exceeding permissible values;

- The possibility of melting ice on phase conductors of 110 kV overhead lines without disconnecting consumers by using the method of redistribution of loads in distribution electric networks.

In accordance with the approved “Medium-term plan for implementation of the Innovative Development Programme of Rosseti PJSC for the period 2016-2020 with estimates up to 2025” the material costs for implementation of these activities were not envisaged.

**In 2016, the total actual costs for the above listed activities amounted to 29.65 million rubles, while the target value was 8.54 million rubles, due to successful implementation of works under items 2, 3, 4 and 9 at the expense of the federal budget in accordance with the Decree of the Government of the Russian Federation of June 20, 2013 No.518 “On the programme of preparation for the FIFA World Cup 2018 in the Russian Federation”.**

**Taking into account the foregoing, the implementation coefficient “Kvnedr” amounted to 347.2%.**

1.1. The main goals and objectives of IDGC of the South PJSC that are solved by the implementation of the “Programme of research, development and technology (R&D) works of IDGC of the South for 2016 (hereinafter - the Programme), and planned for the achievement of economic, technical and the expected socio-economic effects:

The purpose of the Programme is to develop an effective mechanism for the implementation of the innovation cycle, providing favourable conditions for the creation and promotion of high-tech electrical equipment, materials and advanced technology for the distribution grid complex of IDGC of the South PJSC.

The main activities of innovative development:

- Creation of innovation management system which will be focused on the development and introduction of new technologies, innovative products and services;
- Creation of a system of search and selection of effective innovations;
- Improving the mechanism for the implementation of pilot projects on introduction of innovative technologies;

- Ensuring the necessary conditions for the wide application of innovations at the distribution grid complex of IDGC of the South PJSC;
- Improvement of the financial mechanism of innovation at the company's own expense;
- Provision of the necessary level of workforce capacity;
- Ensuring protection of intellectual property;
- Provision of information support of innovative process management.

In order to make sure that IDGC of the South maintains its leading position in the electric power industry in the regions of its presence (in Rostov, Volgograd and Astrakhan regions and the Republic of Kalmykia), the implementation of the Programme is aimed at improving the basic performance of its industrial business processes, namely:

- Improving the reliability and quality of electricity supply to consumers, receiving power from the electrical networks of IDGC of the South PJSC, that is, reduction in the number of technological faults, violations and reducing the duration of their existence, as well as compliance with power quality requirements of regulatory and technical documents;
- Provision of a real-time monitoring of the power distribution networks, their manageability, adaptability and flexibility;
- Increase in efficiency of operation of the distribution grid complex;
- Improving the energy efficiency of the electric grid complex, administrative and industrial buildings and structures;
- Reduction of the cost of the services provided in the field of electricity transmission and distribution.

Principle directions of the innovative development of IDGC of the South PJSC:

- development of the methodical (regulatory) support;
- human resources development (personnel training);
- R&D planning and implementation;
- implementation of «finished» effective innovative developments;

- enhancement of basic business processes;
- development of the information technologies and the IT infrastructure;
- enhancement of energy efficiency;
- developing and implementation of labour-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 re-equipment;
- performing trial runs of next-generation electro technical equipment;
- development and introduction of modern diagnostics methods;
- enhancement of energy efficiency (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 the personnel;
- improvement of the regulatory, technical and methodological base;
- development of organizational and technical measures to improve the sustainability of facilities in emergency situations;
- enhancement of environmental and information security.

Implementation of design and survey works contributes to the development of priority areas of science, technology and engineering in the Russian Federation, approved by

the resolution of the President of the Russian Federation No. Pr-843 dated May 21, 2006.

Basically the activities of design and survey works are implemented in the following priority areas:

- energy and energy efficiency;
- information and telecommunication systems.

The result of the implementation of design and survey works will be a pilot production of the most effective innovations installed on electrical equipment of the distribution grid complex of IDGC of the South PJSC, the preparation of the necessary technical (technological and design) documentation for the future mass production and introduction of the most promising innovation (electrical devices and systems, guidelines, etc.) as well as the formation and subsequent improvement of the system of innovative development of IDGC of the South PJSC, including intellectual property (patents, certificates, licenses).

Also, the implementation of design and survey work contributes to the improvement of the protection and management of intellectual property of IDGC of the South PJSC, allowing to form plans on commercialization of the results of R&D carried out in the framework of the contracts concluded between IDGC of the South PJSC and contractors, as well as to increase its capitalization by increasing the cost of intangible assets.

## 1.2. The main directions of research and development works conducted in IDGC of the South PJSC within the framework of the R&D Programme of “IDGC of the South” in 2016:

1.2.1. Ensuring safe (uninterrupted) and qualitative power supply to electricity consumers, as well as reduction of the risk of technological breakdowns in the distribution networks (activity for providing efficiency of electrical networks, including installation, commissioning, repair and maintenance of electrical equipment, equipment and means of protection of electrical networks);

1.2.2. Increase in the efficiency of monitoring the parameters of meteorological conditions, including ice-and-wind loads that affect phase conductors and lightning protection cables of overhead lines;

1.2.3. Improvement of the quality of decisions made by operational personnel and the elimination of mistakes when managing the regime;

1.2.4. Reduction of material costs on repair and maintenance of overhead lines with minimal material costs for maintenance and repair of the equipment of the system.

1.2.5. Increase the level of professional competence (training) of electricians:

- Development of practical skills for safe operation while performing operational and technical maintenance of electrical installations;
- Development of practical skills in emergency recovery operations at the facilities of the distribution grid complex in the event of emergencies due to the impact of unfavourable weather conditions or external forces of anthropogenic nature;
- Development of practical skills in working with new types of microprocessor relay protection and automation devices.

1.3.The List of R&D Projects, Implemented (Being Implemented) by IDGC of the South PJSC in 2016

Activity	Start-up time	Scheduled time of accomplishment	Results as of the end of the reporting quarter	Planned final result	Place of application	Planned effect from the result of implementation
<p>Research and technical development (RTD) project: “Development of an integrated system of specialized monitoring, forecasting and support for adopting operational management decisions in the case of hazardous weather events in the zone of operational responsibility of IDGC of the South PJSC” (RTD Contract #10001501000041 dated 27.03.2015; concluded with “Managing Company DonGIS” LLC</p>	<p>27 March 2015</p>	<p>31 October 2016</p>	<p>Establishment of a system of specialized monitoring and forecasting of hazardous natural phenomena on the territory of operational responsibility of IDGC of the South PJSC; the system, among other things, determines, on the basis of objective information, the beginning of the process of ice accretion in areas that not equipped with systems for early detection of ice accretion (early ice detection system, computerized information system of ice load control, etc.) and gives the possibility of timely notification of staff of various structural subdivisions of IDGC of South PJSC on adverse meteorological parameters (conditions) of environment.</p> <p>As of 1 January 2017 the company completed 1-4 stages of R&amp;D in full, the actual results of their performance are:</p> <p>1.1 the concept of creation of meteorological monitoring system and its introduction in IDGC of South PJSC;</p> <p>1.2 the schedule of works for creation of meteorological monitoring system and its introduction in IDGC of South PJSC;</p> <p>1.3. a report on the survey was developed;</p> <p>1.4 a detailed calculation of the expected planned economic effect from the use of the meteorological monitoring system in the production process of IDGC of the South PJSC;</p> <p>1.5 a technical project that includes an explanatory note, a technical design sheet, a description of the information and software of the meteorological monitoring system, its automated functions, a set of hardware and information base, a functional structure diagram, a list of input and output signals, a list of input signals and data.</p> <p>2.1. A meteorological monitoring system has been developed in accordance with the terms of reference for RTD project;</p> <p>2.2 The software package of the system was installed and put into test operation on the basis of intracorporate information resources (technical capacities) of IDGC of the South PJSC;</p> <p>2.3 Integration with the LDAP service of Active Directory has been completed (users can log in to the meteorological monitoring system under their personal accounts);</p> <p>2.4 An algorithm has been created for adjusting the existing geographical information data of the 35-110 kV distribution grid facilities of IDGC of the South PJSC;</p> <p>2.5 An algorithm has been created for making and adjusting the existing geographical information data of the 0.4-10 kV distribution grid facilities of IDGC of the South PJSC, which provides the possibility of changing geographic coordinates in tabular form with simultaneous verification of the movement of objects on the geographical map of the area;</p> <p>2.6 Loading of 35-110 kV distribution grid facilities of IDGC of the South PJSC in the information database of the meteorological monitoring system from the centralized database of the intracorporate PM (Plant Maintenance) module of the integrated resource management system using algorithmic methods for correcting spatial information on the basis of inversion of latitude and longitude of objects and construction of coordinates of intermediate transmission towers by the method of linear interpolation;</p>	<p>In the area of operational responsibility of IDGC of South PJSC will be established a modern integrated informational meteorological monitoring system, which will, inter alia, on the basis of the obtained objective information indirectly determine the beginning of icing process in areas that do not have the equipment for early detection of icing systems (early ice detection system, computerized information system of ice load control, etc.), as well as provide the possibility of early warning the personnel of various divisions of IDGC of South PJSC on adverse meteorological parameters (conditions) of the environment.</p>	<p>Distribution grids of IDGC of the South branches: “Rostovenergo”, “Volgogradenergo” and “Astrakhanenergo” and “Kalmenergo”</p>	<ul style="list-style-type: none"> <li>- Increase in the efficiency of monitoring the parameters of meteorological conditions, including ice-and-wind loads that affect the phase conductors and lightning protection cables of overhead lines;</li> <li>- Improvement of the quality of decisions made by operational and managerial personnel and the elimination of mistakes when managing the regime;</li> <li>- Reduction of material and time costs for emergency recovery works</li> </ul>

2.7 The guidelines for working with the service of updating geographic information data of the objects of the 35-110 kV distribution grid complex of IDGC of the South PJSC were elaborated;

2.8 Methodological assistance was provided to correct the geospatial information data of the 35-110 kV distribution grid facilities of IDGC of the South in the programme complex of the meteorological monitoring system;

2.9 Geographic information system in the form of electronic repository of the project of meteorological monitoring system of control of versions of GIT and installation files of the Linux operating system \*32/\*64 were developed.

3.1 Meteorological monitoring system was filled with information data in accordance with the RTD terms of reference;

3.2 The program complex of the meteorological monitoring system has been installed and put into trial operation on the basis of intracorporate information resources (technical capacities) of IDGC of the South PJSC;

3.3 The process of making and adjusting the existing geographic data of the 0.4-10 kV distribution grid facilities of IDGC of the South PJSC was organized to ensure the possibility of changing geographical coordinates in a tabular form with simultaneous verification of the movement of object on the map;

3.4 Operational documents and interactive video instructions were prepared for the module for editing geospatial information data of the 0.4-10 kV distribution grid facilities of IDGC of the South PJSC;

3.5 Methodological assistance and technical support by the telephone and in real time for the employees of IDGC of the South PJSC responsible for correcting geospatial information data of 0.4-10 kV grid facilities of IDGC of the South PJSC in the program complex of the meteorological monitoring system was provided;

3.6 A technical project (topology of the information base) has been developed.

4.1. A program for the pilot operation of the meteorological monitoring system has been developed and organized on the basis of intracorporate information resources (technical capacities) of IDGC of the South PJSC;

4.2 A user's guide has been developed (instructions for creating and editing geographic coordinates of electric grid facilities of substations and overhead lines) and detailed interactive video instructions for individual modules of the meteorological monitoring system, in particular, for editing the spatial geographical coordinates of the 0.4-110 kV distribution grid facilities of IDGC of the South PJSC;

4.3 A training programme was developed and remote training sessions (webinars) were conducted with the employees of the relevant structural subdivisions of IDGC of the South PJSC on the topic: "Editing the spatial geographical coordinates of the 0.4-10 kV distribution grid facilities of IDGC of the South PJSC"

4.4 Methodological assistance and technical support by the telephone and in real time were provided for the employees of the relevant structural divisions of IDGC of the South PJSC, designated as responsible for correction of geospatial data of the 0.4-10 kV distribution grid facilities of IDGC of the South PJSC in the software package of Meteorological monitoring system.

<p>Research and technical development (RTD) project: “Research and development of technology and instrumentation and analytical support for X-ray examination of high-voltage switches” (RTD Contract #10001601000088 dated 23.06.2016)</p>	<p>28 June 2016</p>	<p>28 June 2019</p>	<p>Technical certificate No. 1 on the progress of RTD activities under the project: “Research and development of technology and instrumentation and analytical support for X-ray examination of high-voltage switches” cipher “X-ray” (23.06.2016-30.09.09.2016); “Research and development of technology and instrumentation and analytical support for X-ray examination of high-voltage switches” cipher “X-ray” (06.23.2016-31.12.2016)</p>	<p>Development of technology and instrumentation and analysis software for operational (on site) control of technical state of high-voltage low-oil switches of type VMT-110 without their removal from busbar and without opening, namely development of analytical instrumentation and complex (PAC) for radiographic inspection of switches of the above-mentioned type</p>	<p>Distribution grids of IDGC of the South branches: “Rostovenergo”, “Volgogradenergo” and “Astrakhanenergo”</p>	<p>The ability to perform on-site monitoring of technical condition of high-voltage low-oil circuit breakers of VMT -110 type without their removal from busbar and opening, as well as the possibility of detecting such defects as wear of contact surface, curvature of moving parts, cracks in internal elements, hidden defects in insulators, corrosion, presence of metal chips, lack of elements (understaffing), etc. in their design. The possibility of using technology and instrumentation for high-voltage gas-insulated, air and oil circuit breakers of all voltage classes and, in the future, for GIS (Gas Insulated Switchgear), as well as for other types of electrical equipment and substations of distribution grid facilities of IDGC of the South PJSC and other subsidiaries and affiliates of Rosseti PJSC. It will allow to:</p> <ul style="list-style-type: none"> <li>- monitor the technical condition of the above-mentioned electrical equipment, as well as identify the presence and degree of danger of defects without their removal from busbar and opening;</li> <li>- optimize the amount of installation work, including the amount of material costs necessary to maintain the above-mentioned electrical equipment in working condition;</li> <li>- reduce, approximately by at least 20%, the amount of material costs necessary to withdraw from work, removal from busbar, opening of the above-mentioned electrical equipment, its repair, subsequent assembly, fitting to busbar and commissioning</li> </ul>
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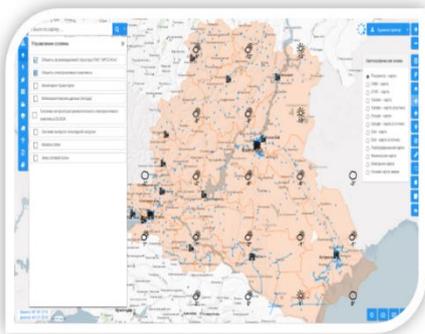
1.4. The technical results obtained by implementing of RTD activities in the reporting period of 2016, the developed equipment, technologies, materials with visualization of the most significant results

**1.4.1. RTD Contract #10001501000041 dated 27.03.2015: Research and technical development (RTD) project: “Development of an integrated system of specialized monitoring, forecasting and support for adopting operational management decisions in the case of hazardous weather events in the zone of operational responsibility of IDGC of the South PJSC”, concluded with “Managing Company DonGIS” LLC, includes 6 stages.**

As of 1 January 1 2017 the company completed 1-4 stages of RTD in full, and the 5<sup>th</sup> stage was in process.

**The planned results of the project:**

- Increase in the efficiency of monitoring the parameters of meteorological conditions, including ice-and-wind loads that affect the phase conductors and lightning protection cables of overhead lines;

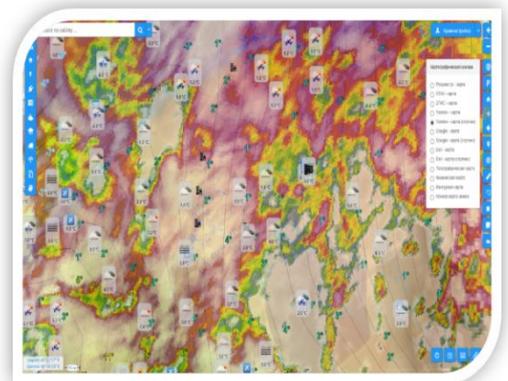


- Improvement of the quality of decisions made by operational and managerial personnel and the elimination of mistakes when managing the regime;

- Reduction of material and time costs for

emergency recovery works.

**The aim of the project:** Establishment of a system of specialized monitoring and forecasting of hazardous natural phenomena on the territory of operational responsibility of IDGC of the South PJSC; the system, among other things, determines, on the basis of objective information, the beginning of the process of ice accretion in areas that not equipped with systems for early detection of ice



accretion (early ice detection system, computerized information system of ice load control, etc.) and gives the possibility of timely notification of staff of various structural subdivisions of IDGC of South PJSC on adverse meteorological parameters (conditions) of environment;

**The effect of the project:**

- Increase in the efficiency of monitoring the parameters of meteorological conditions, including ice-and-wind loads that affect the phase conductors and lightning protection cables of overhead lines;
- Improvement of the quality of decisions made by operational and managerial personnel and the elimination of mistakes when managing the regime;
- Reduction of material and time costs for emergency recovery works.

**1.4.2. Contract #10001601000088 dated 23.06.2016: Research and technical development (RTD) project: “Research and development of technology and instrumentation and analytical support for X-ray examination of high-voltage switches”; conclude with “Authority for monitoring technical condition of electric power facilities” JSC (“Technical Inspection of UES” JSC); the project consists in 4 stages.**



As of 31 December 2016, the 1<sup>st</sup> stage of the Research and Technical Development (RTD) project was in the process of implementation by the counterparty. The actual results of the 1<sup>st</sup> stage are the initial data generated for the timely and qualitative creation of the above-mentioned systems on the basis of which the following reporting documents were prepared:

- concept of creation and introduction of the system;
- schedule of works for creation and introduction of the system;
- report on the survey;

- detailed calculation of the expected planned economic effect from the use of the system in the production process;
- technical project that includes an explanatory note, a technical design sheet, a description of the information and software of the meteorological monitoring system, its automated functions, a set of hardware and information base, a functional structure diagram, a list of input and output signals, a list of input signals and data.

**The planned results of the RTD project are:** Development of technology and instrumentation and analysis software for operational (on site) control of technical state of high-voltage low-oil switches of type VMT-110 without their removal from busbar and without opening, namely development of analytical instrumentation and complex (PAC) for radiographic inspection of switches of the above-mentioned type

**The aim of the project:** Creation of the above-mentioned technology, which is a convenient tool for rapid assessment of the state of high-voltage switches in a group or similar switches, but operated at various facilities of the distribution grid complex of "IDGC of the South PJSC, which allows to promptly rank switches according to their technical condition and solve the following tasks:

1. Conducting research and development of technology for operational control of technical condition of high-voltage low-oil circuit breakers of VMT-110 type without

their removal from busbar and without opening on the basis of X-ray inspection using modern technologies that ensure that IDGC of the South PJSC and other SDCs of Rosseti PJSC focus on maintenance of technical equipment based on its condition;

2. Assessment of possibility and feasibility of applying the above-mentioned X-ray examination technology

to other types of high-voltage electrical equipment;



3. Creation of reliable and safe (including ecological aspects) system for monitoring of technical condition of high-voltage low-oil circuit breakers of VMT -110 type at the place of their installation without their removal from busbar and without opening, which provides optimization of the scope of repair work, material costs and labour resources for their maintaining in working order;
4. Development of recommendations for interpreting the results of radiographic survey of switches for assessment their technical condition;
5. Building up intellectual property portfolio and intangible assets of IDGC of the South PJSC by patenting the results of R&D activities carried out by IDGC of the South PJSC in the Russian Federation.

**The effect of the project:** The ability to perform on-site monitoring of technical condition of high-voltage low-oil circuit breakers of BMT-110 type without their removal from busbar and opening, as well as

the possibility of detecting such defects as wear of contact surface, curvature of moving parts, cracks in internal elements, hidden defects in insulators, corrosion, presence of metal chips, absence of elements, etc. in their design.

The possibility of using technology and instrumentation for high-voltage gas-insulated, air and oil circuit breakers of all voltage classes and, in the future, for GIS

(Gas Insulated Switchgear), as well as for other types of electrical equipment and substations of distribution grid facilities of IDGC of the South PJSC and other subsidiaries and affiliates of Rosseti PJSC. It will allow to:

- monitor the technical condition of the above-mentioned electrical equipment, as well as identify the presence and degree of danger of defects without their removal from busbar and opening;



- optimize the amount of installation work, including the amount of material costs necessary to maintain the above-mentioned electrical equipment in working condition;
- reduce, approximately by at least 20%, the amount of material costs necessary to withdraw from work, removal from busbar, opening of the above-mentioned electrical equipment, its repair, subsequent assembly, fitting to busbar and commissioning.

#### 1.5. The list of received titles of protection (patents, certificates) on the results of R&D

In the reporting year 2016 IDGC of the South PJSC did not receive documents of exclusive rights (patents for inventions and utility models, registration certificates) on the results of R&D.

#### 1.6. Facilities at which during the reporting period of 2016 innovative solutions were introduced or transferred to trial operation

In 2016, on the basis of a letter from Rosseti PJSC dated 08.09.2015 #BP/74/1585 “On conducting trial operation of the MIG system”, a contract was concluded between the branch of IDGC of the South PJSC “Volgogradenergo” and “MIG” LLC on 16.06.2016 (Contract # 34001601006218) on provision for trial operation a modern system developed by “MIG” LLC for monitoring the intensity of ice accretion on overhead power transmission lines (hereinafter referred to as the Monitoring System). The system has competition capacity in the Russian market in terms of declared technical characteristics in comparison to similar systems (automated intelligent systems of telemetry of ice loads, early ice detection system, etc.) produced by other manufacturers.

Installation of the modern Monitoring System was distinguished by industry experts based on the results of the Russian competition of innovative projects and developments in the field of smart energy “Energopropyv” held in 2014 and was installed at the facilities of the distribution grid complex of Rosseti PJSC.

In 2016, in accordance with the terms of the above-mentioned contract, 7 sets of equipment of the Monitoring System were installed on pylons of 110 kV overhead transmission lines of production units of Volgogradskiye and Kamyshinskiye electric networks (“Volgogradenergo”): (pylon #54 of 110 kV overhead line # 3a, pylon #65 54 of 110 kV overhead line # 433 “Umet-Ternovka”, pylon #139 of 110 kV overhead line # 344 “Ternovka-Butovka” with a tap at the substation “Verkhnyaya Dobrinka”, pylon #43 of 110 kV overhead line # 467 “Yagodnaya-Oktyabrskaya”, pylon #119 54 of 110 kV overhead line # 471 “Zenzevatka-Yagonaya”, pylon #174 54 of 110 kV overhead line # 558 “Zenzevatka-Kudinovskaya”, pylon#138 54 of 110 kV overhead line # 424 “Liteinaya-Antipova” and pylon #110 kV 54 of 110 kV overhead line # 462 “Antipova-Talovka”). In addition, 2 software packages designed to collect current information about the meteorological parameters (conditions) of the environment, ice deposits, etc., are installed in the operational dispatch offices of the above-mentioned production units.

Based on the results of trial operation of the Monitoring System in the autumn-winter period of 2016/2017, the Technical Board of the branch of IDGC of the South PJSC “Volgogradenergo” accepted the results of trial operation and acknowledged them as positive (minutes of meeting No.13 dated 09.03.2017).

#### 1.7. The results of commercialization of intellectual property rights obtained as a result of R&D

IDGC of the South PJSC performed RD project “Introduction of microprocessor interlocks of 110 kV new generation disconnectors” (microelectronic and microprocessor electromagnetic locking system with installation of a prototype at the switchgear of one substation of “Rostovenergo”, branch of IDGC of the South PJSC).” The project was performed in accordance with the terms of the contract concluded between IDGC of the South PJSC and “Scientific Research Institute of Energy Technologies” LLC; Contract #727 from 27.09.2011. The result of the R&D project is a microprocessor system of electromagnetic interlocking of disconnectors with inductive sensors of position of switching devices BREM-01M.

In the process of performing R&D activities on the basis of an application submitted to the Federal State Enterprise “Federal Institute of Industrial Property” (FIPS) dated 19.12.2012 No.2012155406 in 2015, IDGC of the South PJSC received a patent for utility model No.151377 “Device for electromagnetic interlocking of switching devices”, which on 3 March 2015 was published and registered in the State Register of Utility Models of the Russian Federation (expires 19 December 2022). On 26 September 2016, it was officially included in the “Register of Innovative Solutions of Rosseti PJSC and was presented by the employees of IDGC of the South PJSC and “Scientific and Research Institute of Energy Technologies” LLC at the annual international electricity forum “Rugrids-Elektro 2015” under the auspices of the Ministry of Energy of the Russian Federation and organized by Rosseti PJSC and the Central Exhibition Complex “Expocenter”.

The above-mentioned electromagnetic locking system was installed and put into operation on the equipment of 110kV switchgear of 110/10kV substation “Nosovskaya” located on the territory of the production department of “Yugo-Zapadnye Electric Networks” – “Rostovenergo” in order to evaluate the effectiveness of its implementation and reliability, as well as to provide the possibility of performing a comparative analysis of its technical characteristics and reliability of work with similar parameters of typical traditional solutions.

In addition to installation of the locking system on 110kV switchgear of 110/10kV substation “Nosovskaya”, this system was also installed on electrical equipment of the switchgears of substations “Sh-34” and “Sh-46” of the production department “Western Electric Networks” – Rostovenergo” and 110kV substation “T-26” and “Latonovskaya” of the production department “South-Western Electric Networks” – “Rostovenergo”.

On 20 July 2010 IDGC of the South PJSC and “Scientific and Research Institute of Energy Technologies” LLC concluded a license agreement No. 10001601000087, in accordance with the terms of which IDGC of the South PJSC provides “Scientific and Research Institute of Energy Technologies” LLC with a non-exclusive license for the

right to manufacture, apply, import, offer for sale, as well as sale microprocessor electromagnetic systems for locking disconnectors with inductive position sensors of switching devices BREM-01M made in accordance with the description of the above-mentioned patent of the Russian Federation.

Managers of major domestic manufacturers of electrical equipment (CJSC “Energomash” (Ekaterinburg) – “Uralelektrotyazhmash”, CJSC “ElectroShield –TM Samara”, JSC “Electroapparat”, CJSC “Plant of Electrical Equipment”, “ZETO” CJSC) received official letters of IDGC of the South PJSC with a proposal to consider the possibility of manufacturing the electrical equipment adapted for the use of inductive sensors of the switching devices used by microprocessor locking system.

There was interest to this system from “ZETO” CJSC and the company proved the possibility of producing adapted electric drives of type PD-11 and PD-14

Based on the letter of Rosseti PJSC No.DG/134/439 dated December 29, 2016 “On review of the needs of subsidiary and dependent companies in the results of R&D product of IDGC of the South PJSC” in 2016 and at present “Scientific and Research Institute of Energy Technologies” LLC is negotiating with Lenenergo PJSC, IDGC of Siberia PJSC, IDGC of Urals PJSC, IDGC of Center PJSC about production and supply of the above-mentioned devices, because the review proved that these subsidiaries of Rosseti PJSC need installation of this system at the facilities of the distribution grids in the period from 2018 to 2021.

#### 1.8. The share of allocations for financing R&D in the total volume of own revenues (financing of the Innovative Development Programme of IDGC of the South PJSC in the reporting period of 2016, planned and actual values)

In 2016, the actual total amount of funding of the activities of the “Innovative Development Programme of “IDGC of the South” PJSC for 2016-2020 and with a prospect up to 2025” amounted to 63.05 million rubles with a planned value of 46.0 million rubles (actual performance by 137%).

At the same time, the share of allocations for R&D financing in the total volume of own revenues of IDGC of the South PJSC in 2016 amounted to 0.032% (actual

financing of R&D in 2016 amounted to 10.006 million rubles (with a target financing value of 1.298 million rubles), and the volume of own revenue IDGC of the South PJSC for the period amounted to 31.414.14 million rubles).

1.9. The Technical Board of IDGC of the South PJSC. Information on establishment of the Technical Board of IDGC of the South PJSC (year of establishment; information on the corresponding organizational and administrative documents of IDGC of the South PJSC; approved membership (full name and position, academic degrees); the number of meetings of the Technical Board of IDGC of the South PJSC held in 2016 and list of issues discussed by the Board.

The meetings of the Technical Board of IDGC of the South PJSC (hereinafter referred to as the Meetings) are held in IDGC of the South PJSC on a permanent basis starting from 2007 on the basis of the requirements of the orders of IDGC of the South PJSC dated 26 September 2007 No.41 and 25.07.2008 No.167 “On organization of work of the Technical Board of IDGC of the South PJSC”.

Currently, the updated “Regulations for the Technical Board of IDGC of the South PJSC” approved and put into effect by the order of IDGC of the South PJSC on 23 September 2014 No.640 “On Approval and Enactment of the Regulations for Technical Board of IDGC of the South PJSC and composition, objectives, tasks, functions and procedure for holding the Meetings of the Technical Board, which is an advisory body in the sphere of formation and practical implementation of the “Regulations of Rosseti PJSC on a unified technical policy in the power grid complex” approve by the decision of the Board of Directors of Rosseti PJSC (minutes of meeting No.252; February 22, 2017).

According to the requirements of the Regulations for the Technical Board of IDGC of the South PJSC, the functions of managing the work of the meetings are assigned to the Deputy General Director for Technical Issues – Chief Engineer of IDGC of the South PJSC, chairman of the meetings Pavel Viktorovich Goncharov.

Deputy Chairman of the Board is Kotolivtsev Viktor Vladimirovich, head of the Department of Development and Innovation, and the secretary is Sagan Pavel Ivanovich, chief specialist of the above-mentioned structural unit.

The members of the Meetings are the heads of the following structural divisions of the executive office of IDGC of the South PJSC:

- Koledin Alexey Viktorovich, Deputy Chief Operating Engineer;
- Sizov Vyacheslav Viktorovich, Deputy Chief Engineer for Operational and Technological and Situational Management – Head of the Department of Operational and Technological and Situational Management;
- Petlenko Andrei Vladimirovich, Deputy Chief Engineer – Head of the Department of Production Safety and Control;
- Anatoly Sergeevich Ionov, Head of the Maintenance and Repair Department;
- Taskaev Andrei Alexandrovich, Information Technologies Director – Head of the Department of Corporate and Technological Automated Control Systems;
- Zabiroy Andrey Alexandrovich, Head of the Department for sale of electricity services and accounting;
- Stepanishev Anton Valentinovich, Head of Capital Construction Department.

In 2016, in accordance with the “Plan of the meetings of the Technical Board of IDGC of the South PJSC” for 2016, approved on 9 March 2016, the Board held 11 meetings and discussed the following 59 issues:

1. Consideration of the feasibility and possibility of an agreement between “MIG” LLC and Volgogradenergo, branch of IDGC of the South PJSC, for the conduct of trial operation of developed by the above-mentioned organization equipment for the monitoring of the intensity of ice formation on MIG power transmission lines;
2. Discussion of the possibility of changing technical solutions in the process of performing construction and installation works on project “Construction of 110/10kV substation “Sportivnaya” with branches of 110kV transmission lines and reconstruction of the adjacent network in Rostov-on-Don”;

3. Discussion of the possibility of using the block-modular unit of substation control building produced by “Group of Companies Elektroshield-TM Samara” CJSC in the process of performing construction and installation work on the project “Reconstruction of 110/10kV substation “AS-10” with replacement of transformers with replacement of the existing transformers with two transformers of 40 MVA to provide power supply for the airport “Yuzhny” in Rostov-on-Don”;
4. Consideration of the possibility of using in the course of construction and installation works on the project “Reconstruction of 110/10kV substation “AS-10” with replacement of the existing transformers with two transformers of 40 MVA to provide power supply for the airport “Yuzhny” in Rostov-on-Don” the power transformer of type “TRDN 40000/100 U1” due to the absence in the design estimates of the cost for the complete set of power transformers of type “TRDN 40000/100 U”, providing for the presence of a monitoring system for its technical parameters;
5. Consideration of the possibility of changing the manufacturer of the arc-suppression reactor of type “RZDPOMA-860/10U1” with the UARK (current compensation) automation and power transformer of type “TMG-1000” manufactured by “Holding Company Electrozavod” JSC due to impossibility of carrying out trade and procurement procedures for their acquisition, taking into account the cost specified in the cost estimates on arc-suppression reactor of type “RUOM-840/11/  $\sqrt{3}$  UHL1” equipped with the “SAMUR” control system and the zero-sequence filter “FMSO-875/11” manufactured by “Energia” JSC (“Ramensky Electrotechnical Plant”) in the process of performing construction and installation work under the project “Reconstruction of 110/10kV substation “AS-10” with replacement of transformers with two transformers of 40 MVA to provide power supply to the airport “Yuzhny” in Rostov-on-Don”.
6. Discussion of the possibility of including in “Plan of R&D activities” the following projects essential for distribution grids of IDGC of the South PJSC in 2017:

- “Development of a system for forming a scheme of technological connection to the electric grid for clients of IDGC of the South PJSC based on the information system of special monitoring”;
  - “Development of methodological instructions for diagnosing the state of insulator sets of 110-220kV overhead lines using ultraviolet inspection”;
  - “Research of the possibility of prolonging the service life of high-voltage oil-filled equipment with the use of technology of replacement of transformer oil with electrical insulating liquid from plant sources”;
  - “Power package SOPT (operating DC voltage system) based on nickel-cadmium batteries, supercapacitors and modernized rectifiers”;
7. Implementation of import substitution programme in transformer construction;
  8. Technologies of reactor equipment of “Group" SVEL” JSC;
  9. Innovative technologies for increasing the reliability of electricity supply to electricity consumers;
  10. Substations “SIEMENS E-house” and” SIEMENS BKTP”;
  11. One substation – four solutions. Complex solutions of “ABB” for 110kV substations;
  12. Microprocessor system of electromagnetic interlocking of disconnectors with inductive position sensors switching devices;
  13. Integrated solutions for reconstruction and new construction of switchgears of 35kV and higher;
  14. Presentation of “Eurocontract-VVA” LLC of its products and service competencies of the company;
  15. Modern high-voltage equipment as a way to improve reliability of the power system;
  16. Increase of reliability of the system of operational direct current (SOPT) at 35-110kV substation by installation of shunt devices of incoming circuit breakers AB. Feasibility of developing a standard power project;

17. TECHNOCOMPLEKT IEPA JSC is a company-developer and manufacturer of operating DC voltage system;
18. Products of the company. Typical solutions. Standard power projects;
19. Experience in installation, commissioning and operation of gas-insulated switchgears;
20. New developments of “Scientific-Production Enterprise “EKRA” LLC;
21. Equipment of “Scientific-Production Enterprise “EKRA” LLC for company’s needs for installation at substations and power stations;
22. Innovative solutions of “Research Center “Bresler” LLC. Protection of near and distant backup of branch stations;
23. Reliability of relay protection and automation devices in distribution electrical networks of 6-35 kV. Solutions of Relay Protection and Automation Systems, proven by time and experience of operation. New microprocessor type protective relay for 110-220 kV distribution electrical networks;
24. New devices of relay protection and emergency automatics manufactured by “Radius Automatika” JSC;
25. Modern integrated solutions of “Cheboksary electrical appliances plant” CJSC for relay protection and automation of 0.4-220kV grid equipment;
26. Satellite technologies and solutions in energy sector;
27. World manufacturers of power supply equipment. Advantages of the domestic manufacturer;
28. Construction of high-speed relay protection from arc short-circuits in 6-10 kV switchgears;
29. New solutions of “PARMA LLC”;
30. New solutions and experience in introduction of equipment;
31. Perspective developments of “Bresler Scientific and Production Enterprise” LLC in the field of 6-35 kV relay protection and emergency automatics;
32. Relay protection device “RETOM”: development in the spirit of modern trends;

33. Perspective developments of “Bresler Scientific and Production Enterprise” LLC in the field of 110-220kV relay protection and emergency automatics;
34. TECHNOCOMPLEKT IEPA JSC is a company-developer and manufacturer of direct current systems. Battery chargers”;
35. “Research and Production Enterprise “Istochnik” LLC is the Russian manufacturer of storage batteries for DC systems, as well as relay protection and emergency control systems;
36. Increase of reliability and efficiency of overhead lines, experience of application of modern lightning protection devices, indication systems of phase fault and single phase-to-earth fault, monitoring of thunderstorm activity for electric power industry;
37. Solutions of the company “Mekhanotronika RA” in relay protection and automation and automated control systems for the distribution grid complex;
38. Quick-mounting and dismounting supports of 35-110 kV overhead lines for emergency recovery;
39. Innovative development of Rosseti PJSC. The main aspects of innovative development of Rosseti PJSC in the new conditions;
40. Systems for early detection of ice formation (SROG), prospects for introduction in the power networks of the power systems on the South of the Russian Federation;
41. Ice on the overhead line under the control of Automatic Ice Load Control Information System “BLAIS”;
42. Automatic Ice Load Control Information System from the “Abak-2000 Group of companies”;
43. System of monitoring the intensity of ice accretion produced by “MIG” LLC;
44. Single information space. GIS as an integration platform for power supply organization systems;
45. The system of specialized monitoring and forecasting of hazardous weather phenomena “NAMOS” for electric power facilities;
46. Scheme and devices for melting ice on overhead power lines;

47. Diagnostics of condition of insulator sets in networks with effectively-grounded neutral;
48. Software and hardware package for diagnostics of condition of insulator sets of 110-220 kV overhead line by ultraviolet inspection;
49. Effective decisions of “Elektrosetstroyproekt” JSC for HVL 35-110 kV. New in spiral type fittings;
50. Features of operation and design of 35-750 power line with application of high-strength and high-temperature wires and ground wires, including Optical Pilot Ground Cable;
51. Wooden impregnated power transmission line supports. Features of production, quality assurance, prospects;
52. Experience of using sectioned centrifuged reinforced concrete racks for repair and technical re-equipment of overhead lines;
53. Development of unified reinforced concrete pad and chimney foundations of increased durability for supports of 35-110kV overhead lines in accordance with Rules for Operation of Electrical Installations-7;
54. Development of technical solutions for giving attractive metallic appearance to standard metal and reinforced concrete supports of 110kV power lines;
55. The latest developments of “Elektropribor” LLC in the field of production of PPE for electric network personnel (means of protection when working at height and when measuring induced voltage);
56. The standard of the organization STO 34.01-30.1-001-2016 “The use of electrical safety devices in the electric grid complex of Rosseti PJSC”. Requirements for operation and testing;
57. Selection of personal protective equipment (PPE) for work at height;
58. Ultrasound diagnostics of the state of power transmission lines;
59. New products of “NILED” LLC.

#### 1.10. List of indicators for monitoring implementation of the innovative development programme (performance indicators):

Performance indicator	UOM	2016
The costs of research and development carried out by third-parties, including contractors (universities, scientific organizations, innovative small and medium-sized businesses)	thousand rubles	10 006.4
projects implemented within the frameworks of:		
technology platform	thousand rubles	10 006.4
universities	thousand rubles	0.00
scientific organizations	thousand rubles	0.00
Costs for purchase of innovative products (technologies, solutions, goods, works, services, defined by the Programme of Innovative Development of IDGC of the South PJSC)	thousand rubles	19 380.0

In accordance with the “Concept of innovative development of Rosseti PJSC for IDGC of the South PJSC”, the Company selected the basic universities of the Southern Federal District of the Russian Federation:

1. Platov South-Russian State Polytechnic University (NPI);
2. Rostov State Transport University (RSTU);
3. Don State Technical University (DSTU);
4. Astrakhan State Technical University";
5. Astrakhan State University (ASU);
6. Volgograd State Agrarian University
7. Kalmyk State University.

In addition to the above-mentioned universities, IDGC of the South PJSC interacts with the following universities for staff training and implementation of educational programmes:

1. the Russian Presidential Academy of the National Economy and Public Administration (RANEPA);
2. Taganrog Technological Institute of the Southern Federal University (Taganrog State Radio Technical University named after V.D. Kalmykov);
3. Southern Federal University (SFedU);
4. Azov-Black Sea State Agriculture Engineering Academy";
5. Rostov State University of Economics (RSUE);
6. Volgograd Energy College;

7. Rostov Electrotechnical College.

8. National Research University Moscow Power Engineering Institute (MPEI),  
branch in Volzhsky

9. National Research University Moscow Power Engineering Institute (MPEI)

Information on advanced and additional training of employees of IDGC of the South PJSC in 2016

Customer	TIN of the Customer	Higher Educational Institution	TIN of Higher Educational Institution	Amount of employees that took a training course at Higher Educational Institution in 2016	Financing of employees that took a training course at Higher Educational Institution in 2016, thousand rubles.	Amount of employees that took a professional retraining course at Higher Educational Institution in 2016	Financing of employees that took a professional retraining course at Higher Educational Institution in 2016, thousand rubles.
IDGC of the South PJSC	616426656 1	Moscow Power Engineering Institute	7722019652	6	140.0	1	135.0
IDGC of the South PJSC	616426656 1	Southern Federal University	6163027810	–	–	2	40.8
IDGC of the South PJSC	616426656 1	the Russian Presidential Academy of the National Economy and Public Administration	7729050901	–	–	1	30.0

## Technical policy and regulatory and engineering provisions

Information on the key, special or most important projects of IDGC of the South PJSC during implementation of which innovative, advanced, progressive technical solutions, technologies, materials and equipment were used that correspond to the technical policy (including the innovation development programme)

In 2016, in IDGC of the South PJSC, according to Chapters 4.4 of “Introduction of innovative technologies and equipment” of the “The regulations of Rosseti PJSC on a unified technical policy in the power grid complex” carried out the stages of work on the projects listed in the table:

#	Branch of IDGC of the South	Facility	Key technical specifications
1	Efficiency of business processes and automation of control systems		
1.1	Branch of IDGC of the South – Rostovenergo	Installation and interfacing of the automated system of process control and automated measuring and information system for electric power fiscal metering at 110/10 kV “Sportivnaya” substation and adjacent substations with fiber optic links on the basis of CISCO-3750G switches with optical modules	Installation and interfacing of the automated system of process control and automated measuring and information system for electric power fiscal metering at 110/10 kV “Sportivnaya” substation and adjacent substations with fiber optic links on the basis of CISCO-3750G switches with optical modules
1.2	Branch of IDGC of the South – Rostovenergo	Installation of the automated technological process control system (ASUTP) at 110/10 kV “AS-10” substation	Equipping 110/10 kV “AS-10” substation with the automated technological process control system (ASUTP)
1.3	Branch of IDGC of the South – Volgogradenergo	Installation of the automated technological process control system (ASUTP) at 110/35/6kV “TDN” substation	Equipping 110/35/6kV “TDN” substation with the automated technological process control system (ASUTP)
1.4	Main Office and branches of IDGC of the South – Astrakhanenergo,	Development of a corporate information system for resource management based on SAP	The company carried out work on the integration of the asset management system with the “Accidents” software package and development of the SAP

#	Branch of IDGC of the South	Facility	Key technical specifications
1	Efficiency of business processes and automation of control systems		
	Volgogradenergo, Kalmenergo and Rostovenergo	software (KISUR - enterprise information system for resources management)	system functionality in accordance with business needs in the framework of support of SAP system of IDGC of the South PJSC. The project is being implemented within the framework of the operational activities of IDGC of the South PJSC
#	Branch of IDGC of the South	Facility	Key technical specifications
1.5	Main Office and branches of IDGC of the South – Astrakhanenergo, Volgogradenergo, Kalmenergo and Rostovenergo	Development of enterprise information system for resource management of IDGC of the South PJSC on the basis of “1C: Enterprise 8.2”	Development of the functional of the unified accounting system of IDGC of the South PJSC based on “1C: Enterprise 8.2”, in accordance with the needs of the business, as part of maintenance of the software product “1C: Enterprise” for the needs of IDGC of the South PJSC. Full-scale operation of the module that integrates the single corporate accounting system of economic activity of IDGC of the South PJSC on the basis of “1C: Enterprise 8.2” with the corporate program complex “Technological connection”; a more developed functional of the unified accounting system of IDGC of the South, based on “1C : Enterprise 8.2”, in accordance with the needs of the business, as part of the maintenance of the software product “1C: Enterprise” for the needs of IDGC of the South PJSC and the advanced functionality of the automated accounting systems under IFRS on the platform “1C: Enterprise 8”, in accordance with the business needs as part of maintenance of automated accounting systems under IFRS of IDGC of the South PJSC on the platform “1C: Enterprise 8”

#	Branch of IDGC of the South	Facility	Key technical specifications
1	Efficiency of business processes and automation of control systems		
1.6	Main Office and branch of IDGC of the South – Rostovenergo	Design of the system of operative (inductive) blocking of switching devices. The BREM-01M system at 110/35/10 kV substation “VdPTF”	<p>Installation of operative (inductive) interlocking of switching devices at 35-110 kV substations; ensuring the safety of operational personnel during operational switching; minimization of personnel for performing the operational switching.</p> <p>The interlock system provides monitoring of the status of high-voltage switch, low-voltage input switches, disconnectors and short-circuiting switches. When the system is operating with the process control system, it is possible to display the state of the switching devices at the control center of the dispatcher. Introduction of the automated process control system is planned during the reconstruction of the facility.</p>
#	Branch of IDGC of the South	Facility	Key technical specifications
1.7	Main Office and branches of IDGC of the South – Rostovenergo	Design of microprocessor system of electromagnetic blocking of disconnectors with inductive position sensors of switching devices BREM-01M at 110/10 kV substation “AS-10”	<p>Introduction of the microprocessor-based electromagnetic locking systems for disconnectors with inductive proximity switches BREM-01M at 110/10 kV substation “AS-10”; ensure safety of operational personnel in the process of switching operations and minimize the number of personnel required for the job.</p> <p>The system provides monitoring of the status of high-voltage switch, low-voltage input switches, disconnectors and short-circuiting switches. When the system is operating with the process control system, it is possible to display the state of the switching devices at the control center of the dispatcher. Introduction of the automated process</p>

#	Branch of IDGC of the South	Facility	Key technical specifications
1	Efficiency of business processes and automation of control systems		
			control system is planned during the reconstruction of the facility.
1.8	Main Office and branches of IDGC of the South – Rostovenergo	Construction of a system for collective display of operational information for the needs of the Situation Analysis Center World Cup 2018 at the branch of IDGC of the South PJSC – “Rostovenergo”	<p>System for collective display of operational information for the needs of the Situation Analysis Center is designed for visualization of operational and technological information on the power facilities of the World Cup 2018 within the zone of operational responsibility of Rostovenergo; organization of staff activities with the implementation of the video conferencing function.</p> <p>The system will allow to display the schemes of power facilities involved in providing electricity to World Cup 2018 facilities, information on telemechanics, emergency control, security and fire alarms, and video surveillance. As an integrated approach to the innovative project, it is planned to integrate the system with the software complex an integrated system of specialized monitoring, forecasting and support to make operational management decisions in the event of hazardous weather events in the zone of operational responsibility of IDGC of the South PJSC</p>
#	Branch of IDGC of the South	Facility	Key technical specifications
2	R&D activities		
2.1	Main Office of IDGC of the South PJSC, “Managing Company “DonGIS” LLC	Research and technical development (RTD) project: “Development of an integrated system of specialized monitoring, forecasting and support for adopting operational management decisions in	Establishment of a system of specialized monitoring and forecasting of hazardous natural phenomena on the territory of operational responsibility of IDGC of the South PJSC, as well as timely notification of personnel of various branches located in the territory of Rostov, Volgograd and Astrakhan

#	Branch of IDGC of the South	Facility	Key technical specifications
1	Efficiency of business processes and automation of control systems		
		the case of hazardous weather events in the zone of operational responsibility of IDGC of the South PJSC”, concluded with “Managing Company DonGIS” LLC	oblasts and the Republic of Kalmykia, including units of the Ministry of Emergency Situations of Russia, the Ministry of Defense and Transport of the Russian Federation, in order to enable them to make appropriate operational management decisions.
2.2	Technical Inspection UES	Research and technical development (RTD) project: “Research and development of technology and instrumentation and analytical support for X-ray examination of high-voltage switches”	Development of technology and instrumentation and analysis software for operational (on site) control of technical state of high-voltage low-oil switches of type VMT-110 without their removal from busbar and without opening, namely development of analytical instrumentation and

Information on standards, regulations and specifications developed by IDGC of the South PJSC in the field of technical regulation in 2016

#	Number of the document in the registry of standards, regulations and specifications of IDGC of the South PJSC	Sphere of technical regulation	Name	Funds for development (if spent), rub	The main contractor who drafted the document (if involved) The organization's legal form and name
1	ИСМ 80380011-ИА/Ф 5210 002-2016	Labor protection, Industrial safety	Rules for preventing and eliminating the consequences of accidents at power grid facilities of IDGC of the South PJSC	—	Contractor was not involved
2	СТО ИСМ 80380011-ИА/Ф-5300 048-2016	Engineering & Construction	Conducting an in-house expertise of project (design) documentation for new construction, reconstruction and technical re-equipment of power grid facilities with a voltage of 35 kV and higher under the investment programme of IDGC of the South PJSC	—	Contractor was not involved
3	СТО ИСМ 80380011-ИА/Ф-5300 038-2016	Engineering & Construction	Proprietary standard for technical tasks for design of new construction, reconstruction, technical re-equipment and modernization of the facilities of IDGC of the South PJSC	—	Contractor was not involved

4	СТО ИСМ 80380011-ИА/Ф- 5500 058-2016	Test and diagnostic methods	Safety standard for performance of works on measuring induced voltage on 6-220 kV overhead transmission line under various schemes of their grounding and without it in IDGC of the South PJSC	—	Contractor was not involved
5	СТО 80300011-ИА- ИСМ-5211 025-2016	Operational- technological and situational management	Operational-technological and situational management	—	Contractor was not involved
6	СТО ИСМ 80380011-ИА/Ф- 5500 008-2016	Labor protection, Industrial safety	Identification of hazards, risk assessment and planning of activities in the field of health and safety at work	—	Contractor was not involved
7	СТО ИСМ 80380011-ИА/Ф- 9110 056-2016	Communications infrastructure	Minimum organizational and technical requirements for ensuring the information security ASTU used for operation the power grid complex of IDGC of the South PJSC	—	Contractor was not involved
8	Пр ИСМ 80380011- ИА 7210 003-2016	HR management	Rules of internal labor regulations for employees of IDGC of the South PJSC	—	Contractor was not involved
9	ПК ИСМ 80380011- ИА/ПЭ -5211 040- 2016	Labor protection, Industrial safety	The procedure for working with information accident-prevention security documents	—	Contractor was not involved

10	ПК ИСМ 80380011- ИА/РЭ -1040 039- 2016	Grid connection	The procedure for consideration and approval of options for technological connection of power receivers of applicants in the Working Groups for Optimizing Technical Solutions of Production Departments and the Working Group of the Branch of IDGC of the South PJSC – “Rostovenergo”	–	Contractor was not involved
11	ПК ИСМ 80380011- ИА/Ф -2100 041- 2016	Production control	The procedure for estimation of conformity of the newly constructed facilities of power grid complex of IDGC of the South PJSC	–	Contractor was not involved
12	Guidelines approved by the order No.844 from 15.12.2016	Maintenance and Repair Services	Instructions for painting transmission towers	–	Contractor was not involved
13	ПК ИСМ 80380011- ИА/Ф -7220 043- 2016	HR management Labor protection, Industrial safety	The procedure for planning the additional number of production personnel for operation of the constructed and reconstructed power grid facilities of IDGC of the South PJSC	–	Contractor was not involved
14	ПК 80380011-ИА/Ф- ИСМ-5500 006-2016	HR management Labor protection, Industrial safety	The HR management of IDGC of the South PJSC staff	–	Contractor was not involved

15	ПК ИСМ 80380011- ИА/Ф -10100 045- 2016	Grid connection	The procedure of interaction between structural divisions of IDGC of the South PJSC when forming sources of financing for implementation of technological connection facilities	–	Contractor was not involved
16	Р ИСМ 80380011- ИА-2100 125-2016	Engineering & Construction	The regulations for construction control at the facilities of IDGC of the South PJSC	–	Contractor was not involved
17	Р ИСМ 80380011- ИА/Ф-2100 127-2016	Engineering & Construction	The regulations for implementation of investment projects IDGC of the South PJSC in the part of design and survey work, preparation of initial permits, construction and installation works	–	Contractor was not involved
18	УСТ ИСМ 80380011-ИА/Ф- 2110 001-2016	Engineering & Construction	Project charter “Construction of 110/10 kV substation “Sportivnaya” with branches to 110 kV transmission line and reconstruction of the adjacent network, Rostov-on-Don”	–	Contractor was not involved
19	УСТ ИСМ 80380011-ИА/Ф- 2110 002-2016	Engineering & Construction	Project charter “Reconstruction of 110/10 kV substation “AS-10” with replacement of transformers with two 40 MVA transformers to provide power supply for “Yuzhny” Airport, Rostov-on-Don”	–	Contractor was not involved

In 2016, within the framework of implementation of the “Regulation of Rosseti JSC on a unified technical policy in the power grid complex” approved at the meeting of the Board of Directors of Rosseti PJSC (minutes of the meeting No.138 of 23.10.2013) the following activities were carried out:

1. Distribution at the relevant structural divisions of IDGC of the South PJSC requirements of “The regulations of Rosseti PJSC on a unified technical policy in the power grid complex”, put into effect on 03.03.2014 by the order of IDGC of the No. 19 “On putting into effect “The regulations of Rosseti PJSC on a unified technical policy in the power grid complex” (hereinafter referred to as the Unified Technical Policy);
2. Approval of technical specifications for development of schemes and programmes for the long-term development of the electric power industry in the constituent entities of the Russian Federation that are part of the operational responsibility area of the branch of IDGC of the South, including related electric grid organizations and administrations of the constituent entities of the Russian Federation, followed by expertise of power plants and schemes of external power supply of enterprises;
3. Elaboration, coordination of technical conditions, technical design specifications (including objects of technological connection of new electricity consumers to distribution grids of IDGC of the South PJSC) with the provision of technical solutions on the basis of feasibility studies and taking into account the requirements of the Unified Technical Policy;
4. Consideration and updating of the standard technical specifications of IDGC of the South PJSC for design and survey and construction and installation works, as well as the supply of 35-110kV electrical equipment, taking into account the progressiveness of technical solutions implemented in new construction projects, technical re-equipment and reconstruction, defined by the Unified Technical Policy;
5. Approval of explanatory notes on 35-110 kV facilities of “Investment programme for development of IDGC of the South PJSC in 2016 and for the coming years”;

6. Consideration and approval of plans for procurement of goods, works, services of IDGC of the South PJSC (annual complex procurement programmes) and organization of examination (review) of design and estimate documentation;
7. Use in the current activity of the proprietary standard “Conducting an in-house expertise of the project (design) documentation for new construction, reconstruction and technical re-equipment of 35kV and higher electric network facilities under the investment programme of IDGC of the South PJSC” , approved and put into effect on 23.05.2016 by the order of IDGC of the South PJSC No.304 “On approval of the proprietary standard on the conduct of an internal expertise of design estimates for new construction, reconstruction and technical re-equipment of 35kV and higher electric network facilities”;
8. Conducting technical expertise of tender documentation for design and survey works and supply of electrical equipment;
9. Development of integrated programmes for development of 35 kV and higher distributional electrical networks based on the requirements of the order of Rosseti PJSC dated 27.08.2012 No.470 “On planning development of the distribution grids of IDGC of the South PJSC”;
10. Holding meetings of technical boards of IDGC of the South PJSC for selection of optimal design solutions taking into account the requirements of the Unified Technical Policy and the results of consideration of their feasibility studies;
11. Approval of 35-110 kV distribution grid facilities for new construction and reconstruction by the commissions with participation of representatives of the technical block of IDGC of the South PJSC with the assessment for compliance with the requirements of the relevant normative and technical documents, the Unified Technical Policy and the developed design estimates;
12. Control over operation of new electrical equipment and materials in accordance with the requirements of the Order of IDGC of the South PJSC from 14.04.2015 No.37 “On control of operation of new electrical equipment and materials.”

#### **2.1.10. Integrated management system (IMS)**

Since 2009, IDGC of the South PJSC has introduced and uses an integrated management system, which includes three areas of activity: quality management, environmental management and health and safety management.

The integrated management system is a component of the overall management system of the Company, designed to ensure compliance with the requirements in the field of quality, environmental safety, health and safety, and ensuring compliance of activities of IDGC of the South PJSC with the needs and expectations of consumers and satisfaction of all interested parties, including employees, shareholders, investors and partners of the Company.

The key objectives of the IMS are:

#### **in the sphere of quality control**

1. Increase of reliability of power supply to the customers in the Company's responsibility zone by implementing of repair and maintenance of equipment and networks.
2. Improving reliability of electricity supply to the customers in the Company's responsibility zone by implementing of the investment programme.
3. Increase of the level of satisfaction of consumers with the quality of rendered services by:
  - compliance with the deadlines for consideration of applications stipulated by the legislation of the Russian Federation and the assignment of draft agreements on implementation of technological connection;
  - compliance with the deadlines for fulfillment of obligations under agreements on technological connection;
  - reduction of the average duration of emergency shutdowns relative to the previous year.
4. Maintaining the approved level of losses in the branches.

#### **in the sphere of ecology**

Decrease of level of negative impact on the environment during implementation of the main business activities by following the activities of the Programme for Implementation of the Environmental Policy of IDGC of the South PJSC.

### **in the sphere of labour protection and labour safety**

Reduction of the level of occupational traumatism among personnel in relation to the average annual level for the last three years by means of:

- implementation of the “Programme of measures aimed to reduce the risks of occupational accidents”;
- conducting a special assessment of working conditions in the workplace in accordance with the requirements of regulatory documents.

The main participants of the QMS are:

- General Director;
- Deputy General Director – Chief of Staff as a representative of the Company’s management in charge of the IMS;
- HR and Organizational Design Department in the executive office, department for work with personnel in the branches (in the part of the QMS, organization of complex system of operation, certification);
- Department of industrial safety and production control in the executive office, production security and production control in the branches (in terms of health and safety, environmental safety);
- First Deputy Director – Chief Engineer of a branch as representative of the IMS in the branches;
- Chief Engineer of production departments and electrical network zones as responsible for IMS issues;
- other departments of the Company responsible for managing business processes, performing duties in the field of environmental protection, as well as in the field of health and safety.

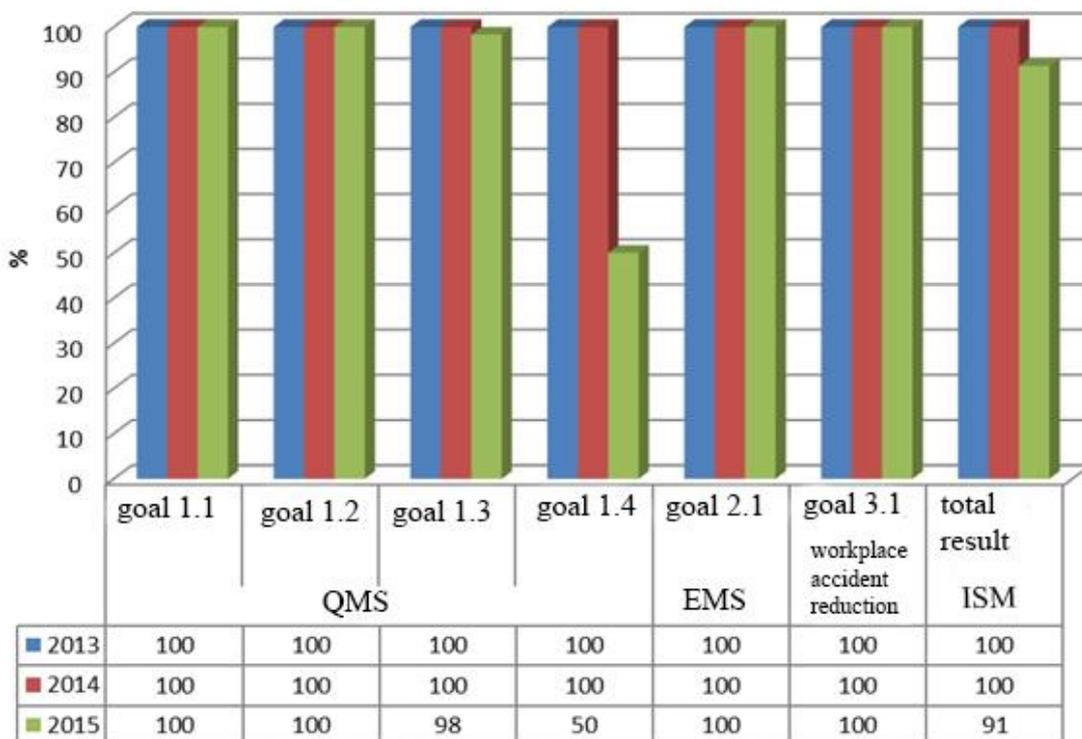
The Company’s ISM, including branches, has been certified since 2009 for compliance with the requirements of international standards ISO 9001, ISO 14001: 2004, OHSAS 18001: 2007. In 2012-2015 the Company successfully passed the procedure of re-certification. The Swiss company SGS Vostok Limited acts as the certification partner.

## Analysis of ISM objective fulfillment by IDGC of the South PJSC

In accordance with the diagram, the overall level of IMS performance at the end of the analyzed period was 91%. This level of performance was achieved due to a 100% implementation of the following objectives:

- in the field of quality: 1.1 “Improving the reliability of electricity supply to the customers from the Company’s responsibility zone by means of implementation of repair and maintenance projects” and 1.2 “Increasing the reliability of electricity supply to the customers from the Company’s responsibility zone by means of implementation of the investment programme”:

**Achievement of the goals of IMS, %**



- in the field of ecology: 2.1. “Reduction of the level of negative impact on the environment during the implementation of the main business activities by means of implementation of activities of the Programme of the Environmental Policy of IDGC of the South PJSC;

- in the field of health and safety at work: 3.1. “Reduction of the level of occupational injuries of personnel in relation to the average annual level for the last three years.

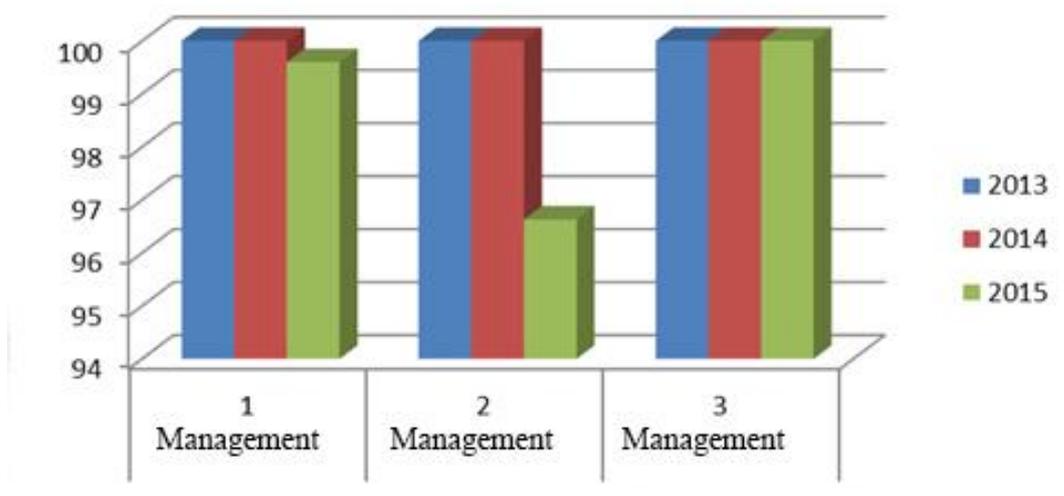
Goals 1.3 “To increase the level of customer satisfaction with the quality of services provided” and 1.4 “ Maintaining the approved level of losses in the branches ” are achieved partially, at a level that is not critical. Corrective measures have been developed and implemented in these areas.

#### Analysis of functioning of the processes of IDGC of the South PJSC

Mostly of the business processes in IDGC of the South PJSC in the analyzed period were effective. The level of business process performance was as follows:

- Management processes (M.1-M.3) – 98.74%, which is by 1.26% lower than the level of 2013;
- the core processes (C.1-C.5) – 96.53%, which is 4.86% higher than the level of effectiveness of major processes in 2013;
- auxiliary processes (A.1-A.7) – 99.5%, which is 2% higher than the level of performance of major processes in 2013.

Efficiency of Business Management in IDGC of the South PJSC, %

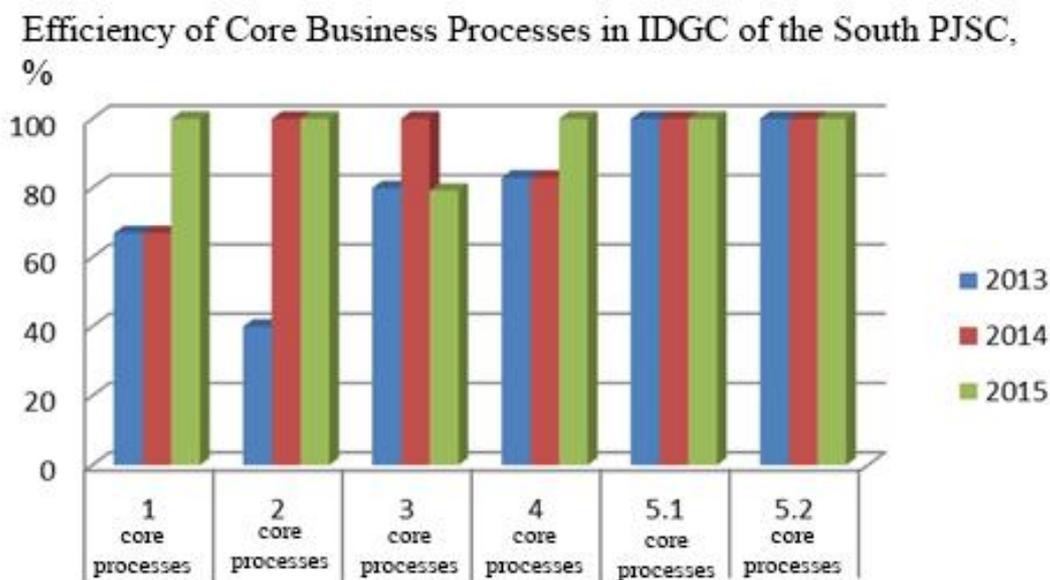


Decrease in the level of the effectiveness of business processes M.1 “Financial and economic planning”, M.2 “Tariff design” is caused by objective factors and is not critical.

Increase in the level of effectiveness of the main processes in the reporting period is associated with an increase in the level of effectiveness of the following business processes:

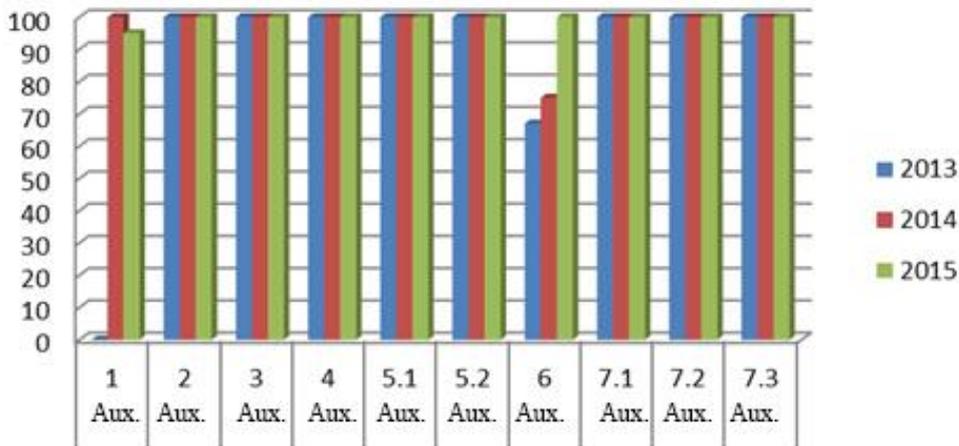
- C.1 “Management of network development” from 67% to 100% (+ 49%);
- C.4 “Provision of technological connection services” from 83% to 100% (+ 17%).

We should note the consistently productive work of business processes C.2 “Preparation and implementation of investment programmes”, C.5.1 “Technical and repair services”, C.5.2 “Operational and technological management” in 2014-2015. The level of effectiveness of these business processes was 100%.



The most stable business processes in the Company are auxiliary business processes: eight out of ten processes in the analyzed period had a 100% efficiency level. We should not a significant growth in the effectiveness of the business process A.6 “Legal support”.

**Efficiency of Auxiliary Business Processes  
in IDGC of the South PJSC, %**



Decrease in the level of business processes A.1 “Procurement management and inventory” is caused by objective factors and is not critical.

In all areas of activity, in which there has been a decrease in effectiveness, corrective measures have been planned and implemented in a timely manner.

## 2.2. Finances

### 2.2.1. Basic provisions of the accounting policy

Information on accounting policy under the Russian Accounting Standards (RAS).

The Regulations for the Company’s accounting policy were developed in accordance with the requirements of the Russian accounting regulations (RAS), requirements of statutory acts on accounting as well as the requirements of the tax and civil legislation of the Russian Federation.

IDGC of the South PJSC arranges and maintains accounting records and prepares financial statements in accordance with the Federal Law No.402-FZ dated 6 December 2011 “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 on 29 June 1998, the Plan of Bookkeeping Accounts approved by the order No.94n of the Ministry of Finance of the Russian Federation on 31 October 2000, Single corporate principles of RAS for the Group “Rosseti” JSC, approved by the order of “Rosseti” JSC No.547 (02.09.2013), and other regulatory documents in the field of accounting.

The Regulations for accounting policy of the Company have been elaborated on the following assumptions:

- continuity of operations of the enterprise;
- business entity convention;
- consistent application of accounting policy;
- accrual principle assumption.

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 remaining from the retirement of unsuitable for recovery and further use fixed assets, spare parts, formed as a result of the recovery of fixed assets (reconstruction, modernization, repair) are valued at the current market value as of the date of writing off such fixed assets or on 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.

When evaluating property purchased for any reason, its 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, at 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.

The Company performs an inventory of assets and liabilities in accordance with Article 11 of the Federal Law No.402-FZ dated 6 December 2011 “On Accounting” and the Guidelines for the inventory of assets and liabilities, approved by the order No. 49 of the Ministry of Finance of 13 June 1995.

The Company recognizes as fixed assets those for which the following conditions are met:

- they are supposed to be used in production, operation, provision of services or for administrative purposes for a long time (useful life over 12 months, or the normal operating cycle, if it exceeds 12 months);
- the ability to make profit (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 Company employs the linear method of fixed assets depreciation.

The Company carries out accounting of the intangible assets in accordance with the Accounting Provisions “Intangible Assets Accounting” (RAS 14/2007) approved by the order No.153H dated 27 December 2007 of the Ministry of Finance of the Russian Federation.

Intangible assets are not revaluated.

Accounting of expenses for 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 of the Ministry of Finance of the Russian Federation No.115 on 19 November 2002. Deduction of R&D expenses is performed using the linear method. Period over which expenses on R&D are written off, which gave a positive result is determined for each project, based on the expected use of the results, in which the organization can receive economic benefits (income), but no

more 5 years. The depreciable life of every project is approved by the head of the Company (branch).

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.

Inventories that do not belong to the Company by a possessory right, received hereby under the contract of commission agency, storage contract etc., shall be recorded off the balance in the account 002 “Inventory Holdings Received for Responsible Storage” according to the valuation stipulated by the corresponding contracts and transfer and acceptance documents (certificates, bill of quantities etc.)

The accounting unit of the inventory is the item number or a homogenous group (depending on the type of the inventory). The cost of special clothes and uniform with useful life exceeding 12 months is deducted by using a 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 to a third-party, 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.

Average value 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 Company divides income into income from core activities and miscellaneous income.

The following is recognized by the Company as income from core activities:

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

Miscellaneous income is income that is not related to core activities and provision of services.

The Company's income, 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.

The Company subdivides the expenses into expenses related to usual kinds of activities and other expenses.

Expenses on core activities are the costs associated with manufacture and sale of products, acquisition and sale of goods, costs associated with the production of work, provision of services, implementation of which is associated with the usual activities of the Company.

The accounting of expenses for sale of electricity transmission services and services for technological connection to the networks is carried out in the context of the departments that bear the costs associated with the maintenance and operation of power transmission lines, switchgears, substations, other structures and equipment intended for transmission and distribution of electric power and performing services on technological connection to the networks, and in the context of cost of accounts. 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.

Commercial expenses in full amount are recognized in the cost of services rendered, works performed in full during the reporting year, their recognition as expenses for ordinary activities.

The reserve capital is formed by the Company from its profit on the basis of the constituent documents and the decision 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 “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 dismissing (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.

The amount of accounts payable is determined on the basis of the price and conditions established by the contract. At the same time, accounts payable are recognized in the full amount under the contract, regardless whether an advance payment or a preliminary payment was made at the expense of supplies. The amount of the advance is counted toward performance of obligations under the contract.

To assess accounts payable arising from contracts that presuppose significant deferrals or payment by installments, the amount of future cash flows is not brought to the reporting date, and accounts payable are assumed equal to the nominal price of the contract minus the paid amounts.

Accounts payable, issued by a bill, are reflected separately.

Expenses on loans and credits are recognized as other expenses of the corresponding reporting period. The exception to this procedure is interest on loans and loans that are subject to inclusion in the cost of investment assets.

Costs (interest) on loans and borrowings for the purposes of division of information by geographical segments (subjects of the federation on the territory of which the rates are established) are distributed among the branches of the Company in accordance with the methodology developed by the Company.

Additional costs on loans and credits are included in miscellaneous expenses in the period in which they were produced.

The Company recognizes the estimated liabilities under the terms of recognition in accordance with PBU 8/2010, approved by Order No.167n of the Ministry of Finance of the Russian Federation on December 13, 2010 with respect to the following obligations:

- the following judicial proceedings are not completed as at the balance sheet date: the judicial proceedings in which the Company acts as plaintiff or defendant, and on which decisions can be taken only in the next reporting periods, leading to an outflow of economic benefits of the Company;
- disagreements with the tax authorities on payments to the budget are not settled;
- restructuring of the Company, sale or termination of any activities of the Company, the closure of subdivisions of the Company, or their movement to another geographic region, etc.;
- conclusion of knowingly loss-making contracts;
- payment of employee benefits;
- payment of remuneration to the members of the BoD
- other similar obligations.

For the purposes of impact assessment shall be analyzed all of the above-mentioned circumstances, the consequences of which exceeds 500 thousand rubles.

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.

Events after the reporting date shall be recorded in accounting statements by means of ascertainment of data on corresponding assets, liabilities, capital, receipts and expenditures of the Company and the corresponding information shall be disclosed in the explanatory note to balance sheet and financial statements.

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.

#### **Transactions with related parties:**

Related parties of the Company are companies of the Rosseti Group, affiliated and dependent companies of IDGC of the South PJSC, members of the BoD and Management Board and other legal entities and individuals.

The complete list of affiliated persons is available at the webpage of IDGC of the South PJSC: <http://mrsk-yuga.ru/pages/show/listpersons>.

#### **Transactions with related parties (VAT excluded):**

thousand rubles

Related party (type of relationship)	2 016	2015
Services rendered to the Company:		
Rosseti PJSC (services)	166 586	161 636
FGC UES, JSC (electricity transmission services, rent)	6 556 780	6 225 926
Kalmenergosbyt JSC (purchased electricity for compensation of losses, purchased electricity for household needs)	218 305	168 333
IT Energy Service JSC (services)	15 368	13 293
FOCL-Power Lines Directorate JSC (services)	14 727	4
Total	6 971 766	6 569 192
Services rendered by the Company:		
Rosseti PJSC (rent)	1 641	1 641
Energoservis Yuga JSC (rent)	169	112
FGS UES JSC (rent, misc.)	11 867	11 873
Kalmenergosbyt JSC (electricity transmission services, rent)	463 362	416 545

Related party (type of relationship)	2 016	2015
Kubanenergo PJSC (rent, misc.)	12 088	30 947
Elektrosetservis UNEG (grid connection)	1	-
Agriculture Enterprise Sokolovskoye JSC (grid connection)	-	104
Total:	489 128	461 222
Miscellaneous revenue		
Kubanenergo JSC (selling of fixed assets and inventory and supplies, fines)	13 155	-
FGC UES JSC (selling of fixed assets)	14 517	-
FGC UES JSC (dividends)	126	6
Energoservis Yuga JSC (dividends)	3 170	1 761
Kalmenergosbyt JSC	-	161
Rosseti PJSC (selling of fixed assets, miscellaneous)	-	8 004
Total:	30 968	9 958
Miscellaneous expenses		
Kalmenergosbyt JSC	211	1 949
FGC UES JSC	875 206	83 776
IDGC of North Caucasus PJSC	1 166	-
Kubanenergo PJSC	13.109	-
Lenenergo PJSC	1 966	-
Agriculture Enterprise named after Grechko A.A. JSC	100	-
IDGC of the Centre PJSC	-	10 323
IDGC of the Centre and Volga region PJSC	-	3 628
Tyumenenergo PJSC	-	2 021
IDGC of Volga PJSC	-	1 555
Mobile gas-turbine power stations JSC	-	2 334
Total:	891 758	105 586
Dividends payable		
Rosseti PJSC	73 402	-
Interest on bonds payable		
Rosseti PJSC	676 899	355 091

#### Settlements with related parties

As of December 31, 2016 accounts receivable and payable to related parties are as follows:

thousand rubles

Related parties	As of 31 December 2016	As of 31 December 2015
Noncurrent nondelinquent accounts receivable that are due beyond 12 months		
FGC UES PJSC	1 912	6 503

<b>Related parties</b>	<b>As of 31 December 2016</b>	<b>As of 31 December 2015</b>
Current nondelinquent accounts receivable that are due in the next 12 months		
Recreation centre “Energetik” JSC	108 808	108 808
Kubanenergo PJSC	90 849	164 272
Kalmenergosbyt JSC	86 979	38 049
FGC UES PJSC	19 909	18 336
VOLS-VL Division, JSC	990	-
Mobile gas-turbine power-stations JSC	166	166
PSKh named after Grechko JSC	-	12 780
<b>Total</b>	<b>309 613</b>	<b>348 914</b>
Current accounts payable that are due in the next 12 months		
FGC UES PJSC	7 127 366	4 699 243
Kubanenergo PJSC	67 683	14
Rosseti PJSC	9 375	9 375
VOLS-VL Division, JSC	5 738	-
IT Energy Service LLC	4 536	3 857
IDGC of the North Caucasus PJSC	459	-
IDGC of Volga PJSC	-	1 835
IDGC of the Centre PJSC	-	1 778
Elektrosetservis ENES JSC	-	1
VOLS-VL Division, JSC	-	5
<b>Total:</b>	<b>7 215 157</b>	<b>4 716 108</b>
Long-term loans payable		
Rosseti PJSC (Bonded loan, principal loan)	5 000 000	5 000 000
Rosseti PJSC (Interest payable)	35 140	31 441

#### Loans granted to related parties

In 2016 the Company did not grant loan to related parties.

#### **Events after the reporting date (Accounting Regulations 7/98)**

##### Information on the additional issue of shares of IDGC of the South PJSC

On 6 June 2016, the annual General Meeting of Shareholders of the Company decided to increase the authorized capital of the Company by placing 11 615 110 154 ordinary shares by public subscription with a par value of 10 (ten) kopecks each for a total amount of 1 161 511 015 rubles 40 kopecks.

On 4 August 2016, the Bank of Russia registered a resolution on an additional issue and a securities prospectus. In accordance with the terms of the resolution on the additional issue, the pre-emptive right to purchase shares of the Company by shareholders was valid until 13 October 2016. In accordance with the decision of the

Company's Board of Directors of October 13, 2016, the preemptive right to purchase shares was extended until December 22, 2016.

Within the framework of this right, the shareholders contributed to the authorized capital of the Company 143 909 thousand rubles.

Until the moment of state registration of changes in the Company's charter capital, this transaction is reflected in the "Capital" section of the balance sheet in line 1311 "Capital (before registration of changes)".

In accordance with the decision of the Board of Directors of the Company dated 17 January 2017, the validity period for open subscription for the additional issue of shares expires on 15 March 2017.

#### [Information on assigning the status of a guaranteeing electricity supplier](#)

On 1 January 2017, IDGC of the South PJSC was granted the status of a guaranteeing supplier on the territory of the Republic of Kalmykia in relation to the zone of activity of the formerly operating guaranteeing company "Southern Interregional Power Company" JSC on the basis of the Order of the Ministry of Energy of the Russian Federation No.1400 dated 23.12.2016 "Assignment of the status of a guaranteeing supplier of a territorial grid company".

The status of the guaranteeing supplier was assigned on 1 January 2017 until the effective date of the decision on granting the status of a guaranteeing supplier to the winner of the tender in respect of the zone of activity of the guaranteeing company "Southern Interregional Power Company" JSC, but for maximum of 12 months.

According to the extract from the Federal Information Registry of Guaranteeing Suppliers and Areas of Their Activity, the boundaries of the zone of activity of "Southern Interregional Power Company" JSC as a guaranteeing supplier is the Republic of Kalmykia – within the territory corresponding to the boundaries of the balance of electrical networks formerly owned by "Kalmyk Power Company".

#### [Changes in accounting policy](#)

Changes in the accounting policy of the Company are made in cases of when legislation and (or) regulatory legal acts on accounting changes, when the organization develops new methods of accounting.

Any change in the accounting policy shall be approved by the organizational and administrative documents of the Company.

#### Significant changes in the accounting policy for tax accounting purposes in 2016:

The Company includes expenses for capital investments in the expenses of the reporting (tax) period for fixed assets related to the 3rd -7th depreciation groups in the amount of 30 percent of the initial value of fixed assets (excluding fixed assets received free of charge), and also with respect to fixed assets related to the 3rd -7th amortization groups, in the amount of 30 percent of the costs incurred in the cases of reconstruction (modernization). The changes were introduced by order No. 565 of on 16.09. 2016.

In 2017 the Company does not plan significant changes in the current accounting policy for accounting and tax purposes.

The Company does not have any plans and intentions regarding the termination of activities, reduction or sale of part of the business, as well as with regard to the cessation of the production of any products or services.

#### Information on the accounting policy under the International Financial Reporting Standards (IFRS).

The Regulations on the Accounting Policy of the Company for the purpose of preparing the financial statements in accordance with International Financial Reporting Standards (IFRS) determine the provisions of the accounting policy of IDGC of the South Group in accordance with the requirements of IFRS. IDGC of the South Group is IDGC of the South PJSC and its subsidiaries and affiliates.

The Group's accounting policy under IFRS reflect specific aspects of the Group's application of international financial reporting standards and is used in the context and in conjunction with relevant IFRS standards and provisions.

In accordance with the IFRS, the purpose of financial reporting is to provide information about the financial state, results of operations and cash flows of the Group that would be useful to users of financial statements when making economic decisions. The IFRS establishes recognition, measurement, presentation and disclosure requirements related to transactions and events that are important for

understanding financial statements. The Group's management determines and adopts an IFRS policy in such a way that the financial statements comply with all the requirements of each applicable IFRS standard (interpretation). In the absence of specific IFRS requirements, management of the Group uses its professional judgment and develops accounting policies based on the general requirements for the qualitative reporting characteristics set out in the IASB Framework for the Preparation and Reporting of the Financial Statements. When making judgments, management of the Group also takes into account the generally accepted industry practice and the provisions of other reporting standards applicable to the Group's operations, if they do not conflict with the requirements of IFRS. The Group consistently applies the accounting policy under IFRS from period to period for each category of transactions or events, unless the standard or interpretation of IFRS requires or authorizes the separation of a group of transactions for which other accounting policies are more appropriate. In the latter case, the corresponding new accounting policy will be applied consistently for each such transaction group.

### **2.2.2. Analysis of the Company's financial condition and performance**

Revenue from the sale of products (services) in 2016 amounted to 31 414 million rubles, which is 1 316.2 million rubles or 4.4% higher than the level of 2015, including revenue from electricity transmission that amounted to 30 768 million rubles, which is 1 360.3 million rubles higher than the level of 2015.

The cost of the Company's services amounted to 27 112 million rubles, which is 1 379.9 million rubles or 5.4%, higher than the level of 2015. The largest growth in the cost structure is attributed to infrastructure costs – 775.3 million rubles and personnel costs – 723.1 million rubles

Gross profit in comparison with 2015 has decreased by 63.7 million rubles and amounted to 4 302 million rubles. The loss before taxation amounted to 942 million rubles, which is 896.8 million rubles more than the actual loss of 2015.

The net loss of the Company following the results of 2016 amounted to 1 011 million rubles, i.e. more than the loss of 2015 by 822.8 million rubles, which is caused by a decrease in gross profit by 63.7 million rubles, an increase in the cost of paying

interest on loans and borrowings by 210 million rubles, as well as an increase in the balance of other income and expenses by 586 million rubles.

An analysis of key indicators of the Company's financial and economic performance is given in the table.

### Basic financial indicators

million rubles

#	Index	2016	2015	2014
1	<b>Revenues from sales:</b>	31 414	30 098	28 892
1.1.	from power transmission services	30 768	29 408	28 009
1.2.	from technological connection services	470	500	704
1.3.	from selling electricity			
1.4.	other activity	176	190	178
2	<b>Prime cost, total</b>	27 112	25 732	24 260
3	Net profit	4 302	4 366	4 631
4	Management expenses	706	644	566
5	Commercial expenses	0	0	0
6	Sales proceeds (losses)	3 596	3 722	4 066
7	Interest receivable	95	62	43
8	Interest payable	2 769	2 559	2 236
9	Participation capital	3	12	11
10	Other income	5 111	3 461	2 890
11	Other expenses	6 979	4 743	11 351
12	Income (loss) before tax	-942	-45	-6 578
13	Profit tax and other similar mandatory payments	69	143	316
14	Net profit (loss)	-1 011	-188	-6 894
15	<b>EBITDA</b>	4 418	5 225	-1 483

### Revenue structure

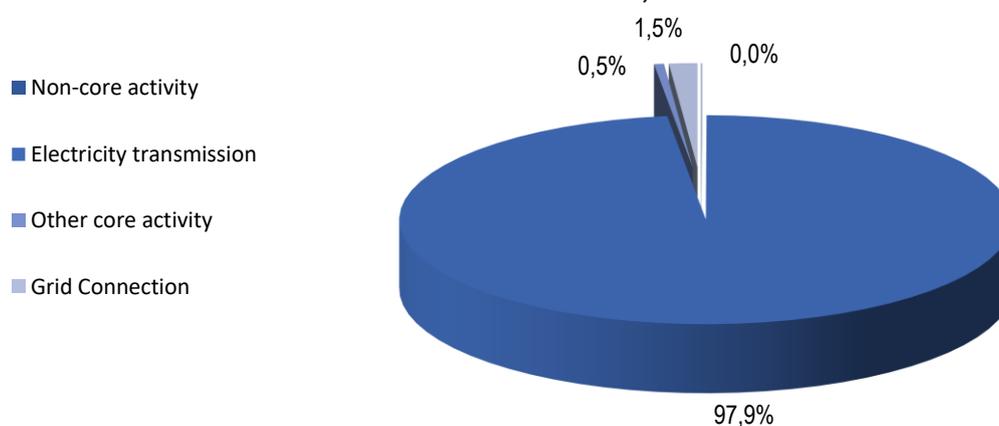
In 2016 the total revenue of IDGC of the South PJSC amounted to 31 414 million rubles, which is 1 316.2 million rubles (5.3%) lower than the revenue of the last year.

The greatest share of the income of the company (97.9%) of the revenues is from the provision of electricity transmission services:

Revenue	2016		2015		2014	
	million rubles	%	million rubles	%	million rubles	%
<b>revenues from sale of goods (services)</b>	31 414	100.0%	<b>30 098</b>	<b>100.0%</b>	<b>28 892</b>	<b>100.0%</b>
Electricity transmission services	30 768	97.9%	29 408	97.7%	28 009	96.9%
Grid connection services	470	1.5%	500	1.6%	704	2.4%
Electricity retail services						

Other goods (services) from core activity	164	0.5%	173	0.6%	175	0.6%
non-core goods (service)	12	0.0%	17	0.1%	3	0.01%

Revenue of IDGC of the South PJSC in 2016, in million rubles and %



By the results of 2016 revenue from transmission services amounted to 30 768 million rubles (97.9% of total revenues), which is 4.6% or 1 360.3 million rubles higher than at the end of 2015. The increase is due to the growth in the average supply tariff for electric power transmission by 68.8 rubles/MWh or by 5.68% due to changes in the structure of productive supply by voltage levels, as well as an increase in unified “boiler” tariff for electricity transmission from 1 July 2016.

Revenue from technological connection at the end of 2016 amounted to 470million rubles (1.5% of the total revenues of the Company), which is 29.7 million rubles, or 5.9% lower than the revenue from technological connection services in 2015. This result is due to decrease in the number of applications for technological connection filed by counterparties with a capacity exceeds 150 kW, postponement of the implementation of technological connection agreements at the initiative of the applicants to later dates, and termination of existing contracts due to unfavourable macroeconomic conditions.

Other income brought the company 176 million rubles (0.6% of total revenues), which is 7.6% lower than in 2015. This decrease is mainly due to fall in revenues from maintenance services.

## Cost structure

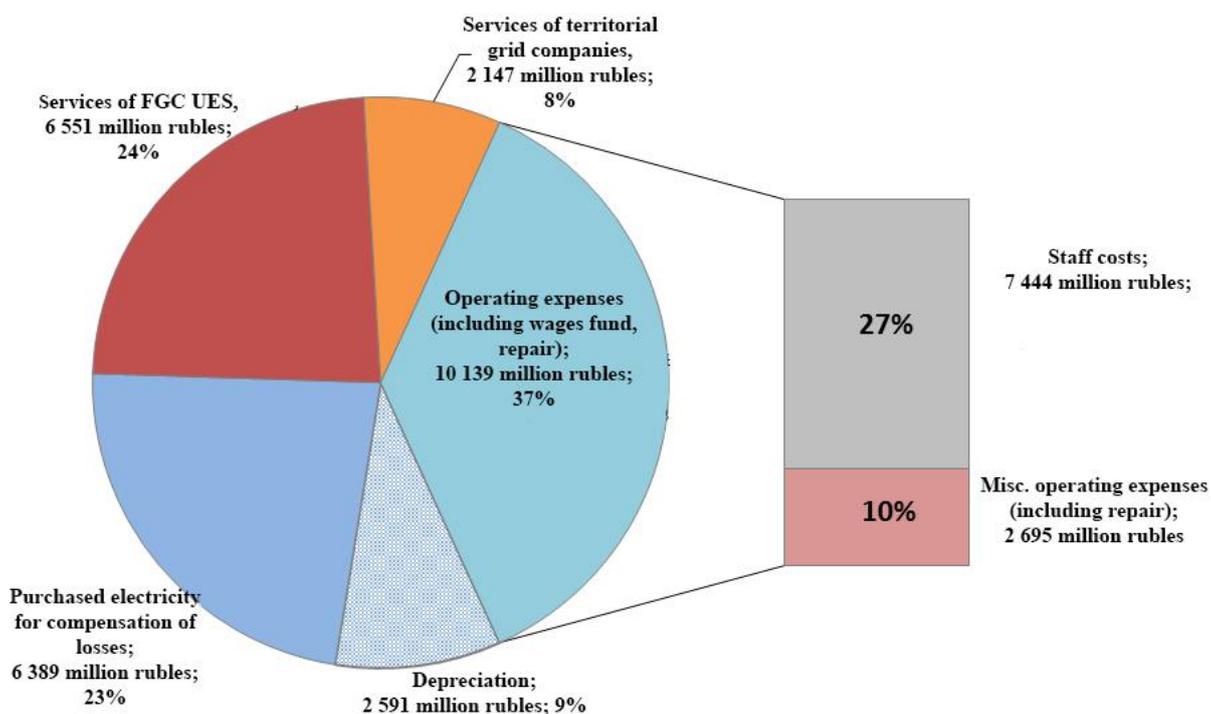
Actual costs (including administrative and business expenses) of IDGC of the South in 2016 amounted 27 818 million rubles, which exceeds the amount of expenditures in 2015 by 1 441.4 million rubles (5.5%). The increase in cost is largely due to the growth in infrastructure costs (by 775.3 million rubles) and personnel costs (by 769.1 million rubles). Information on the main expenditures of the Company in 2014-2016 is presented in the following table:

### Prime cost with regard of administrative expenses

Expenditures	2016		2015		2014	
	million rubles	%	million rubles	%	million rubles	%
<b>Prime cost of goods (services)</b>	<b>27 818</b>	<b>100,0%</b>	<b>26 376</b>	<b>100,0%</b>	<b>24 826</b>	<b>100,0%</b>
Depreciation of fixed and intangible assets	2 591	9,3%	2 711	10,3%	2 859	11,5%
Purchased electricity for compensation of losses	6 389	23,0%	6 281	23,8%	5 272	21,2%
Purchased electricity for selling	0	-	0	-	0	-
Services of FGC UES, JSC	6 551	23,6%	6 219	23,6%	5 928	23,9%
Services of distribution grid companies	2 147	7,7%	1 918	7,3%	1 853	7,5%
Raw materials and store	901	3,2%	883	3,3%	917	3,7%
Production, maintenance and delivery services	207	0,7%	196	0,7%	223	0,9%
Staff costs	7 444	26,8%	6 678	25,3%	6 112	24,6%
Taxes and charges	331	1,2%	298	1,1%	260	1,0%
Miscellaneous expenditures	1 256	4,5%	1 193	4,5%	1 403	5,7%

Data on the cost structure (including business expenses) of the Company in 2016 and the share of the major expenses in the total expenses of the Company are presented in the following diagram:

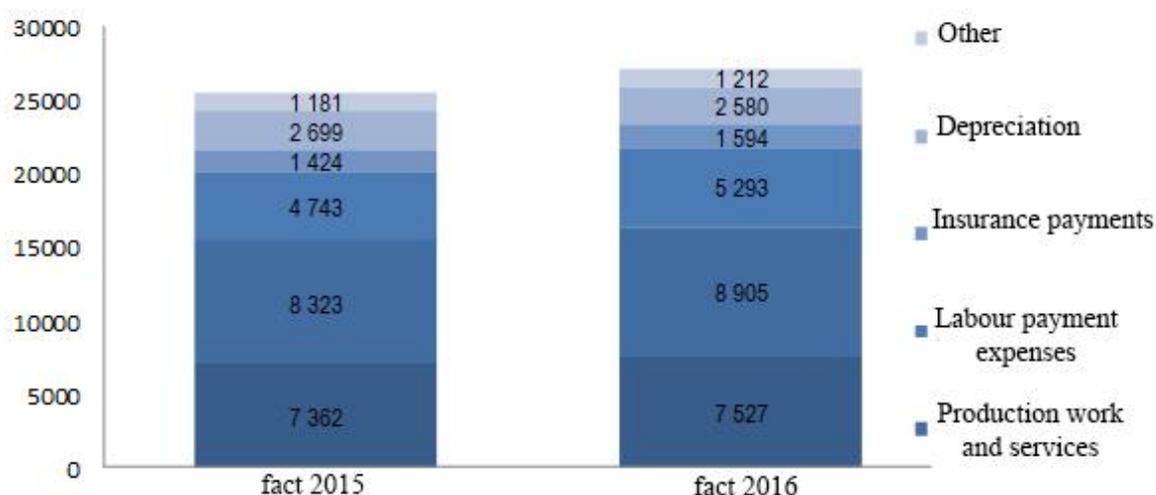
### Cost structure (including business expenses) in 2016:



Expenses for purchase of electricity to compensate losses at the end of 2016 amounted to 6 389 million rubles (23% of total expenditures). The structure of expenditures for 2016 accounted the estimated reserve for disagreements of the current period in the amount of 44.1 million rubles for “Volgogradenergosbyt” PJSC. Similar reserves were created following the results of 2015 for “Astrakhan Energy Retail Company” PJSC and “Volgogradenergosbyt” PJSC in the amount of 139.9 million rubles. Compared to 2015, the cost of purchased electricity in order to compensate for losses has increased by 108 million rubles, which is associated with an increase in the volume of electricity losses by 87 million kWh (or 3.06%), as well as an increase in the average price of electricity purchases by 103.7 rubles/MWh (or by 4.66%). Expenses for the services of FGC UES PJSC amounted to 6 551 million rubles (24% of total costs), which is 332 million rubles more than in 2015. The increase in costs is due to the growth of tariffs for the maintenance of UNEG networks by 7.5% and to compensate for energy losses by 12.3%, as well as by an increase in the balance of overflows totaling 170 million kWh, at the Rostovenergo branch (an increase by 290 million kWh). Expenses for the services of distribution grid companies (TCO) in 2016 amounted to 2 147 million rubles (8% of total costs),

which is 229 million rubles more than the actual expenses incurred in 2015. The growth of expenses for the services on transmission of electric energy through the networks of distribution grid companies is connected with an increase in the volume of these services relative to the same period of 2015 by 855 million kWh, or 21.3%. Personnel costs in 2016 amounted to 7 444 million rubles (27% of total costs), i.e. 11.5% higher if compared to 2015, which is mainly due to the indexation of minimal monthly labour rate of industrial and production personnel. So, according to the results of 2015, the average minimal monthly labour rate in the Company was 6 500 rubles, which is 11.1% higher than the level of 2015 (5 850 rubles). Depreciation costs in 2016 amounted to 2 591 million rubles, which is 120 million rubles less the ones of 2015, which corresponds to the actual inputs of fixed production assets as a result of the implementation of the investment programme, as well as to actual depreciation of fixed assets. Other expenses in 2016 amounted to 2 695 million rubles (10% of total expenses), which is by 126 million rubles, or 4.9%, higher if compared to 2015. The main reason for the increase in costs is the increase in costs for Property tax by 33 million rubles due to the growth of tax rates, by 19 million rubles for purchased electricity and heat in connection with the growth of tariffs and other expenses in connection with the production need, as well as the rise in price of products. Comparative analysis of the Company's expenditure structure for 2015-2016 is shown in the following diagram.

### Expenses of IDGC of the South PJSC in 2015 and 2016, in million rubles



## Main indicators of the Balance sheet

thousand rubles

ASSETS	Line	31.12. 2014	31.12. 2015	31.12. 2016
<b>I. NON-CURRENT ASSETS</b>				
Results of researches and projects,	1120	26	18	17
Fixed assets	1150	29 987	28 897	28 564
Financial investments	1170	155	145	148
Deferred tax assets	1180	357	370	434
Other non-current assets	1190	165	125	103
Total for section I	<b>1100</b>	<b>30 690</b>	<b>29 556</b>	<b>29 268</b>
<b>II CURRENT ASSETS</b>				
Stock	1210	649	721	813
Accounts receivable, including:	1230	9 162	10 407	12 993
Noncurrent nondelinquent accounts receivable that are due beyond 12 months	1231	103	22	5
Nurrent nondelinquent accounts receivable (that are due in the next 12 months)	1232	9 059	10 385	12 988
Monetary assets and monetary assets equivalents	1250	717	1 581	691
Total for section II	<b>1200</b>	<b>10 791</b>	<b>13 343</b>	<b>15 550</b>
Balance	<b>1600</b>	<b>41 481</b>	<b>42 899</b>	<b>44 818</b>
<b>LIABILITIES</b>				
<b>III. SHAREHOLDERS' FUNDS</b>				
Authorized capital (share capital, authorized fund, partners' investments)	1310	4 981	4 981	4 981
Reappraisal of fixed assets	1340	14 711	14 692	14 653
Reserve funds	1360	150	150	158
Undistributed profit (uncovered loss)	1370	-14 719	-14 888	-16 011
of previous years	1371	-14 719	-14 888	-14 999
of the reporting period	1372			-1 011
Total for section III	<b>1300</b>	<b>5 123</b>	<b>4 935</b>	<b>3 925</b>
<b>IV. LONG-TERM LIABILITIES</b>				
Borrowed funds	1410	19 744	13 403	17 232
Total for section IV	<b>1400</b>	<b>20 144</b>	<b>13 884</b>	<b>18 128</b>
<b>V. SHORT-TERM LIABILITIES</b>				
Borrowed funds	1510	5 123	11 630	7 224
Accounts payable	1520	8 546	9 673	13 573
Estimated liability	1540	2 458	2 709	1 932
Total for section V	<b>1500</b>	<b>16 214</b>	<b>24 080</b>	<b>22 765</b>
Balance	<b>1700</b>	<b>41 481</b>	<b>42 899</b>	<b>44 818</b>

The largest share in the assets is held by the fixed assets. Their ratio is 64%. In the structure of liabilities a significant part is held by the borrowed funds – 55%. The share of “Shareholders’ funds” in the structure of liabilities was 9%.

### **Indicators of liquidity, financial stability, profitability, business activity**

\*

<b>Liquidity ratio</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Absolute liquidity ratio	0.04	0.08	0.06
Current liquidity ratio	0.66	0.55	0.68
Quick assets ratio	0.62	0.52	0.65
<b>Financial soundness indicators</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Equity to total assets (Debt ration)	0.12	0.12	0.09
Debt/EBITDA ratio	-16.77	4.79	5.54
Net working capital to current assets ratio	-0.51	-0.81	-0.46
<b>Profitability ratio</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
ROE (return on equity)	-80.41%	-13.40%	-22.83%
ROTA (return on total assets)	-14.93%	-0.1%	-2.15%
EBITDA margin	-5.13%	17.4%	14.06%
<b>Efficiency ratio</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Receivables and payables growth rate	1.01	1.00	0.89
Aggregate receivables and payables growth rate	1.06	1.06	0.95
Ratio of the most liquid receivables and payables	1.35	1.31	1.11

\* The coefficients were calculated in accordance with the methodology defined in the Order of IDGC of the South PJSC No.66m dated 01.02.2017;

According to the results of 2016, the values of the Company’s liquidity indicators show insufficient liquidity and solvency of the Company. This situation is associated with a significant increase in the Company’s liabilities due to non-payment of guaranteeing suppliers and energy selling companies. In 2016 there was an improvement in the values of liquidity indicators in comparison to the previous year. Financial stability indicators show a significant debt burden on the Company in 2016.

Negative values of return on equity and total assets on profit before tax in 2014-2016 are caused by a negative return.

Indicators of business activity show that in 2016 the growth rate of accounts receivable was lower than the growth rate of accounts payable. At the end of 2016, the ratio has changed towards a relative decrease in receivables.

### **Dynamics and changes in the structure of accounts receivable and payable of the Company**

**thousands rubles**

Indicators	31.12.2014	31.12.2015	31.12.2016	Deviation, 2015
<b>Long-term, total</b>	<b>102 499</b>	<b>22 053</b>	<b>4 644</b>	<b>-17 409</b>
including buyers and customers	5 916	2 112	2 694	582
advances paid	2 364	7 290	1 912	-5 378
sundry debtors	94 219	12 651	38	-12 613
<b>Short-term, total</b>	<b>9 059 213</b>	<b>10 385 197</b>	<b>12 987 958</b>	<b>2 602 761</b>
including buyers and customers	7 855 569	9 053 476	11 405 048	2 351 572
advances paid	240 487	63 245	26 651	-36 594
sundry debtors	963 157	1 268 476	1 556 259	287 783
<b>TOTAL:</b>	<b>9 161 712</b>	<b>10 407 250</b>	<b>12 992 602</b>	<b>2 585 352</b>

The largest share in the structure of receivables is short-term debt – 99.9%.

As of December 31, 2016, the largest share in short-term accounts receivable is the debt of buyers and customers – 87.8%, or 11 405 048 thousand rubles. Compared to the same period of the last year, short-term debt of buyers and customers increased by 2 351 572 thousand rubles.

The total growth of the balance sheet receivables for 2016 amounted to 2 585 352 thousand rubles, including the growth of overdue balance sheet debts amounting to 2 234 057 thousand rubles. The growth of accounts receivable is caused by default by counterparties, mainly guaranteeing suppliers, to fulfill their contractual obligations in terms of payment for services on electric power transmission. The increase in the debt for the transmission of electric power for 2016 has formed in the amount of 2 388 167 thousand rubles.

### **The dynamics and structure of the Company's liabilities**

**thousands rubles**

Indicator	31.12.2014	31.12.2015	31.12.2016	Variance in comparison to 2015
<b>Long-term liabilities</b>				

<b>Total</b>	<b>20 144 441</b>	<b>13 884 854</b>	<b>18 127 573</b>	<b>4 242 719</b>
Loans and credits	19 744 299	13 403 378	17 232 022	3 828 644
Deferred tax liabilities	318 893	362 562	776 603	414 041
Other long term liabilities, including	81 249	118 914	118 948	34
<i>accounts payable to suppliers and contractors</i>	0	0	0	0
<i>other long term liabilities</i>	81 249	118 914	118 948	34
<b>Short-term liabilities</b>				
<b>Total</b>	<b>16 213 677</b>	<b>24 079 829</b>	<b>22 765 165</b>	<b>-1 314 664</b>
Loans and credits	5 123 128	11 630 194	7 223 561	-4 406 633
<b>Accounts payable, including</b>	<b>8 545 973</b>	<b>9 672 852</b>	<b>13 572 980</b>	3 900 128
<i>accounts payable to suppliers and contractors</i>	6 256 387	7 535 500	10 411 233	2 875 733
<i>salaries payable</i>	229 592	248 132	293 457	45 325
<i>accounts payable to state and non-budgetary funds</i>	122 268	137 076	168 318	31 242
<i>taxes payable</i>	648 039	452 453	377 952	-74 501
<i>advances received</i>	1 025 367	956 524	1 002 756	46 232
<i>other creditors</i>	264 320	343 167	1 319 264	976 097
Income of future periods	78 296	59 123	35 632	-23 491
Contingent liabilities	2 458 025	2 709 437	1 931 821	-777 616
Other liabilities	8 255	8 223	1 171	-7 052
<b>TOTAL:</b>	<b>36 358 118</b>	<b>37 964 683</b>	<b>40 892 738</b>	<b>2 928 055</b>

By the results of 2016, the growth of the Company's liabilities amounted to 2 928 055 thousand rubles. At the same time, the growth of long-term liabilities is 4 242 719 thousand rubles, while the short-term liabilities have decrease by 1 314 664 thousand rubles. These deviations in the period are associated with the reclassification of loans, i.e. transition of a part of long-term borrowed funds to short-term borrowed funds with a maturity of less than 12 months.

The main reason for the growth of the Company's liabilities was the growth of short-term accounts payable, which amounted to 3 900 128 thousand rubles. The reason for the increase in accounts payable was the failure to fulfill contractual obligations in terms of payment for the services provided for the transmission of electricity by guaranteeing suppliers, energy sales companies and other consumers. In addition, this was a consequence of the decisions of the court that came into force in 2016 in

terms of the Company's obligations on purchased electric energy to compensate losses to guaranteeing suppliers, services of territorial grid organizations and penalties. The decrease in estimated liabilities amounted to 777 616 thousand rubles.

#### Dynamics of business activity indices

Index	31.12.2014	31.12.2015	31.12.2016	Variance in comparison to 2015
debt to equity ratio, %	485.4%	507.3%	<b>623.1%</b>	115.75%
receivables turnover ratio, times	3.2	2.9	<b>2.4</b>	-0.47
overdue accounts payable	58.2%	55.2%	<b>61.7%</b>	6.49%
payables turnover, times	2.5	2.8	<b>2.3</b>	-0.49

Growth of the indicator "Debt to equity ratio" in the reporting period is explained by reduction of the capital and reserves in 2016 as a result of a loss in the reporting period in the amount of 1 011 268 thousand rubles.

The value of the indicator "Level of overdue accounts payable" in the total sum of the accounts payable was 61.7% in 2016, which is 6.5% higher than in 2015. The turnover of receivables has decreased by 0.47 as compared to 2015, and by 0.49 in accounts payable.

#### Structure and dynamics of loan portfolio of IDGC of the South PJSC

thousand rubles

Type of loan (credit)/source of the main debt	2014	2015	2016	Credit and loans share
Short-term loan	4 804 700	11 598 753	7 178 109	29 %
Long-term loan	19 744 299	8 403 378	12 232 022	50 %
Bill of IDGC of the South JSC	312 900	0	0	0 %
Bonded loan	0	5 000 000	5 000 000	21 %
<b>Total:</b>	<b>24 861 899</b>	<b>25 002 131</b>	<b>24 410 131</b>	<b>100 %</b>

The Company's debts on loans and borrowings as of December 31, 2016 amounted to 24 410 131 thousand rubles. The main share of debt on loans falls at Sberbank PJSC – 67%, or 16 567 809 thousand rubles. The debt of the Company to the Bank GPB (AO) – 2 842 322 thousand rubles, or 12% of the total debt of the Company.

The debt under the bonded loan is 5 000 000 thousand rubles, or 21% of the total debt structure.

The decrease in debt on loans and borrowings for the reporting period is 592 000 thousand rubles, including 500 000 thousand rubles of debt reduced in order to decrease the interest burden on the Company. The decrease in the loan debt was made in the amount of 92 000 thousand rubles in accordance with the planned parameters of the Company's credit and business plans for 2016.

### **Bond loan**

In 2016, the Company registered the Programme of documentary interest-bearing non-convertible exchange bearer bonds of series "001P", with a total net value of all issues up to 25.000 million rubles inclusive (placed under the Programme), with mandatory centralized custody and maturity on a date that comes no later than 10 920<sup>th</sup> (ten thousand nine hundred twentieth) day from the start date of placement of the stock exchange bonds by public subscription.

In 2016, the Moscow Securities Exchange (formerly MICEX Stock Exchange) kept the following issues of the Company's securities in the List of securities admitted to trading:

1) Exchange-traded bond of series "BO-01", issues identification number "4B02-01-34956-E", date of assigning the identification number: 4 September 2014. Authority that assigned the identification number: Closed joint stock company Moscow Interbank Currency Exchange (MICEX).

Issue volume — 6 million pieces of the par value 1,000 rubles each.

Number of coupon periods for which the yield was paid: 20

Deadline (date) of redemption of securities of the issue: on 1 813<sup>th</sup> (one thousand eight hundred thirteenth) day from the date of placement of the exchange-traded bonds.

The issue was placed in 5 million pieces.

2) Exchange-traded bond of series "BO-02", issues identification number "4B02-02-34956-E", date of assigning the identification number: 4 September 2014. Authority

that assigned the identification number: Closed joint stock company Moscow Interbank Currency Exchange (MICEX).

Issue volume — 6 million pieces of the par value 1,000 rubles each.

Number of coupon periods for which the yield was paid: 20

Deadline (date) of redemption of securities of this issue: on 1 813<sup>th</sup> (one thousand eight hundred thirteenth) day from the date of placement of the exchange-traded bond.

The issue was not placed.

3) The “001P” exchange-traded bonds programme, issue identification number “4-34956-E-001P-02E”, date of assigning the identification number: 12 August 2016.

Authority that assigned the identification number: Closed joint stock company Moscow Interbank Currency Exchange (MICEX).

The volume of the issue is the value of all issues of exchange bonds placed within the programme of exchange bonds of the series “001P”, up to 25 000 million rubles inclusive.

The number of coupon periods for which the payment of income on the securities of the issue is made: shall be determined by the terms of the issue.

The maturity date (date) of securities redemption: not later than 10 920<sup>th</sup> (ten thousand nine hundred and twentieth) day from the start date of placement of the stock exchange bonds issue within the programme of exchange-traded bonds.

In 2016, the Company did not issue o exchange bonds in the framework of the Programme.

### **Distribution of profit and dividend policy**

The Company’s dividend policy is aimed at enhancement of the Company’s investment attractiveness and increasing its market capitalization. The policy is based on the balance of interests of the Company and its shareholders.

The dividend policy of the Company is determined by the Regulations for the dividend policy approved by the decision of the Board of Directors of the Company on 31 August 31, 2010 (Minutes of meeting No. 53/2010, 01.09.2010).

### **Basic principles of the dividend policy of the Company**

1. Calculation of dividends is based on the use of profit without taking into account the impact of revaluation of financial investments;
2. The necessity to maintain the required level of financial and technical condition of the Company (implementation of the investment programme), ensuring prospects for the development of the Company;
3. Compliance with the practice of accrual and payment of dividends adopted in the Company to the legislation of the Russian Federation and the best standards of corporate conduct;
4. Balance of interests of the Company and its shareholders;
5. The necessity to increase the investment attractiveness of the Company and its capitalization;
6. Ensuring transparency (apprehensibility) of the mechanism for determining the amount of dividends and their payment

**Distribution of profit in 2013-2015, thousand rubles\***

Indicator	2013 (AGM 2014)	2014 (AGM 2015)	2015 (AGM 2016)
Undistributed net profits, total, including:	27 190	-6 893 677	149 575
Reserve fund	1 359	0	7 479
Profit invested in development	18 857	0	0
Dividends	6 974	0	142 096
Profit invested in development	27 190	0	0

\*information on distribution of profit in accordance with resolutions of Annual General Meetings (AGM)

AGM 2014 (for 2013) – Minutes of meeting of AGM No.11 dd 25.06.2014

AGM 2015 (for 2014) - Minutes of meeting of AGM No.13 dd 22.06.2015

AGM 2016 (for 2015) - Minutes of meeting of AGM No.15 dd 09.06.2016

**Report on dividends payout:**

On 25.06.2014 Annual General Meeting of Shareholders adopted a decision (minutes of meeting No.11 dated 25.06.2014) to payout dividends by the results of 2013 fiscal year.

Year of dividends payout	Category (type) of shares	Amount of shares (pieces)	Dividend per one share (rubles)	Total accrued*/ Total paid out (rubles)
--------------------------	---------------------------	---------------------------	---------------------------------	--

2013	ordinary	49 811 096 064	0.00014	6 973 553.81
				6 885 977.32

\*the sum of accrued dividends on each shareholder with regard of rounding rules to kopeks

On 09.06.2016 Annual General Meeting of Shareholders adopted a decision (minutes of meeting No.15 dated 09.06.2016) to payout dividends by the results of 2015 fiscal year.

Year of dividends payout	Category (type) of shares	Amount of shares (pieces)	Dividend per one share (rubles)	Total accrued*/ Total paid out (rubles)
2016	ordinary	49 811 096 064	0.002852693	142 095 765.43
				140 375 697.46

\*the sum of accrued dividends on each shareholder with regard of rounding rules to kopeks

Dividends for 2008-2012 and 2014 were not declared.

In accordance with the Charter of the Company the resolution on distribution of profit by the results of 2016 shall be adopted by the results of annual general meeting of shareholders (AGM) on 13 June 2017.

### **Analysis of performance results in 2016**

#### **1. The programme for increase of operating efficiency and reduction of costs in 2016-2020, reduction in unit operating costs in accordance with the Directives of the Government of the Russian Federation from 04.16.2015 No.2303p-P13, from 29.03.2016 No. 2073p-P13 and from 04.07.2016 No. 4750p-P13**

The decrease in managed (controlled) operating expenses in 2016 in relation to 2012 in the process of implementing the Strategy for development of the power grid complex of the Russian Federation, approved by the order of the Government of the Russian Federation No.511-r of 03.04.2013, amounted to 1 820 million rubles or 26, 7%.

Decrease in operating expenses in accordance with the Directive of the Government of the Russian Federation of 04.07.2016 No. 4750p-P13 for 2016 in comparison to the level of 2015 was 10.3%.

In order to implement these policy documents, and in order to improve the Company's performance, a number of programmes and plans have been developed and approved by the Board of Directors aimed at fulfilling these tasks, including the "Programme for Enhancing Operational Efficiency and Reducing Expenditures".

In order to increase the Company's operational efficiency, in particular, the following activities of the Programme were implemented:

- In order to reduce operational costs for personnel and improve the efficiency of the management system, the number of administrative and managerial staff was optimized by 121 units, with an economic effect of 76.3 million rubles, and a "Programme for the step by step change in the minimal monthly labor rate of the 1<sup>st</sup> category employees during 2016" was implemented with the effect of 199 million rubles.
- In terms of costs for raw materials and production services, the measures were aimed at increasing the amount of work performed by the company using its own labor sources (taking into account the involvement of warehouse balances in production process), reducing the cost of resources and services used in production as a result of applying competitive procedures.
- Reduction of expenses for services related to programme support and collateral is 30 million rubles in relation to the plan, as well as expenses for maintenance, support and support of information systems decreased by 20 million rubles.
- As a result of interaction with municipal authorities on cadastral valuation of land, the reduction in expenses for payment of land rent is 38.8 million rubles.
- The effect of reducing losses of electricity in the amount of 240.1 million kWh, or 535.6 million rubles, was achieved, with a plan of 97 million kWh, or 292.6 million rubles. With a view of development of systems of accounting the electric energy the company installed 16.8 thousand "smart" devices of accounting of the electric energy, with the effect by the results of the year reaching 13.3 million rubles.

## **2. Claim-related work for reduction of overdue accounts receivable.**

At the end of 2016, as a result of the claims and lawsuits filed by IDGC of the South PJSC that were aimed at reducing the amount of overdue receivables for services rendered for the transmission of electricity, the following results were achieved:

- positive court decisions were obtained in 598 court cases for a total amount of claims of 5 018.2 million rubles;
  - denied a recovery in the amount of 1 146.6 million rubles for 68 court cases;
  - funds received within the framework of compulsory collection of accounts receivable on presented enforcement order in the amount of 3 002 176.4 rubles;
  - the share of claims satisfied in favour of the Company was 94.1%, which is by 0.9 percentage points higher than the indicator for the same period of the previous year.
- During the same period of the last year, positive court decisions were made in respect of claims for the amount of 5 726.6 million rubles (130 cases), the company was denied in recovery of 413.9 million rubles (6 cases), received letter of enforcement for the amount of 5 063.7 million rubles, of which 704.01 million rubles or 13.9% were repaid.

The coverage of overdue receivables by measures aimed at its reduction is at a consistently high level and as of 31 December 2016 it was 87%.

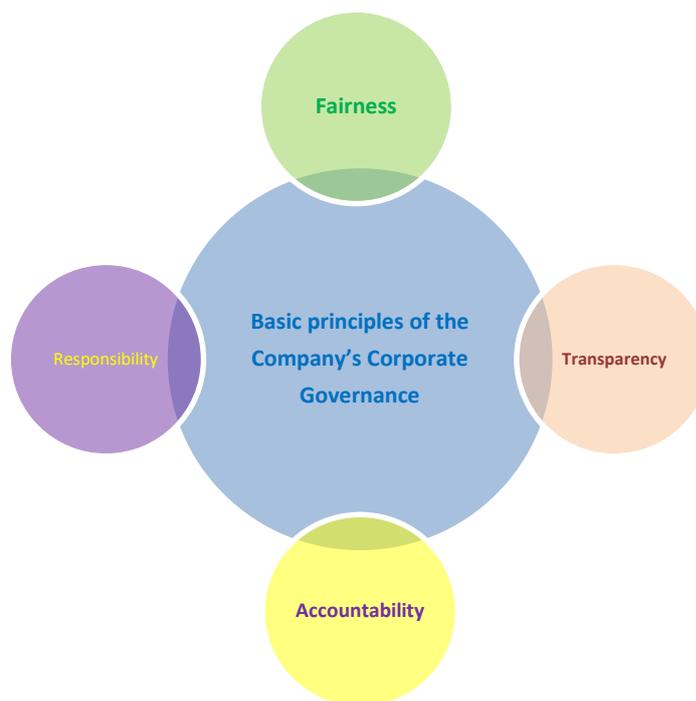
### **3. Corporate Governance**

#### **3.1. Corporate Governance**

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

The Company sees the corporate governance as a tool of improving business efficiency, enhancing its reputation and reducing costs of raising capital.

The Corporate Governance in the Company is carried out in accordance with the law of the Russian Federation, the Charter of IDGC of the South PJSC, internal documents regulating activities of the management and supervisory bodies of IDGC of the South PJSC, the Code of Corporate Governance of IDGC of the South PJSC, the Regulations on Information Policy of IDGC of the South PJSC and other internal documents of the Company:



### **Fairness**

The Company undertakes to protect shareholders' rights and ensure equal treatment of all shareholders. The Board of Directors provides all shareholders with the opportunity to be protected in case of violation of their rights.

### **Transparency**

The Company ensures timely disclosure of reliable information on all material facts concerning its activities, including its financial state, performance, ownership and management structure of the Company, as well as free access to such information for all interested parties.

### **Accountability**

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

The principle provides accountability of the Board of Directors to all shareholders in accordance with the applicable legislation of the Russian Federation and serves as a guidance to the Board of Directors in the development of strategies and implementation of management and control over the activities of the Company's executive bodies.

### **Responsibility**

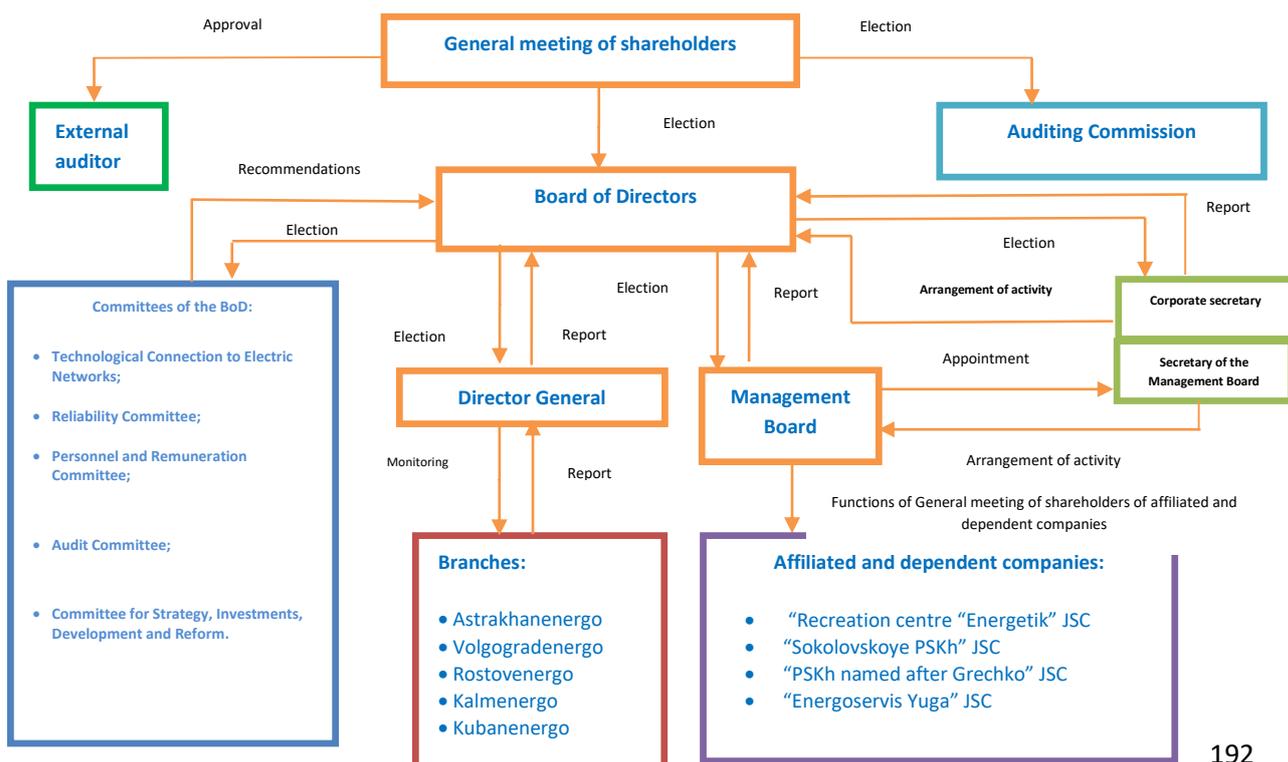
The Company acknowledges its responsibility to the shareholders of the Company.

The members of the Board of Directors, the Management Board, the CEO or the managing organization (manager) shall be liable to the Company for damages caused by their actions (or inactions).

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 Regulations on Information Policy of IDGC of the South PJSC](#).

Information about the Company during the entire period of activity of IDGC of the South PJSC and texts of the documents are available on the website of the Company: [www.mrsk-yuga.ru](http://www.mrsk-yuga.ru).

### System of the Corporate Governance of IDGC of the South PJSC



## **The General Meeting of Shareholders**

The supreme governing body of IDGC of the South PJSC in accordance with the Federal Law “On Joint-Stock Companies” and the Charter of IDGC of the South PJSC is the General Meeting of Shareholders.

The Company annually holds the Annual General Meeting within the deadlines established by the Charter, but not earlier than two months and not later than six months after the end of the fiscal year.

The competence of the General Meeting of Shareholders includes the issues related to the approval of internal documents that regulate the activities of the management company, issues related to the authorized capital and securities, reorganization and liquidation of the Company, election of management bodies, approval of major transactions and control activities of the company.

Detailed competence of general meeting of shareholders is given in Article 10 of the Charter of IDGC of the South PJSC, posted on the corporate website of the Company on the Internet.

On 6 June 2016 the Company held the Annual General Meeting of shareholders (in accordance with the requirements of the Federal Law “On Joint-Stock Companies” and the Charter).

The full text of the decisions adopted by the General Meetings of Shareholders is available on the corporate website of the Company on the Internet at: [http://mrsk-yuga.ru/corporate\\_management](http://mrsk-yuga.ru/corporate_management).

Procedures of convening and suggestions on the inclusion of items to the agenda of the General Meeting of Shareholders in 2016 are defined by the current legislation of the Russian Federation, the Charter and Regulations on General Meeting of Shareholders of Public Joint Stock Company “Interregional Distribution Grid Company of the South” approved by the AGM on 19 June 2015. The text of the Regulations is available at the Company’s website.

## **The Board of Directors**

For implementation of the general management the General Meeting of Shareholders determines the number of members of the Board of Directors and elects its members.

The Board of Directors of the Company, in accordance with 16.1 Article 16 of the Charter of the Company consists of 11 (eleven) persons.

The competence of the Board of Directors shall include the following key issues:

- setting the business priorities of the Company's activity and Company's development strategies;
- convocation of the annual and extraordinary general meetings of the shareholders, as well as declaration of the new General Meeting date to be held instead of a failed one due to absence of quorum;
- approval of the Company's Registrar, terms of contract with the registrar, as well as termination of the agreement with them;
- election of the Director General of the Company and early termination of the powers including the decision making on early termination of the labour contract with Director General;
- consideration of the reports of the Director General on the Company's activity (including the report on carrying out of functions) on the implementation of the general meeting decisions and Board of Directors;
- determining the quantitative structure of the Company's Management Board, election of members of the Company Board, establishment of compensations and remunerations paid to them, preschedule termination of their powers and early termination of labour contracts with them;
- other issues that are in Board of Directors' sphere in accordance with the Federal Law "On Joint Stock Companies" and the Company's Charter.

Issues referred to the competence of the Company's Board of Directors should not be transferred for the decision to executive body of the Company.

The more detailed competence of the Board of Directors of the Company and 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 [Regulations](#) on the procedure of preparation and holding of the General Meeting of Shareholders of Open Joint Stock Company “Interregional Distribution Grid Company of South”, posted on the corporate website of the Company on the Internet.

The Company considers as important the presence of independent directors in the Board of Directors that is why the representative of the non-profit organization of the Association of Independent Investors Shevchuk A.V. and independent director Dudchenko V.V. were elected to the Board of Directors; this serves as an additional guarantee of consideration of the interests of minority shareholders.

Members of the Board of Directors shall have a comprehensive knowledge and skills in accounting, strategic management, corporate governance, corporate finance, risk management, as well as in specific areas of electric power industry in order to effectively manage the Company.

The procedure for convening meetings of the Board of Directors and inclusion of issues to the agenda of the Board of Directors meetings in 2016 is described in [the Regulations on the procedure of convening and holding meetings of the Board of Directors of Public Joint Stock Company “Interregional Distribution Grid Company of the South” approved at the AGM on 06.06.2016](#), published on the corporate website of the Company on the Internet.

In 2016, the management of the Company was carried out under the guidance of three compositions of the Board of Directors of IDGC of the South PJSC that met the requirements of the trade organizer Moscow Exchange to maintain the Company's securities in the quotation list of Tier II.

**The Board of Directors elected by the Annual General Meeting of Shareholders of IDGC of the South PJSC on 19 June 2015, minutes of meeting No.13 dated 22.06.2015 (positions held at the time of nomination):**

**Arkhipov Sergey Aleksandrovich,**

**Chairperson of the Board of Directors (non-executive director)**

**Employer: Rosseti JSC**

Position: Chief advisor

Year of birth: 1967

Higher education: Alma-Ata Power Engineering Institute, course: “Electrical power systems and networks”

Additional education: Institute of Management RAO UES of Russia; Academy of National Economy under the Government of the Russian Federation; Institution of Advanced Training of Senior Officials and Specialists in the sphere of Fuel and Energy Complex.

Academic degree: Ph.D. in Economics

All positions held by the person at the Issuer Company and other entities within the last five years and now, including part-time job:

Period	Company	Position
2010 – 2012	IDGC of the South JSC	Director General
2013 – 2013	Rosseti JSC	Deputy Executive Director - Chief technical officer
2013 – 2013	Rosseti JSC	Deputy Executive Director - Chief technical officer
2013– 2014	Rosseti JSC	Deputy Executive Director - Chief engineer
2014 – 2014	Rosseti JSC	Deputy Director General in charge of North-Caucasus and Southern Federal Districts
2014 – present	Rosseti JSC/ Rosseti PJSC	Chief Advisor
2014 – present	IDGC of North-Caucasus JSC/ IDGC of North-Caucasus PJSC	Chairperson of the Board of Directors
2015 – present	IDGC of the South JSC / IDGC of the South PJSC	Chairperson of the Board of Directors

The person has no participation shares/ordinary shares in authorized capital of the Issuer

**Branis Aleksandr Markovich,**

**Member of the Board of Directors (non-executive director)**

**Employer: Prosperity Capital Management Ltd (RF)**

Position: Director

Year of birth: 1977

Citizenship: RF

Higher education: Russian Presidential Academy of National Economy and Public Administration, Bachelor of Management.

All positions held by the person at the Issuer Company and other entities within the last five years and now, including part-time job:

Period	Company	Position
2005 – present	Prosperity Capital Management Ltd (RF)	Director
2005 – 2014.	Territorial generating company – 6 JSC	Board of Directors Member
2007 –2011	Bashkirenergo JSC	Board of Directors Member
2008 – present	IDGC of Centre JSC / IDGC of Centre PJSC	Board of Directors Member
2009– 2011	Prosperity Capital Management Ltd	Chairman of liquidation committee
2008 2013	Territorial generating company – 6 JSC	Chairman of the Board of Directors
2004 – present	Association for Protection of Investors Rights/Association of Professional Investors	Board of Directors Member
2006 – present	Association for Protection of Investors Rights/Association of Professional Investors	Chairman of the Board of Directors
2009 – present	Prosperity Capital Management Ltd	Investments director
2010 – present	IDGC of Centre and Volga region JSC/ IDGC of Centre and Volga region PJSC	Board of Directors Member
2012 – present	Territorial generating company – 2 JSC	Board of Directors Member
2011 – present	IDGC of the South JSC/IDGC of the South PJSC	Board of Directors Member

The person has no participation shares/ordinary shares in authorized capital of the Issuer

**Dudchenko Vladimir Vladimirovich,**

**Member of the Board of Directors (independent director)**

**Employer: SoftBiKom LLC**

Position: Financial Director

Year of birth: 1973

Citizenship: RF

Higher education: Lomonosov Moscow State University, Computational mathematics and cybernetics department; mathematician

All positions held by the person at the Issuer Company and other entities within the last five years and now, including part-time job:

Period	Company	Position
2015 – present	SoftBiKom LLC	Financial Director
2007 – present	Fotographer.Ru LLC	Director General
2008 – present	Non-profit company Documentary photography support fund	Director, founder
2010 – 2011	Uralsvyazinform JSC	Board of Director Member, Member of Committees
2010 – 2014	NCH Advisors Inc, Moscow representative office	Director
2011 – present	Gallery Greenberg LLC	Director General
2015 – present	IDGC of the South JSC / IDGC of the South PJSC	Board of Directors Member

The person has no participation shares/ordinary shares in authorized capital of the Issuer

**Shmakov Igor Vladimirovich**

**Member of the Board of Directors (non-executive director)**

**Employer: Rosseti JSC**

Position: Head of Directorate for Control and Risks at Department for Internal Audit and Control

Year of birth: 1974

Citizenship: RF

Higher education: Kuban State University, Economic and social planning

Additional education: Bauman Moscow State Technical University, Enterprise management

All positions held by the person at the Issuer Company and other entities within the last five years and now, including part-time job:

Period	Company	Position
2008 – 2012	IDGC of the South JSC	Head of Department for Internal Audit and risks management
2012 – 2013	Federal Grid Company of Unified Energy System JSC	Head of Directorate for Internal Control
2013 – present	Rosseti JSC/ Rosseti PJSC	Head of Directorate for Internal Audit
2015 – present	IDGC of the South PJSC	Board of Directors member

The person has no participation shares/ordinary shares in authorized capital of the Issuer

**Kharin Andrei Nikolaevich,**

**Member of the Board of Directors (non-executive director)**

**Employer: RF Ministry of Energy**

Position: Deputy head of Department for corporate management, pricing environment and auditing in fuel and energy complex

Year of birth: 1979

Citizenship: RF

Higher education: Stavropol State University, Legal studies

All positions held by the person at the Issuer Company and other entities within the last five years and now, including part-time job:

Period	Company	Position
2009 – 2012	IDGC of the North Caucasus JSC	Director in charge of corporate management, deputy director general in charge of corporate management
2013 – 2014	Far-eastern managing energy company JSC	Adviser to Director General
2014 – present	RF Ministry of Energy	Deputy head of Department for corporate management, pricing environment and auditing in fuel and energy complex of
2014 – present	IDGC of the South JSC / IDGC of the South PJSC	Board of Directors Member
2014 – present	Kubanenergo JSC/Kubanenergo PJSC	Board of Directors Member
2015 – present	IDGC of Volga JSC / IDGC of Volga PJSC	Board of Directors Member
2015 – present	IDGC of Volga JSC / IDGC of Centre PJSC	Board of Directors Member

The person has no participation shares/ordinary shares in authorized capital of the Issuer

**Piotrovich Nikolai Borisovich,**

**Member of the Board of Directors (non-executive director)**

**Employer: Rosseti JSC**

Position: Deputy Head of Directorate for Arrangement of Management Bodies' Activity

Year of birth: 1975

Citizenship: RF

Higher education: RF Presidential North Caucasus Academy of Public Administration, State and municipal management; Rostov State University, Legal studies.

All positions held by the person at the Issuer Company and other entities within the last five years and now, including part-time job:

Period	Company	Period
2007 – 2013	Federal Grid Company of Unified Energy System JSC	Head of Corporate Governance Department, Deputy Head of Corporate Governance Department
2014 – present	Rosseti JSC/ Rosseti PJSC	Deputy Head of Directorate for Arrangement of Management Bodies' Activity
2009 – 2011	Major computer center of power industry, JSC	Board of Directors member
2009 – 2012	Managing energy company of Ural, JSC	Board of Directors member
2009 – 2014	DESP, JSC	Board of Directors member
2009 – 2014	Research and Development Centre FGC UES, JSC	Board of Directors member
2011 – 2014	Mobile gas turbine power plant, JSC	Board of Directors member
2012 – 2014	Engineering and Construction Management Centre of UES, JSC (CIUS UES)	Board of Directors member
2013 – 2014	Moscow Telecommunications Center of Energy Systems JSC	Board of Directors member
2012 – present	Nurenergo, JSC	Board of Directors member
2014 – present	IDGC of the South JSC / IDGC of the South PJSC	Board of Directors member
2014 – present	IDGC of the South JSC / IDGC of the South PJSC	Audit Committee member
2014 – present	Scientific and Research Centre of Ural, JSC	Board of Directors member
2014 – present	Tarskoselskaya Energy Company, CJSC	Board of Directors member
2014 – present	Energoservis Yuga JSC	Board of Directors member

The person has no participation shares/ordinary shares in authorized capital of the Issuer

**Pankstianov Yuriy Nikolaevich,**

### **Member of the Board of Directors (non-executive director)**

#### **Employer: Rosseti JSC**

Position: Head of Tariff Formation Department

Year of birth: 1980

Citizenship: RF

Higher education: The State University of Management, Manager.

All positions held by the person at the Issuer Company and other entities within the last five years and now, including part-time job:

<b>Period</b>	<b>Company</b>	<b>Period</b>
2008 – 2013	Holding IDGC JSC	Head of Tariff Formation Department
2013 – present	Rosseti JSC/ Rosseti PJSC	Head of Tariff Policy Department
2015 – present	IDGC of the South JSC / IDGC of the South PJSC	Board of Directors Member

The person has no participation shares/ordinary shares in authorized capital of the Issuer

#### **Fadeev Alexander Nikolaevich,**

### **Member of the Board of Directors (non-executive director)**

#### **Employer: Rosseti JSC**

Position: Deputy Director General in Charge of Security

Year of birth: 1949

Citizenship: RF

Higher education: Moscow Institute of Engineers in Geodesy, Aerophotography and Cartography.

All positions held by the person at the Issuer Company and other entities within the last five years and now, including part-time job:

<b>Period</b>	<b>Company</b>	<b>Period</b>
2009 – 2011	Federal Grid Company of Unified Energy System JSC	Head of Economic Security Department
2011 – 2014	Federal Grid Company of Unified Energy System JSC	Deputy Chairman of Management Board in charge of Security

2014 – present	Rosseti JSC/ Rosseti PJSC	Deputy Director General in Charge of Security
2011 – 2012	Tyumenenergo JSC	Board of Directors member
2011 – 2012	Engineering and Construction Management Centre of UES, JSC (CIUS UES)	Board of Directors member
2012 – 2013	Elektrosetservis JSC	Board of Directors member
2013 – 2014	IDGC of Ural JSC	Board of Directors member
2015 – present	IDGC of Centre and Volga region	Board of Directors member
2015 – present	IDGC of Ural JSC	Board of Directors member
2015 – present	IDGC of Siberia PJSC	Board of Directors member
2015 – present	IDGC of the South PJSC	Board of Directors member

The person has no participation shares/ordinary shares in authorized capital of the Issuer

**Filkin Roman Alekseevich,**

**Member of the Board of Directors (non-executive director)**

**Employer: Representative office of Prosperity Capital Management (RF) LTD**

Position: Director, power industry, engineering

Year of birth: 1983

Citizenship: RF

Higher education: Finance Academy under the Government of the Russian Federation, specialty “Finance and Credit”

All positions held by the person at the Issuer Company and other entities within the last five years and now, including part-time job:

Period	Company	Period
2006 – 2014	Territorial generating company No.6 JSC	Board of Directors Member
2009 – 2015	Representative office of Prosperity Capital Management (RF) LTD	Co-director, power industry, engineering
2009 – present	IDGC of Centre JSC / IDGC of Centre PJSC	Board of Directors Member
2011 – 2012	Prokatmontazh JSC	Board of Directors Member

2011 – 2013	IDGC of North-West JSC/ IDGC of North-West PJSC	Board of Directors Member
2012 – present	Dalenergomontazh” JSC	Board of Directors Member
2012 – present	Smolensk company for repair in the sphere of power industry” JSC	Board of Directors Member
2012 – 2014	Kurganmashzavod JSC	Board of Directors Member
2009 – present	IDGC of Centre and Volga region JSC / IDGC of Centre PJSC	Board of Directors Member
2015 – present	Representative office of Prosperity Capital Management (RF) LTD	Director, power industry, engineering
2012 – 2014	Prokatmontazh JSC	Board of Directors Member
2013 – present	Territorial generating company -2 JSC	Board of Directors Member
2012 – 2014	Noyabrelektrosetstroy JSC	Board of Directors Member
2014 – present	IDGC of North-West JSC/ IDGC of North-West” PJSC	Board of Directors Member
2012 – 2015	Sevzapelektrosetstroy JSC	Board of Directors Member
2011 – present	Urengoytruboprovodstroy JSC	Board of Directors Member

The person has no participation shares/ordinary shares in authorized capital of the Issuer

**Shevchyuk Aleksandr Viktorovich,**

**Member of the Board of Directors (independent director)**

**Employer: Non-profit Partnership Association of Professional Investors**

Position: Executive Director

Year of birth: 1983

Citizenship: RF

Higher education: Finance Academy under the Government of the Russian Federation, specialty “Finance and Credit”

All positions held by the person at the Issuer Company and other entities within the last five years and now, including part-time job:

Period	Company	Period
2004 – 2014	Non-profit Partnership Association of Professional Investors (API)	Deputy Executive Director

2011 – 2012	IDGC of North-West JSC / IDGC of North-West PJSC	Board of Directors Member
2011 – 2012	IDGC of North Caucasus JSC	Board of Directors Member
2011 – 2012	Volgogradgorgaz, JSC	Board of Directors Member
2011 – 2012	Urengoytruboprovodstroy, JSC	Board of Directors Member
2011 – 2014	IDGC of Centre, JSC	Board of Directors Member
2011 – present	IDGC of the South JSC/ IDGC of the South PJSC	Board of Director Member
2012 – present	MOSTOTREST JSC	Board of Directors Member
2014 – present	Association for protection of investors rights/Association of Professional Investors	Executive director
2014 – present	IDGC of Centre and Volga region JSC / IDGC of Centre and Volga region PJSC	Board of Directors Member

The person has no participation shares/ordinary shares in authorized capital of the Issuer

**Ebzeev Boris Borisovich,**

**Member of the Board of Directors (executive director)**

**Employer: IDGC of the South PJSC**

Position: Director General, Chairperson of the Management Board

Year of birth: 1975

Citizenship: RF

Higher education: Lomonosov Moscow State University, Legal studies

Academic degree: Ph.D. in Economics

All positions held by the person at the Issuer Company and other entities within the last five years and now, including part-time job:

Period	Company	Period
2012 – 2014	United Energy Company, JSC	Advisor to Director General
2014 – 2014	IDGC of the South, JSC	First Deputy Director General
2014 – present	IDGC of the South JSC / IDGC of the South PJSC	Chairperson of Management Board, Director General

2014 – present	Donenergo JSC	Board of Directors Member
2015 – present	IDGC of the South JSC / IDGC of the South PJSC	Board of Directors Member

The person has no participation shares/ordinary shares in authorized capital of the Issuer

**The Board of Directors of the Company elected by the annual General Meeting of Shareholders of the Company on June 6, 2016, Minutes of meeting No.15 of 09.06.2016 (place of work and positions are indicated at the time of nomination):**

**Arkhipov Sergey Aleksandrovich,**

**Chairperson of the Board of Directors (non-executive director)**

**Employer: Rosseti JSC**

**Position: Chief advisor**

Year of birth: 1967

Higher education: Alma-Ata Power Engineering Institute, course: “Electrical power systems and networks”

Additional education: Institute of Management RAO UES of Russia; Academy of National Economy under the Government of the Russian Federation; Institution of Advanced Training of Senior Officials and Specialists in the sphere of Fuel and Energy Complex.

Academic degree: Ph.D. in Economics

All positions held by the person at the Issuer Company and other entities within the last five years and now, including part-time job:

Period	Company	Position
2010 – 2012	IDGC of the South JSC	Director General
2013 – 2013	Rosseti JSC	Deputy Executive Director - Chief technical officer
2013 – 2013	Rosseti JSC	Deputy Executive Director - Chief technical officer
2013– 2014	Rosseti JSC	Deputy Executive Director - Chief engineer

2014 – 2014	Rosseti JSC	Deputy Director General in charge of North-Caucasus and Southern Federal Districts
2014 – present	Rosseti JSC/ Rosseti PJSC	Chief Advisor
2014 – present	IDGC of North-Caucasus JSC/ IDGC of North-Caucasus PJSC	Chairperson of the Board of Directors
2015 – present	IDGC of the South JSC / IDGC of the South PJSC	Chairperson of the Board of Directors

The person has no participation shares/ordinary shares in authorized capital of the Issuer

**Bogashov Alexandr Yevgenievich,**

**Member of the Board of Directors (non-executive director)**

**Employer: RF Ministry of Energy**

**Position: Head of the Corporate governance division at the Department for corporate governance, price conjuncture and control and audit activity in the fuel and energy sector**

Year of birth: 1989

Citizenship: RF

Higher education: The State University of Management, Department: Enterprise management, qualification: manager.

All positions held by the person at the Issuer Company and other entities within the last five years and now, including part-time job:

Period	Company	Position
2011 – 2013	The Federal Agency for State Property Management	The 1 <sup>st</sup> category specialist, then acting advisor at management department
2015 – 2016	The Federal Agency for State Property Management	The 1 <sup>st</sup> category specialist, then acting advisor at management department
2015 – 2016	CGE JSC	Member of the Board of Directors
2015 – 2016	Nizhnevartovskneftegeofizika JSC	Member of the Board of Directors

2015 – 2016	Volga Institute of Geology and Fossil Fuels Development, JSC	Member of the Board of Directors
2015 – 2016	Sibirneftegeofizika JSC	Member of the Board of Directors
2013 – present	RF Ministry of Energy	Chief advisor, deputy Head of the Corporate Governance Section within the Department of Corporate Governance, Pricing Environment and Control&Audit Activities in fuel-and-power sectors controlled by the Ministry of Energy of the Russian Federation
2016 – present	Kubanenergo PJSC	Member of the Board of Directors
2016 – present	IIDGC of Volga PJSC	Member of the Board of Directors
2016 – present	IDGC of Centre PJSC	Member of the Board of Directors
2016 – present	IDGC of the South PJSC	Member of the Board of Directors

The person has no participation shares/ordinary shares in authorized capital of the Issuer

**Gvozdev Dmitry Borisovich,**

**Member of the Board of Directors (non-executive director)**

**Employer: Rosseti PJSC**

**Position: Director of the Situation and Analytical Center**

Year of birth: 1974

Citizenship: RF

Higher education: Kuzbass State Technical University, specialization: Electric power supply, qualification: electrical engineer

Additional education: Academy of National Economy under the Government of the Russian Federation, professional retraining “Company development management”

Academic degree: Ph.D. in Economics

All positions held by the person at the Issuer Company and other entities within the last five years and now, including part-time job:

Period	Company	Position
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2011 – 2012	Invest Holding, LLC	Advisor to Director General
2012 – 2013	National Research University “MEI”	Deputy director of Electric Power Institute
2013 – 2013	Russian Telecom Equipment Company, CJSC	Deputy Director General
2013 – present	Rosseti PJSC	Head of Situation and Analysis Centre
2014 – present	Tyumenenergo JSC	Member of the Board of Directors
2014 – present	Roskartografiya (Russian Cartography) JSC	Member of the Board of Directors
2016 – present	IDGC of the South PJSC	Member of the Board of Directors

The person has no participation shares/ordinary shares in authorized capital of the Issuer

**Dudchenko Vladimir Vladimirovich,**

**Member of the Board of Directors (independent director)**

**Employer: SoftBiKom LLC**

**Position: Financial Director**

Year of birth: 1973

Citizenship: RF

Higher education: Lomonosov Moscow State University, Computational mathematics and cybernetics department; mathematician

All positions held by the person at the Issuer Company and other entities within the last five years and now, including part-time job:

Period	Company	Position
2015 – present	SoftBiKom LLC	Financial Director
2007 – present	Fotographer.Ru LLC	Director General
2008 – present	Non-profit company Documentary photography support fund	Director, founder
2010 – 2011	Uralsvyazinform JSC	Board of Director Member, Member of Committees

2010 – 2014	NCH Advisors Inc, Moscow representative office	Director
2011 – present	Gallery Greenberg LLC	Director General
2015 – present	IDGC of the South JSC / IDGC of the South PJSC	Board of Directors Member

The person has no participation shares/ordinary shares in authorized capital of the Issuer

**Kolyada Andrey Sergeevich,**

**Member of the Board of Directors (non-executive director)**

**Employer: Rosseti JSC**

**Position: Head of Directorate for joint-stock capital at Department of corporate governance and interaction with shareholders and investors**

Year of birth: 1984

Citizenship: RF

Higher education: State University of Management, Institute of Management in Power Engineering, specialty “Enterprise Management”; Russian State University of Trade and Economics, specialty “Jurisprudence”, qualification: Master of Laws

All positions held by the person at the Issuer Company and other entities within the last five years and now, including part-time job:

Period	Company	Position
2008 – 2013	Federal Agency for the Administration of State Property	Leading specialist-expert, Chief Expert, Deputy Head, Head of the Fuel and Energy and Mines Office of infrastructure sectors and organizations of the military-industrial complex, head of the fuel and energy industry organizations at power industry Department of property relations and privatization of the largest organizations
2013 – present	Rosseti PJSC	Head of Directorate for joint-stock capital at Department of corporate governance and interaction with shareholders and investors

2014 – 2014	Yargorelektroset JSC	Member of the Board of Directors
2014 – 2015	Scientific and Research Centre of the North-West, JSC	Member of the Board of Directors
2014 – 2016	Uralenergotrans LLC	Member of the Board of Directors
2014 – 2016	Lenenergo PJSC	Member of the Board of Directors
2014 – present	Dagestan power energy selling company PJSC	Member of the Board of Directors
2014 – present	Yantarenergoservis JSC	Member of the Board of Directors
2016 – present	IDGC of the South PJSC	Member of the Board of Directors

The person has no participation shares/ordinary shares in authorized capital of the Issuer

**Pankstianov Yuriy Nikolaevich,**

**Member of the Board of Directors (non-executive director)**

**Employer: Rosseti JSC**

**Position: Head of Tariff Formation Department**

Year of birth: 1980

Citizenship: RF

Higher education: The State University of Management, Manager.

All positions held by the person at the Issuer Company and other entities within the last five years and now, including part-time job:

Period	Company	Period
2008 – 2013	Holding IDGC JSC	Head of Tariff Formation Department
2013 – present	Rosseti JSC/ Rosseti PJSC	Head of Tariff Policy Department
2015 – present	IDGC of the South JSC / IDGC of the South PJSC	Board of Directors Member

The person has no participation shares/ordinary shares in authorized capital of the Issuer

**Spirin Denis Alexandrovich,**

**Member of the Board of Directors (non-executive director)**

**Employer: Representative office of Prosperity Capital Management (RF) LTD**

**Position: Corporate Governance Director**

Year of birth: 1980

Citizenship: RF

Higher education: Moscow State Law Academy; Moscow State University of Railway Engineering.

All positions held by the person at the Issuer Company and other entities within the last five years and now, including part-time job:

Period	Company	Period
2007 – present	Representative office of Prosperity Capital Management (RF) LTD	Corporate Governance Director
2010 – 2014	TGK-6 JSC	Board of Directors Member
2012 – 2014	Prokatmontazh JSC	Member of Auditing Commission
2012 – 2015	Urengoytrouboprovodstroy JSC	Board of Directors Member
2012 – present	TGK-2 JSC	Board of Directors Member
2012 – present	Smolensk repair company JSC	Board of Directors Member
2016 – present	IDGC of Centre JSC	Board of Directors Member
2016 – present	Kamensk-Uralsky non-ferrous processing plant (KUZOCM Inc.)	Board of Directors Member
2016 – present	IDGC of the South PJSC	Board of Directors Member

The person has no participation shares/ordinary shares in authorized capital of the Issuer

**Fadeev Alexander Nikolaevich,**

**Member of the Board of Directors (non-executive director)**

**Employer: Rosseti JSC**

**Position: Deputy Director General in Charge of Security**

Year of birth: 1949

Citizenship: RF

Higher education: Moscow Institute of Engineers in Geodesy, Aerophotography and Cartography.

All positions held by the person at the Issuer Company and other entities within the last five years and now, including part-time job:

Period	Company	Period
2011 – 2014	Federal Grid Company of Unified Energy System JSC	Deputy Chairman of Management Board in charge of Security
2014 – present	Rosseti JSC/ Rosseti PJSC	Deputy Director General in Charge of Security
2011 – 2012	Tyumenenergo JSC	Board of Directors member
2011 – 2012	Engineering and Construction Management Centre of UES, JSC (CIUS UES)	Board of Directors member
2012 – 2013	Elektrosetservis JSC	Board of Directors member
2013 – 2014	IDGC of Ural JSC	Board of Directors member
2015 – present	IDGC of Centre and Volga region	Board of Directors member
2015 – present	IDGC of Ural JSC	Board of Directors member
2015 – present	IDGC of Siberia PJSC	Board of Directors member
2015 – present	IDGC of the South PJSC	Board of Directors member

The person has no participation shares/ordinary shares in authorized capital of the Issuer

**Filkin Roman Alekseevich,**

**Member of the Board of Directors (non-executive director)**

**Employer: Representative office of Prosperity Capital Management (RF) LTD**

**Position: Director, power industry, engineering**

Year of birth: 1983

Citizenship: RF

Higher education: Finance Academy under the Government of the Russian Federation, specialty “Finance and Credit”

All positions held by the person at the Issuer Company and other entities within the last five years and now, including part-time job:

Period	Company	Period
2006 – 2014	Territorial generating company No.6 JSC	Board of Directors Member

2009 – 2015	Representative office of Prosperity Capital Management (RF) LTD	Co-director, power industry, engineering
2009 – present	IDGC of Centre JSC / IDGC of Centre PJSC	Board of Directors Member
2011 – 2012	Prokatmontazh JSC	Board of Directors Member
2011 – 2013	IDGC of North-West JSC/ IDGC of North-West PJSC	Board of Directors Member
2012 – present	Dalenergomontazh” JSC	Board of Directors Member
2012 – present	Smolensk company for repair in the sphere of power industry” JSC	Board of Directors Member
2012 – 2014	Kurganmashzavod JSC	Board of Directors Member
2009 – present	IDGC of Centre and Volga region JSC / IDGC of Centre PJSC	Board of Directors Member
2015 – present	Representative office of Prosperity Capital Management (RF) LTD	Director, power industry, engineering
2012 – 2014	Prokatmontazh JSC	Board of Directors Member
2013 – present	Territorial generating company -2 JSC	Board of Directors Member
2012 – 2014	Noyabrelektrosetstroy JSC	Board of Directors Member
2014 – present	IDGC of North-West JSC/ IDGC of North-West” PJSC	Board of Directors Member
2012 – 2015	Urengoytruboprovodstroy JSC	Board of Directors Member
2011 – present	IDGC of the South JSC/IDGC of the South PJSC	Board of Directors Member

The person has no participation shares/ordinary shares in authorized capital of the Issuer

**Shevchyuk Aleksandr Viktorovich,**

**Member of the Board of Directors (independent director)**

**Employer: Non-profit Partnership Association of Professional Investors**

**Position: Executive Director**

Year of birth: 1983

Citizenship: RF

Higher education: Finance Academy under the Government of the Russian Federation, specialty “Finance and Credit”

All positions held by the person at the Issuer Company and other entities within the last five years and now, including part-time job:

Period	Company	Period
2004 – 2014	Non-profit Partnership Association of Professional Investors (API)	Deputy Executive Director
2011 – 2012	IDGC of North-West JSC / IDGC of North-West PJSC	Board of Directors Member
2011 – 2012	IDGC of North Caucasus JSC	Board of Directors Member
2011 – 2012	Volgogradgorgaz, JSC	Board of Directors Member
2011 – 2012	Urengoytruboprovodstroy, JSC	Board of Directors Member
2011 – 2014	IDGC of Centre, JSC	Board of Directors Member
2011 – present	IDGC of the South JSC/ IDGC of the South PJSC	Board of Directors Member
2012 – present	MOSTOTREST JSC	Board of Directors Member
2014 – present	Association for protection of investors rights/Association of Professional Investors	Executive director
2014 – present	IDGC of Centre and Volga region JSC / IDGC of Centre and Volga region PJSC	Board of Directors Member

The person has no participation shares/ordinary shares in authorized capital of the Issuer

**Ebzeev Boris Borisovich,**

**Member of the Board of Directors (executive director)**

**Employer: IDGC of the South PJSC**

**Position: Director General, Chairperson of the Management Board**

Year of birth: 1975

Citizenship: RF

Higher education: Lomonosov Moscow State University, Legal studies

Academic degree: Ph.D. in Economics

All positions held by the person at the Issuer Company and other entities within the last five years and now, including part-time job:

Period	Company	Period
2012 – 2014	United Energy Company, JSC	Advisor to Director General
2014 – 2014	IDGC of the South, JSC	First Deputy Director General
2014 – present	IDGC of the South JSC / IDGC of the South PJSC	Chairperson of Management Board, Director General
2014 – present	Donenergo JSC	Board of Directors Member
2015 – present	IDGC of the South JSC / IDGC of the South PJSC	Board of Directors Member

The person has no participation shares/ordinary shares in authorized capital of the Issuer

Members of the Board of Directors of the Company do not own the shares of IDGC of the South PJSC, shares of the subsidiaries/dependent companies of IDGC of the South PJSC, they have no kinship with other persons who are members of the management and control bodies of the Company's financial and economic activities. Information on transactions concluded by the members of the Board of Directors on the acquisition or alienation of the Company's shares is absent (the Company did not receive such information).

All members of the Board of Directors of the Company have agreed to disclose information about them in this annual report.

### **Board of Directors' activity in 2016**

39 meetings of the Company's BoD were held in the reported 2016 (2 meetings were held in the form of joint presence and 24 meetings were held in the form of absentee voting), the members discussed more than 270 issues.

Information on participation of the BoD member in meetings in 2016:

2016 (till 06.06)	29.01	25.02	29.02	04.03	11.03	18.03	31.03	05.04	05.04	22.04	29.04	29.04	06.05	19.05	03.06	
Arkhipov S.A.																
Fadeev A.N																
Branis A.M.																
Piotrovich N.B.																
Pankstianov Yu.N.																



the system of intellectual property management in IDGC of the South JSC (Minutes of meeting No.132/2014 dd 05.05.2014).

In accordance with the decision of the Board of Directors, IDGC of the South PJSC uses “The Guidelines for the management of the rights on intellectual property in organizations”, developed by the Ministry of Economy of the Russian Federation, the requirements of which are adequately addressed in the preparation of measures to implement the system of intellectual property management of IDGC South JSC. In the process of production activities, IDGC of the South PJSC observed the requirements of the “Guidelines for the management of the rights on intellectual property in organizations” developed by the Ministry of Economic Development of the Russian Federation, including in the course of preparation of organizational arrangements for introduction of the intellectual property management system in IDGC of the South JSC.

### **Certification of equipment, materials and systems at the facilities of The Company**

On 11 June 2014 the Board of Directors as part of the consideration of the priority directions of activity of IDGC of the South JSC for certification of equipment, materials and systems at the facilities of IDGC of the South JSC, adopted a decision to entrust the Company's Director General to establish and maintain a Commission for admission of electrical equipment and materials in the 2<sup>nd</sup> quarter of 2014, and to develop and approve the Regulations of the Commission for admission of electrical equipment, materials and systems of IDGC of the South JSC (Minutes of meeting No.135/2014 from 16.06.2014).

Within the framework of the implementation of this priority activity, on 12.05.2016 IDGC of the South PJSC issued an order No. 285 “On introduction of changes to the order eof IDGC of the South No.449 from 30.06.2014 “On approval of the Regulations of the Commission on admission of electrical equipment, materials and systems of IDGC of the South PJSC”, which defined the composition of the Commission and approved the Regulations of the Commission for admission of electrical equipment, materials and systems.

## **Ensuring accessibility of energy infrastructure and quality of technological connection to the Company's networks**

Enhancement of access to energy infrastructure is one of the priorities of IDGC of the South PJSC.

In order to implement the action plan (“road map”) “Improving the Availability of Energy Infrastructure”, approved by directive of the Russian Federation No.1144-p on 30.06.2012, IDGC of the South PJSC arranged work in the following areas.

The order of IDGC of the South PJSC dated 15.03.2016 No.152 “On approval of the plan of activities in 2016 to achieve the benchmark indicators of the road map “Improving the Availability of Energy Infrastructure”, required for the Russian Federation to enter by 2018 the top 20 rating “Doing Business”, prepared by the World Bank on an annual basis, on the indicator “Connection to the Electricity Supply System”.

The procedure of technological connection for applicants (legal entities and individual entrepreneurs with the maximum capacity of power receiving devices from 15 to 150 kW, remoteness from power grid facilities not more than 300m in cities and no more than 500m in rural areas) is provided on the basis of the “Regulations for technological connection of applicants with electrical installations with a capacity of 15-150 kW to the electric grids of the subsidiaries and dependent companies of Rosseti in a period not exceeding 90 days.“

It became possible to reduce the number of visits of applicants to the network company up to 3 visits (while it used to be 10), the maximum capacity of power receiving devices of which is up to 150 kW inclusive.

As part of creation of a single accounting and analytical system to ensure the process of technological connection, the corporate software package “Technological connection” is launched, which fully supports the business process of technological connection.

The Company accepts applications for technological connection with a capacity of up to 150 kW at a voltage of up to 10 kV inclusively through the information and telecommunication network “Internet” through the “personal account” of the

website for working with clients: <http://портал-тп.рф/> with the possibility of calculating the cost of technological connection using an interactive calculator.

In the interests of customers of IDGC of the South PJSC, an agreement was concluded on cooperation with the State Unitary Enterprise “The Authorized Multifunctional Center for the Provision of State and Municipal Services” to create a “Single Window” – an application for technological connection through the multifunctional center in Rostov region.

The Company has arranged work on signing agreements with the executive authorities of the territorial subjects of the Russian Federation regarding the issues of reduction of the period of implementation of measures to connect the applicants to electric networks. The agreements are signed in all regions of the IDGC of the South presence. In order to raise the awareness of the applicants, the Company organized and is carrying out the project “Customer Day”. This project is implemented in the format of a personal reception of applicants. During the reception, clients receive consultations and explanations on the issues of technological connection, including technical specifications and necessary documents for processing the application, on the possibility of increasing and redistributing capacity under the existing contracts. The project contributes to improving the accessibility and transparency of the process of technological connection to the company’s electricity networks. The work on the implementation of technological connection using the company’s own labour sources was organized within the framework of the order of IDGC of the South PJSC dated 26.02.2016 No. 100-A “On approval of the plan for implementation of agreements on technological connection using own sources in 2016”. Work has been organized to submit information to the executive authorities of the territorial subjects of the Russian Federation on surplus power centers of 35kV and higher to determine the location of the objects of the applicants belonging to the category “Doing Business” (15-150 kW), and the subsequent coordination of the territory for construction of electric networks, necessary for connection of objects of such applicants.

## **Improvement of the internal control and risk management system, development of function of the internal audit**

Within the framework of improving the system of internal control and risk management, development of internal audit, the Company carried out the following activities:

- the Company's Board of Directors approved: the internal audit policy in new edition (approved by the minutes of meeting of the Board of Directors of 14.03.2016 No.180/2016), the internal control policy in new edition (approved by the minutes of meeting of the Board of Directors of 14.03.2016 No.180/2016), risk management policy in new edition (approved by the minutes of meeting of the Board of Directors of 01.04.2016 No. 182/2016);
- the Company approved the “Methodology for evaluating the effectiveness of the internal control system and risk management system of IDGC of the South PJSC (Order No. 4 of 18.01. 2016);
- the Company approved the “Range of measures to improve the internal control system and risk management system" (Order of 15.04.2016 No. 214);
- the Company approved the “Regulations for the interaction of the internal audit department of IDGC of the South, JSC with structural and separate subdivisions of IDGC of the South, JSC during inspections and monitoring of the implementation of the corrective action plan" (Order No. 269 of 04.05.2016);
- The Company has approved the “Guidelines for Monitoring Implementation of Corrective Action Plans for Eliminating Violations and Deficiencies Revealed Based on the Results of Internal Audits” (Order No. 457 of 28.07.2016).

In addition, the following activities are planned:

- participation in the implementation of standard business process matrixes;
- correction of the assessment and the level of responsibility of risk owners;
- introduction of the methodology for assessing the effectiveness of the Company’s corporate governance;
- development of guarantee card schemes;

- risk owners' planning of risk management activities taking into account activities developed by risk holders of related business processes;
- conducting on a regular basis the assessment by the owners of the processes of the effectiveness of their business processes;
- strengthening of control over the performance of the Company's organizational and executive documentation by responsible officials;
- ensuring maintenance of up-to-date information bases of common access.

**The transfer to “IDGC of the South” JSC the powers of the sole executive body of “Donenergo” JSC**

On 4 September 2014 the Board of Directors of the Company determined as its priority activity the exercise of powers of the sole executive body of “Donenergo” JSC.

On 20 September 2014 during the Economic Forum in Sochi the Company and “Donenergo” JSC concluded an agreement on the transfer of powers of the sole executive body of “Donenergo” JSC to the managing company. This was aimed at developing and improving the efficiency of the power grid complex in Rostov region, ensuring reliable and high-quality power supply to the consumers by consolidating efforts to improve reliability of energy supply to consumers by means of implementation of a unified technical, economic and corporate policy.

Positive results achieved by the Company are formation of a single transparent center of responsibility, introduction of the standards of IDGC of the South PJSC, in particular, in planning and budgeting, management accounting, an integrated approach to technical re-equipment and implementation of development programmes, cost optimization.

During the validity period of the agreement, IDGC of the South PJSC within the scope of its authority:

- arranged reception of applications for technological connection on the principle of “single window” of IDGC of the South PJSC and “Donenergo” JSC in Rostov region, which will increase the coverage of the infrastructure of the adjacent network organization of “Donenergo” JSC, ensuring the principle of step-by-step availability

of services. The presence of such a number of windows for the reception of applicants makes it possible to reduce the time for servicing citizens.

- ensured the collaborative work of grid companies in order to prepare the facilities of the World Cup 2018 in Rostov region.
- implemented the pilot project: Organization of admission of applications for technological connection in the multiservice center in Taganrog, Rostov region, which allowed to increase the awareness of consumers about the Company and its services, to increase the coverage of the population by the multiservice center infrastructure, and to reduce the number of visits of the applicant to the network company. Work is underway to expand the project to the entire territory of the region.
- organized the commissioning of the corporate software package “Technological connection” in “Donenergo” JSC, which allows creating a single accounting and analytical system of the process of technological connection and ensuring transparency of business processes of rendering services and customer service.

The management company formed a single transparent center of responsibility, IDGC of the South PJSC introduced its standards to “Donenergo” JSC, in particular, in planning and budgeting (single classifiers), management accounting, an integrated approach to technical re-equipment and implementation of development programmes, and optimization of costs. The accounting base for management accounting based on “1C: CORP” was organized.

Interaction and methodological guidance for the calculation of electrical regimes provided reliable power supply to the central part of Rostov-on-Don during the reconstruction of the bridge across the Don River, along which the route of two 110kV cable lines is installed.

In the uniform format of Rosseti PJSC, “Donenergo” JSC approved and applied regulations on headquarters, a standard structure of the Operational Staff has been introduced, and its composition has been approved. The functional responsibilities for each group of staff were assigned.

Assistance is provided in the prevention and elimination of accidents by providing qualified personnel, emergency reserve materials and equipment, techniques for the preliminary agreement of the cost of the expected expenses, the cost of materials, the procedure for recovering production costs.

To eliminate the consequences of accidents, the Management Company and “Donenergo” PJSC created an emergency reserve of materials and equipment.

On a permanent basis, the personnel of “Donenergo” PJSC participates in command and staff exercises (trainings), including real actions, which increases the qualification of personnel and the efficiency in carrying out emergency recovery work.

### **Centralization and automation of the treasury function**

On 13.03.2015 the Board of Directors (Minutes of meeting No.154/2015; 16.03.2015) identified the centralization and automation of treasury functions as its priority area of activity. As part of implementation of paragraph 1 of the List of Order of the President of the Russian Federation (05.07.2014 No. Pr-1032), order of the Government of Russian Federation from 05.13.2014 No.ISH-P13-3464 and the Russian Federation Government Directive from 08.08.2014 No.5110p-P13, as well as according to the order of Rosseti JSC from 23.12.2014 No.235 (Annex 1) on the establishment of a single treasury, the Company ensured the implementation of the project of centralization and automation of treasury and financial functions (project “Unified Treasury”), as well as taken the necessary actions for implementation of measures designed to integrate into a single automated information treasury management system of Rosseti PJSC in a timely manner.

In addition, it is necessary to note the following **decisions taken by the Board of Directors of the Company in 2016:**

The Company approved the following internal documents (including new editions): Regulations on the investment activity of IDGC of the South PJSC; Regulations on the procedure for development and implementation of the Innovative Development Programme of IDGC of the South PJSC; Regulations on the internal technical control system in IDGC of the South PJSC; Regulations on the Internal Audit

Division of IDGC of the South PJSC; Regulations on the Corporate Secretary of the Company; Regulations on the Audit Committee of the Board of Directors of IDGC of the South PJSC; Regulations on payment of remuneration and compensation to the members of the Committee Board of Directors of IDGC of the South PJSC; Regulations on the Procedure for Forming and Using the Sponsorship and Charity Fund of IDGC of the South PJSC; Regulations on Providing Insurance Coverage of IDGC of the South PJSC; Insurance Coverage Programme of IDGC of the South PJSC for 2017; Regulations on Formation, adjustment of the investment programme and preparation of reports on the implementation of the investment programme, increasing investment efficiency and reducing costs of IDGC of the South PJSC; Internal Audit Policy of IDGC of the South PJSC; Risk Management Policy of IDGC of the South PJSC; Methodology for calculating and evaluating the implementation of the key performance indicators of the General Director of IDGC of the South PJSC; Investment projects accounting procedure that meets the eligibility criteria specified in the RF Government Decree from 30.12.2015 No.1516, etc.

The draft long-term investment programme of IDGC of the South PJSC for the period from 2016 was approved.

The Programme on increase of operational efficiency and reduce expenses of IDGC of the South PJSC for 2016-2020 was approved.

Approved updated plan of measures to improve the efficiency of operations and improve the financial and economic state of IDGC of the South PJSC.

The target values of the annual and quarterly key performance indicators of the Company's General Director for 2016 have been approved.

Elected Chairman of the Board of Directors of IDGC of the South PJSC, Deputy Chairman of the Board of Directors of the Company, Corporate Secretary of the Company, as well as the membership of the Committees of the Board of Directors of IDGC of the South PJSC.

New corporate structure of the executive office of IDGC of the South PJSC was approved.

The composition of the Central Purchasing Body of the Company – the Central Tender Committee of IDGC of the South PJSC was approved.

The consolidated business plan of the IDGC of the South PJSC Group of Companies for 2016 and the forecast indicators for 2017-2020, as well as the business plan of the IDGC of the South PJSC Group of companies for 2016 consolidated on the principles of IFRS, and the projected figures for 2017-2020.

The Programme of Energy Saving and Increasing Energy Efficiency of IDGC of the South PJSC for 2016 and forecast till 2020 was approved.

The list of investment projects subject to the public technological and price audit in 2016-2022 was approved.

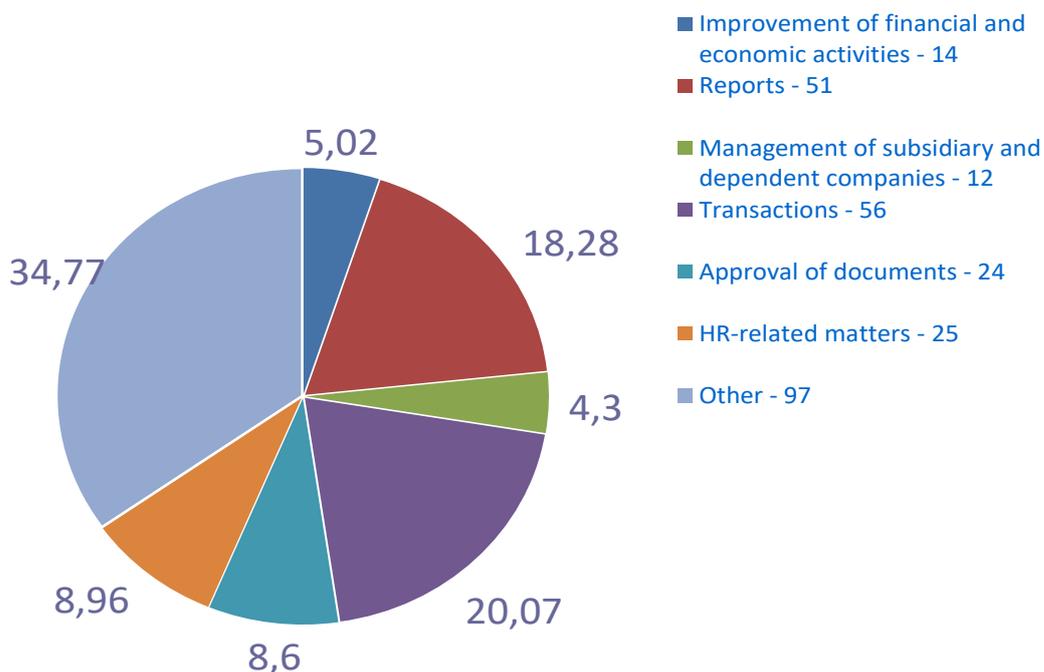
The business plan of IDGC of the South PJSC was approved, including the investment programme and information on key operational risks in 2017 and forecast indicators for 2018-2021.

The Plan of purchases of goods, works, services of IDGC of the South PJSC for 2017 was approved.

The Targeted Programme for Reducing Electricity Losses in Electric Grids of IDGC of the South PJSC for 2017 and the period until 2021 was approved.

In addition, at its meetings the Board of Directors regularly reviewed the reports of the General Director of the Company on various areas of the Company's activities and on implementation of decisions previously adopted by the Board of Directors, as well as the issues of preliminary approval of transactions for which a special order of corporate procedures must be observed; agendas of meetings of the Boards of Directors and general meetings of shareholders of the subsidiaries and affiliated companies of IDGC of the South PJSC were reviewed.

## Analysis of the resolutions taken by the Company's Board of Directors in 2016, %



### Information on payment of remuneration (reimbursement of expenses) to the members of the Board of Directors

Payment of remunerations and compensations to the members of the Board of Directors is carried out in compliance with the Regulations “On Remuneration and Compensation Payment to Members of the Board of Directors of IDGC of the South PJSC (approved by the decision of the AGM on 19.06.2015), in accordance with which the amount of remuneration paid to each member of the Board of Directors of the Company is calculated with regard of the total number of meetings of the Board of Directors in the previous corporate year and the number of meetings in which such member of the Board of Directors takes part, using the following formula:

$$S(1) = R_{\text{base}} \times 100/130 \left( \frac{n}{m} \right), \text{ where}$$

“S(1)” is the amount of remuneration paid for participation in the Board of Directors of the Company;

“R<sub>base</sub>” is the base remuneration;

“n” is the number of meetings of the Board of Directors (irrespective of the form of such meetings) in which the member of the Board of Directors takes part within the period between the Annual General Meetings of Shareholders;

“m” is the total number of meetings of the Board of Directors (irrespective of the form of the meetings) within the period between the Annual General Meetings of Shareholders

The amount of remuneration base (Rbase) shall be based on the revenues calculated in accordance with Russian Accounting Standards and received by the Company in the financial year and is as follows:

Revenues	Rbase
over 200 billion rubles	1 000 000 rubles
over 30 billion rubles	900 000 rubles
over 10 billion rubles	800 000 rubles
over 1 billion rubles	700 000 rubles
over 600 billion rubles	600 000 rubles
lower than 600 billion rubles	500 000 rubles

Additionally to the remuneration, the following premiums shall apply:

- 30% of S (1) payable to the Chairperson of the BoD of the Company;
- 20% of S (1) payable to the chairman of a specialized committee of the Board of Directors of the Company;
- 10% of S (1) payable to a member of a specialized committee of the Board of Directors of the Company.

No premium for holding office as chairman or and/or a member of a specialized committee shall be paid if such committee of the Board of Directors holds less than three meetings in the corporate year.

For the purposes of the Regulations in order to determine the amount of remuneration and compensation paid to members of the Board of Directors, the corporate year means the period from the moment of election of the members of the Board of Directors at the Annual General Meeting of Shareholders and until the date of the next annual general meeting of shareholders

There are no arrears in payment of remuneration to the members of the Board of Directors by the end of the last completed financial year.

The aggregate amount of remuneration paid to the members of the Board of Directors of the Company in 2016 amounted to 8 238 461.53 rubles (including personal income tax). There were no other payments to the members of the Board of Directors of the Company.

In 2016 the training of the members of the Board of Directors of the Company was not conducted.

### **The Corporate Secretary of the Company**

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 activity the Corporate Secretary of the Company is guided by the Federal Law "On joint stock companies" and other regulations of the Russian Federation, the Charter and internal documents of the Company, as well as the [Regulations on the Corporate Secretary of "IDGC of the South" JSC \(restated\)](#) approved by the resolution of the Board of Directors (Minutes of meeting No.202/2016 dated 03.10.2016).

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

On 20 December 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:

**Pavlova Yelena Nikolayevna,**

**Corporate Secretary of the Company,**

**Employer: IDGC of the South PJSC**

**Position: Head of the Department – Corporate Secretary**

Year of birth: 1977

Citizenship: Russian Federation

Higher education:

The Rostov State Economic Academy specialization “Economy of nature management”

The Rostov State University of Economy RSUE specialization “Law”, qualification “Lawyer”.

All positions held by the person at the Issuer Company and other entities within the last five years and now, including part-time job:

<b>Period</b>	<b>Company</b>	<b>Period</b>
2007- present	IDGC of the South JSC	Head of the Sector of operation with securities and shareholders of the Corporate Governance Department
2013- present	IDGC of the South JSC/IDGC of the South PJSC	Head of the Department for Corporate Governance and Shareholder Relations
2016- present	IDGC of the South PJSC	Head of the Department – Corporate Secretary

The person has no participation shares/ordinary shares in authorized capital of the Issuer

Corporate Secretary of the Company is paid a remuneration in the order, amount and on terms determined by the Regulations for payment of remunerations and compensations to the Corporate Secretary of IDGC of the South PJSC in the edition of 2008 and in the edition of 2016, the Regulations for the Corporate Secretary of IDGC of the South PJSC approved by the decision of the Board of Directors of IDGC of the South PJSC on 30.09.2016 (minutes of meeting No.202/2016 dated 03.10.2016), Regulations for the Board of Directors of the Public Joint Stock Company “Interregional Distribution Grid Company of the South”, approved by the decision of the annual General Meeting of Shareholders of IDGC of the South JSC, minutes of meeting No.15 dated 09.06.2016.

#### **Committees attached to BoD of IDGC of the South PJSC**

The decision of Board of Directors (minutes No. 22/2009 dd. 11.02.2009; minutes No. 23/2009 dd. 02.03.2009, minutes No. 37/2009 dd. 04.12.2009) organized and

approved committees of the Company to study issues within the competence of the Board of Directors, or studied by the Board of Directors in order to control the activities of the Company's executive body, and develop the necessary recommendations to the Board of Directors of the Company in 2009:

- 1) [Committee for Technological Connection to Electric Grids;](#)
- 2) [Audit Committee;](#)
- 3) [Committee for Personnel and Remuneration](#)
- 4) [Reliability Committee](#)
- 5) [Committee for Strategy, Development, Investments and Reforming](#)

According to the approved regulations on committees the members of committees are elected for the period of Board of Directors reelection (Reliability Committee), till election of the next Committee (Audit Committed) and till the first meeting of the BoD in the new composition (the rest of the Committees).

Authorities of any member of Committee could be early terminated by the decision of Board of Directors adopted by majority of votes of Company's Board of Directors. According to the regulations for the Committees, functions of Secretaries of the Committees are performed by Corporate Secretary, if decisions of committees do not stipulate any other cases.

During the reporting year three compositions of committees were performing their activity. In 2016 the Committees in total have held 69 meetings and discussed over 260 items.

#### **[Committee for Technological Connection to Electric Grids attached to Board of Directors of the Company](#)**

The main purpose of Committee for Technological Connection to Electric Grids attached to Board of Directors of "IDGC of the South", JSC is provision of transparency of activity and nondiscrimination access to services of technological connection of consumers to electric grids of the Company.

The Committee performed its activity in accordance with [the Regulations on Committee for Technological Connection to Electric Grids attached to Board of](#)

[Directors of “IDGC of the South” JSC approved by the decision of Board of Directors of the Company dd 09.02.2009](#) (published at corporate webpage).

**The composition of the Committee elected on 23.07.2015 (minutes of meeting No.163/2015 dd 24.07.2015):**

name	work place and position held as of the moment of electing
<b>Repin Igor Nikolaevich, Chairperson</b>	Deputy Executive director of Non-profit partnership Association of Professional investors
<b>Polovnev Igor Georgievich</b>	Financial director of Association of Professional investors
<b>Zhuravlyov Dmitriy Olegovich</b>	Deputy director general in charge of development and grid connection, IDGC of the South PJSC
<b>Nikologorsky Sergey Valerievich</b>	Deputy Director General in charge of Selling of Services, IDGC of the South PJSC
<b>Pavlov Alexander Valerievich</b>	Leading Advisor at Department of Development of Power Industry, RF Ministry off Energy
<b>Masalyova Irina Borisovna</b>	Head of Department of Perspective Development of Grids and Technological Connection, Rosseti PJSC
<b>Korneev Alexandr Yurievich</b>	Head of sector for regulation of technological connection, Rosseti PJSC

**Composition of the Committee elected at the meeting of the Board of Directors on 08.07.2016 (Minutes of meeting No.193/2016 dd. 11.07.2016):**

name	work place and position held as of the moment of electing
<b>Repin Igor Nikolaevich, Chairperson</b>	Deputy Executive director of Non-profit partnership Association of Professional investors
<b>Zhuravlyov Dmitriy Olegovich</b>	Deputy director general in charge of development and grid connection, IDGC of the South PJSC
<b>Korneev Alexandr Yurievich</b>	Head of sector for regulation of technological connection at Department for perspective development and grid connection, Rosseti PJSC
<b>Nikologorsky Sergey Valerievich</b>	Deputy Director General in charge of Selling of Services, IDGC of the South PJSC
<b>Masalyova Irina Borisovna</b>	Head of Department of Perspective Development of Grids and Technological Connection, Rosseti PJSC
<b>Polovnev Igor Georgievich</b>	Financial director of Association of Professional investors

**Composition of the Committee elected at the meeting the Board of Directors on 05.08.2016 (Minutes No. 193/2016 dd. 08.08.2016):**

<b>name</b>	<b>work place and position held as of the moment of electing</b>
<b>Repin Igor Nikolaevich, Chairperson</b>	Deputy Executive director of Non-profit partnership Association of Professional investors
<b>Zhuravlyov Dmitriy Olegovich</b>	Deputy Director General in charge of development and services implementation of “IDGC of the South” PJSC
<b>Korneev Alexandr Yurievich</b>	Head of sector for regulatory activity, technological connection at the Department of perspective development of grids and technological connection, Rosseti PJSC
<b>Nikologorsky Sergey Valerievich</b>	Deputy Director General in charge of Selling of Services, IDGC of the South PJSC
<b>Masalyova Irina Borisovna</b>	Head of Department of Perspective Development of Grids and Technological Connection, Rosseti PJSC
<b>Polovnev Igor Georgievich</b>	Financial director of Association of Professional investors
<b>Mikheyv Dmitry Dmitrievich</b>	Deputy Head, Head of Sector of Perspective Development of Power Industry, Power Industry Department of RF Ministry of Energy

**Information on the Committee’s activity and decisions:**

In the reported year there were 5 meetings of the Committee for technological connection to electric networks attached to the IDGC of the South PJSC Board of Directors (all held in absentee form) where 11 issues were considered.

Among the important issues considered by the Committee for Technological Connection to Electric Grids under the Board of Directors in 2016 are: information on the current situation in the technological connection of applicants to the Company’s electric networks (including the volumes and structure of current liabilities, the terms of performance of obligations by categories of applicants, plans, problems, measures to address them, etc., as well as the financial and economic side of the obligations for technological connection, including the formation of proposals for the establishment of payment, accounting of falling income, etc.).

<b>#</b>	<b>Number and date of the</b>	<b>Agenda item</b>	<b>Adopted decision</b>
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	Committee's Minutes of meeting		
1	Minutes of meeting No.22 dated 18.02.2016	1. On the current situation in the technological connection of applicants to the Company's electric networks (including the volumes and structure of current liabilities, the terms of performance of obligations by categories of applicants, plans, problems, measures to address them, etc., as well as the financial and economic side of the obligations for technological connection, including the formation of proposals for the establishment of payment, accounting of falling income, etc.).	To take into consideration the information on the current situation in the technological connection of applicants to the Company's electric networks (including the volumes and structure of current liabilities, the terms of performance of obligations by categories of applicants, plans, problems, measures to address them, etc., as well as the financial and economic side of the obligations for technological connection, including the formation of proposals for the establishment of payment, accounting of falling income, etc.).

#### **Audit Committee at Board of Directors of IDGC of the South PJSC**

The main tasks of the Committee are:

- review of the Company's accounting (financial) statements and supervision of the process of their preparation;
- control over the reliability and effectiveness of the internal control system, risk management system, corporate governance practices;
- monitoring of the external audit and the choice of the auditor;
- ensuring the independency and objectivity of the internal audit function;
- supervision of the effectiveness of the system for countering the unfair actions of employees of the Company and third parties.

The Committee performed its activity in accordance with the Regulations on Audit [the Regulations for the Audit Committee under the Board of Directors of IDGC of the South PJSC](#), approved by the Company's Board of Directors on 11.03.2016 (minutes of meeting No.180/2016 dated 14.03.2016) and posted on the website of the Company on the Internet;

[the Regulations for the Audit Committee under the Board of Directors of IDGC of the South PJSC](#), approved by the Company's Board of Directors on 13.03.2015 (minutes of meeting No.154/2015 dated 16.03.2015) (invalid).

**The composition of the Committee elected at the meeting of the Board of Directors on 20.08.20105 (Minutes of meeting No.163/2015 dd. 21.08.2015):**

name	work place and position held as of the moment of electing
<b>Shmakov Igor Vladimirovich, Chairperson</b>	Head of Directorate of internal audit, Rosseti PJSC
<b>Pankstiyanov Yuriy Borisovich</b>	Head of Tariff Policy Department, Rosseti PJSC
<b>Piotrovich Nikolai Borisovich</b>	Deputy head of Directorate for arrangement of management bodies' activity of "Rosseti" JSC
<b>Fadeyev Alexandr Nikolayevich</b>	Deputy Director General in charge of Security, Rosseti PJSC
<b>Shevchyuk Alexander Viktorovich</b>	Executive Director of Association of Professional investors
<b>Filkin Roman Alekseevich</b>	Director (power industry, machine construction) at representative office of Prosperity Capital Management Ltd (RF)
<b>Dudchenko Vladimir Vladimirovich</b>	Financial Director of SoftBiKom LLC

**Composition of the Committee elected at the Board of Directors meeting on 08.07.2016 (Minutes of meeting No.193/2016 dd. 11.07.2016):**

name	work place and position held as of the moment of electing
<b>Shevchyuk Alexander Viktorovich</b>	Executive Director of Association of Professional investors
<b>Pankstiyanov Yuriy Borisovich</b>	Head of Tariff Policy Department, Rosseti PJSC
<b>Dudchenko Vladimir Vladimirovich</b>	Financial Director of SoftBiKom LLC
<b>Kolyada Andrey Sergeyeovich</b>	Head of Share Capital Division at Department of Corporate Governance and Interaction with Shareholders And Investors, Rosseti PJSC
<b>Filkin Roman Alekseevich</b>	Director (power industry, machine construction) at representative office of Prosperity Capital Management Ltd (RF)
<b>Fadeyev Alexandr Nikolayevich</b>	Deputy Director General in charge of Security, Rosseti PJSC

All members of the Committee are the members of Company's BoD.

The Audit Committee of the Company's BoD composed by independent directors who have experience and knowledge in sphere of preparation, analysis, appraisal and audit accounting (financial) report:

name	work place and position held as of the moment of electing
<b>Dudchenko Vladimir Vladimirovich</b>	Financial Director of SoftBiKom LLC
<b>Shevchyuk Aleksandr Viktorovich</b>	Executive director of Non-profit partnership Association of Professional investors' rights protection

During 2016 the Company's BoD considered issues of organization, operation and effectiveness of risks control and internal control systems.

#	Number and date of Minutes of meeting of Board of Directors	Issue	Adopted decision
1	Minutes of meeting No.180/2016; 14.03.2016	1.On approval of the Internal Audit Policy of IDGC of the South PJSC in new edition. 2.On approval of the Internal Control Policy IDGC of the South PJSC in new edition 3.On approval of the Regulations on the Audit Committee of the Board of Directors of IDGC of the South PJSC in new edition	1. To approve the new edition of the Internal Audit Policy of IDGC of the South PJSC in accordance with Appendix No. 1 to the resolution of the Board of Directors of the Company. 2. The Internal Audit Policy of IDGC of the South JSC approved by the decision of the Board of Directors of the Company on 04.09.2014 (Minutes of meeting No.142/2014), as of the date of adoption of the present decision, shall be rendered null and void. 3. To approve the new edition of the Internal Control Policy of IDGC of the South PJSC in accordance with Appendix No. 2 to the resolution of the Board of Directors of the Company. 4. The Internal Control Policy of IDGC of the South JSC, approved by the decision of the Board of Directors of the Company on 04.09.2014 (Minutes of meeting No. 42/2014; 08.09.2014), as of the date of adoption of this decision, shall be rendered null and void. 5. To approve the new edition of the Regulations on the Audit Committee under the Board of Directors of IDGC of the South PJSC according to Appendix No. 3 to the decision of the Board of Directors of the Company. 6. The Regulation on the Audit 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 13.03.2015 (Minutes of meeting

			No.154/2015), as of the date of adoption of this decision, shall be rendered null and void.
2	Minutes of meeting No.182/2016; 01.04.2016	On the approval of the Risk management policy of IDGC of the South PJSC in new edition.	1. To approve the new edition of the Risk Management Policy of IDGC of the South PJSC in accordance with Appendix No. 1 to the resolution of the Board of Directors of the Company. 2. To recognize as invalid the Risk Management Policy of IDGC of the South JSC, approved by the decision of the Board of Directors of the Company on 04.09.2014 (Minutes of meeting No. 142/2014), from the date of adoption of this decision.
3	Minutes of meeting No.185/2015; 25.04.2016	On consideration of the Report of the Internal Audit and Control Department of IDGC of the South PJSC on implementation of the work plan and the results of the internal audit activity in 2015.	To approve the Report of the Department of Internal Audit and Control of IDGC of the South PJSC on implementation of the work plan and the results of the internal audit activity in 2015 in accordance with Appendix No.7 to the decision of the Board of Directors of the Company.
4	Minutes of meeting No.193/2015; 11.07.2016	1. On discussion of the Report of the Audit Committee of the Board of Directors of IDGC of the South PJSC on its activity in 2015-2016 corporate year. 2. On amending the decision of the Board of Directors of IDGC of the South PJSC dated 04.09.2014 (Minutes of meeting No. 142/2014; 08.09.2014) on item No. 2 “On approval of the Risk management policy of IDGC of the South in new edition”	1. To take into consideration the Report of the Audit Committee of the Board of Directors of IDGC of the South PJSC on its activity in 2015-2016 corporate year in accordance with Appendix 1 to the decision of the Board of Directors of the Company. 2. The paragraph 2.6 of the resolution of the Board of Directors of IDGC of the South dated 04.09.2014 (Minutes of meeting No.142/2014; 08.09.2014) on Issue 2 “On approving the Risk Management Policy of IDGC of the South JSC in new edition” shall be reworded as follows: “To organize preparation and quarterly submission to the Board of Directors of the issue “On consideration of the Risk Management Report on Operational Risk Management of the Company”. Term: quarterly, no later than 45 calendar days, from the date of completion of the reporting quarter.”
5	Minutes of meeting No.198/2016; 22.08.2016	1. On approval of the Regulations on the Internal Audit Department of IDGC of the South PJSC.	1. To approve the Regulations on the Internal Audit Department of IDGC of the South PJSC in accordance with Appendix No. 3 to this decision of the Board of Directors of the Company. 2. To recommend to the General

		<p>2. On approval of the work plan of the internal audit department for 2016.</p> <p>3. On the approval of the budget of the internal audit department for 2016.</p> <p>4. On consideration of the candidacy of the head of the internal audit department of IDGC of the South and their remuneration.</p>	<p>Director of IDGC of the South PJSC to approve the Regulations on the Internal Audit Department of IDGC of the South PJSC according to Appendix No. 3 to the decision of the Board of Directors of the Company. 3. To approve the Work Plan of the Internal Audit Department of IDGC of the South PJSC for 2016 in accordance with Appendix No. 4 to the decision of the Board of Directors of the Company. 4. To approve the Budget of the Internal Audit Department of IDGC of the South PJSC for 2016 in accordance with Appendix No. 5 to the resolution of the Board of Directors of the Company. 5. To appoint Nikolay Vladimirovich Pechenkin to the position of Internal Audit Director – Head of the Internal Audit Department of IDGC of the South PJSC and determine the remuneration according to Appendix No. 6 to the decision of the Board of Directors of the Company. 6. To appoint Nikolay Vladimirovich Pechenkin to the position of Internal Audit Director – Head of the Internal Audit Department of IDGC of the South PJSC. 7. To develop a system of key performance indicators based on the results of work for the quarter and 2016 for the Director for Internal Audit - Head of the Internal Audit Department of IDGC of the South and submit it for approval by the Audit Committee of the Board of Directors of IDGC of the South.</p>
6	Minutes of meeting No.206/2016; 07.11.2016	On approval of amendments to the Regulations on the Audit Committee of the BoD of IDGC of the South PJSC.	To approve the amendments to the Regulations on the Audit Committee of the Board of Directors of IDGC of the South PJSC in accordance with Annex 1 to the decision of the Board of Directors.
7	Minutes of meeting No.207/2016; 07.11.2016	<p>1. On re-election of the Chairman of the Audit Committee of the Board of Directors.</p> <p>2. On discussion of information on the implementation of corrective and preventive measures to eliminate violations and deficiencies revealed by the Audit Commission during the audit of the Company's financial and business operations in 2015.</p>	<p>1. To terminate the term of office of Fadeyev Alexander Nikolayevich, the Chairman of the Audit Committee of the Board of Directors of the Company. 2. To elect Shevchuk Alexander Viktorovich as the Chairman of the Audit Committee of the Board of Directors of the Company. 3. To take into consideration information on the implementation of corrective and preventive measures to eliminate violations and deficiencies revealed by the Audit Committee of the Company during the audit of financial and economic activities in 2015.</p>

8	Minutes of meeting No.209/2016; 21.12.2016	On approval of the Programme for guaranteeing and improving the quality of internal audit of IDGC of the South PJSC.	1.To approve the Programme for guaranteeing and improving the quality of internal audit of IDGC of the South PJSC (hereinafter – the Guarantee Programme) in accordance with Appendix 10 to this decision of the Board of Directors. 2. The subdivision fulfilling the internal audit function shall ensure that an internal evaluation is carried out and its results are reported in accordance with paragraph 5.2 of the Guarantee Programme to the Board of Directors of the Company with preliminary consideration by the Audit Committee, starting with the assessment for 2016. Term: by the results of the evaluation for 2016 – no later than April 10, 2017, following the results of the evaluation of the next reporting periods – no later than February 28 of the year following the reporting period. 3. To cancel paragraph 2.2 of the resolution of the Board of Directors of IDGC of the South dated 04.09.2014 on issue No. 3 (Minutes of meeting No. 142/2014; 08.09.2014).
9	Minutes of meeting No.211/2016; 29.12.2016	1. On approval of the work plan of the Internal Audit Department for 2017. 2. On approval of the budget of the Internal Audit Department of the Company for 2017.	1. To approve the work plan of the Internal Audit Department of IDGC of the South PJSC for 2017 in accordance with Appendix 5 to the decision of the Board of Directors of the Company. 2. To approve the budget of the Internal Audit Department of IDGC of the South for 2017 in accordance with Appendix 6 to the decision of the Board of Directors.
10	Minutes of meeting No.215/2016; 09.12.2016	1. On the results of inspections conducted in the first 9 months of 2016	1. To take into consideration the Report on implementation of the Plan of Measures taken by the Results of the Audit of the Financial and Economic Activities of the Company in 2015. 2. To take into consideration information on the results of the annual audits of the financial and economic activities of the subsidiaries and affiliates of Rosseti PJSC in 2015.

### **Information on Committee's activity and main decisions:**

In the reporting year, the Audit Committee of the Board of Directors of the Company conducted 13 meetings (including 6 held in the form of joint presence) and discussed 44 agenda items.

Among the most important agenda items discussed by the Audit Committee under the Board of Directors in 2016 were:

- the candidature of the external auditor of the Company was preliminarily approved for the audit of the Company's accounting (financial) statements for 2016 prepared in accordance with RAS and audit of the consolidated financial statements for 2016 prepared in accordance with IFRS
- an assessment of the effectiveness of the external audit, including an assessment of the report of the external auditor
- information provided by the external auditor was regularly reviewed on the main issues of the Company's accounting (financial) reporting
- discussed information on non-standard operations and events of the Company, as well as on the provision of a reserve on doubtful debts and estimated liabilities
- analysis of significant aspects of accounting policies and changes thereto
- accounting (financial) statements of the Company prepared in accordance with RAS were regularly reviewed, the internal audit plan and budget for 2017 was agreed
- the Regulations for the structural subdivision of the Company's internal audit was preliminarily approved
- the Committee reviewed and agreed upon the structure and size of the internal audit department.
- the candidacy of the head of the internal audit department of IDGC of the South PJSC and their remuneration was preliminarily approved;
- regularly reviewed reports on the implementation of the work plan and the results of internal audit activities;
- the management reports of the Company were regularly discussed with reports on implementation of corrective action plans to eliminate the deficiencies identified by the Company's Audit Commission, the Company's internal auditor, external control bodies;
- reviewed the report on the effectiveness of the Company's internal control system.

No.	Number and date of Minutes of meeting	Agenda item	Adopted decision
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	of Board of Directors		
1	Minutes of meeting #52 dated 19.02.2016	<p>1. On preliminary revision of the Internal Control Policy of IDGC of the South PJSC in new version.</p> <p>2. On preliminary revision of the Internal Audit Policy of IDGC of the South PJSC in new version.</p> <p>3. On preliminary revision of the Regulations on the Audit Committee of the Board of Directors of IDGC of the South PJSC in new version.</p>	<p>1. To recommend the Board of Directors of IDGC of the South PJSC to adopt the following decision:</p> <p>1.1. To approve the new edition of the Internal Control Policy of IDGC of the South PJSC according to Appendix No. 1 to this decision of the Audit Committee.</p> <p>1.2. The Internal Control Policy of IDGC of the South JSC, approved by the decision of the Board of Directors of the Company dated 04.09.2014 (Minutes of meeting # 142/2014), shall be no longer valid.</p> <p>2. To recommend to the Board of Directors of IDGC of the South PJSC to adopt the following decision:</p> <p>1.1. To approve the new edition of the Internal Audit Policy of IDGC of the South PJSC in accordance with Appendix No. 2 to this decision of the Audit Committee.</p> <p>1.2. The Internal Audit Policy of IDGC of the South JSC approved by the decision of the Board of Directors of the Company on 04.09.2014 (Minutes of meeting # 142/2014), shall be no longer valid.</p> <p>3. To recommend to the Board of Directors of IDGC of the South PJSC to adopt the following decision:</p> <p>1.1. To approve the new edition of the Regulations on the Audit Committee of the Board of Directors of IDGC of the South PJSC in accordance with Appendix No. 3 to this decision of the Audit Committee.</p> <p>1.2. The Regulations on the Audit 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 13.03. 2015 (Minutes of meeting # 154/2015), shall be no longer valid.</p>
2	Minutes of meeting #53 dated 23.03.2016	1. On preliminary consideration of the report of the internal audit of the Company on the effectiveness of the internal control and the	1. To determine the level of maturity of the Company's internal control and risk management systems as "moderate" with insignificant positive dynamics. 2. To recommend the Board of Directors: 2.1. to approve the Report on the

		<p>risk management systems in 2015. 3. On preliminary consideration of the report of the Internal Audit and Control Department of IDGC of the South on implementation of the work plan and the results of the internal audit activity in 2015. 2. On consideration of the management's report on implementation of the Corrective Action Plans to eliminate the deficiencies identified by the Company's internal audit and external control and supervision bodies in 2015.</p>	<p>effectiveness of the internal control system and risk management system of IDGC of the South PJSC in 2015. 2.2. To instruct the Sole Executive Body of the Company: 2.2.1. to develop by 15.04.2016 and implement a set of measures aimed to improve the internal control and risk management systems, ensuring the increase of maturity level by the end of 2016. 2.2.2. to submit to the Board of Directors a Report on implementation of these measures simultaneously with the Internal Audit Report of the Company on the effectiveness of the internal control and risk management system in 2016. Deadline: by 01.04.2017. 3. To recommend to the Board of Directors of the Company the following decision: "To approve the Report of the Department of Internal Audit and Control of IDGC of the South on the implementation of the work plan in 2015 and the results of internal audit activities". 4. The Audit Committee notes: A failure of the Company's management to comply with the clause 2.1 of the decision of the Audit Committee of 22.09.2015 (Minutes No. 49; 24.09.2015) on issue No.1, which does not allow the Sole Executive Body to demand compensation measures from the management within the established time limits with the declared effect, due to which the Audit Committee cannot be sure in ensuring proper response to violations that reduce the effectiveness of the Company's operations; Untimely, incomplete implementation by the Company's management of corrective actions, developed based on the results of inspections. 5. To recommend the Sole Executive Body of the Company to apply to senior managers supervising the elimination of relevant violations based on the results of inspections, disciplinary measures and/or cancellation of bonus. 6. To consider it expedient: 6.1. To reconsider at the internal meeting of the Audit Committee of the Board of Directors the management report of the Company on implementation of the</p>
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			Corrective Action Plans to eliminate the deficiencies identified by the Company's internal audit and external control and supervision bodies in 2015, the Audit Commission of the Company (hereinafter referred to as the Report) for uncompleted events, as well as for activities in respect of which comments were received by members of the Audit Committee of the Board of Directors.
3	Minutes of meeting #54 dated 26.04.2016	1. On consideration of the accounting (financial) statements 2015 prepared in accordance with RAS and consolidated financial statements prepared in accordance with IFRS. 2. On consideration of the management's report on implementation of the Corrective Action Plans to eliminate the deficiencies identified by the internal audit and external control and supervision bodies in 2015.	1. To recommend to the Board of Directors of the Company to submit for approval at the annual General Meeting of Shareholders of the Company the annual accounting (financial) statements of the Company for 2015 prepared in accordance with RAS. 2. To take into consideration the consolidated financial statements of the Company 2015 prepared in accordance with IFRS. 3. To note the crediting of debtors of the Company mainly at the expense of suppliers and contractors, which leads to significant financial and reputational risks for the Company. 4. To take note of information on activities aimed at improving the efficiency of the Company's activities on accounts receivable management in 2015. 5. To take into consideration the information on implementation of the Corrective Action Plans to eliminate the deficiencies identified by the Company's internal audit and external control and supervision bodies, the Audit Commission of the Company in 2015.
4	Minutes of meeting #55 dated 26.04.2016	On consideration of the candidacy of external auditor of the Company for the audit of the Company's financial statements for 2016, prepared in accordance with RAS and auditing consolidated financial statements for the year ending on December 31, 2016, prepared in accordance with IFRS.	1. To recommend to the Board of Directors to propose the Annual General Meeting of Shareholders to approve RSM RUS as the auditor of the Company (4 Pudovkina str., Moscow, Russia, 119285), recognized as the winner of an open one-stage tender without preliminary qualification selection (Minutes of the Procurement Commission meeting No.5/552p; 14.04.2014).
5	Minutes of meeting #56 dated 20.05.2016.	1. On consideration of the report of the Internal Audit and Control	1. To take into consideration the report of the Internal Audit and Control Department of IDGC of the South on

		<p>Department of IDGC of the South on implementation of the work plan in the 1st quarter of 2016 and the results of the internal audit activity. 2. On the report of the Audit Committee of the Board of Directors of the Company on the work done.</p>	<p>implementation of the work plan and the results of the internal audit activity in the 1st quarter of 2016. 2. To recommend the Board of Directors of IDGC of the South PJSC to take into account the Report of the Audit Committee of the Board of Directors on the work accomplished in 2015-2016 in the corporate year in accordance with Appendix 2 to this decision of the Audit Committee of the Board of Directors.</p>
6	Minutes of meeting #57 dated 20.08.2016.	<p>1. On preliminary consideration of the regulations on the structural subdivision of the Company's internal audit.</p> <p>2. On consideration and approval of the structure and membership of the internal audit unit.</p> <p>3. On preliminary consideration of the candidacy of the head of the internal audit department of IDGC of the South PJSC and their remuneration.</p> <p>4. On preliminary consideration of the work plan of the internal audit department for 2016.</p> <p>5. On preliminary consideration of the budget of the internal audit department of the Company for 2016.</p>	<p>1. To approve the Regulations on the Internal Audit Department of IDGC of the South in accordance with Appendix 3 to this decision of the Audit Committee of the Board of Directors. 2. To recommend to the Board of Directors of IDGC of the South PJSC the following decision: 2.1. to approve the Regulations on the Internal Audit Department of IDGC of the South PJSC. 2.2. to recommend to the General Director of IDGC of the South PJSC to approve the Regulations on the Internal Audit Department of IDGC of the South PJSC. 3. To approve structure and size of the Internal Audit Department of IDGC of the South PJS. 4. To approve the candidacy of Nikolai Vladimirovich Pechenkin to the position of Director of Internal Audit – Head of the Internal Audit Department of IDGC of the South PJSC and determine the remuneration. 5. To recommend to the Board of Directors of IDGC of the South PJSC to approve the following decision: 5.1. To appoint Nikolai Vladimirovich Pechenkin to the position of Director of Internal Audit – Head of the Internal Audit Department of IDGC of the South PJSC and determine the remuneration. 5.2. To instruct the General Director of the Company to appoint Nikolai Vladimirovich Pechenkin to the position of Director of Internal Audit – Head of the Internal Audit Department of IDGC of the South PJSC. 6. To approve the Work Plan of the Internal Audit Department of IDGC of the South for 2016 in accordance with Appendix 6 to this decision. 7. To recommend to the Board of Directors of</p>

			<p>IDGC of the South PJSC to approve the following decision: “To approve the Work Plan of the Internal Audit Department of IDGC of the South PJSC for 2016.” 8. To approve the Budget of the Internal Audit Department of IDGC of the South PJSC for 2016 in accordance with Appendix 7 to the decision of the Audit Committee of the Board of Directors. 9. To recommend to the Board of Directors of IDGC of the South PJSC the following decision: “To approve the Budget of the Internal Audit Department of IDGC of the South PJSC for 2016.”</p>
7	Minutes of meeting #58 dated 01.04.2015	<p>1. On consideration of information submitted by the Company management on implementation of the corrective action plans for elimination of deficiencies identified by the Company’s Audit Commission, internal audit of the Company, external control bodies (supervision), on the measures taken on facts of potential cases of unfair acts of employees, conducted investigations on the results of 6 months of 2016. 2. On consideration of the report of the structural unit performing the function of internal audit, on the implementation of the work plan for 6 months of 2016 and the results of the internal audit activity.</p>	<p>1. To take into consideration the information submitted by the Company management on implementation of the corrective action plans for elimination of deficiencies identified by the Company’s Audit Commission, internal audit of the Company, external control bodies (supervision), on the measures taken on facts of potential cases of unfair acts of employees, conducted investigations on the results of 6 months of 2016. 2. To approve the Report of the Department of Internal Audit and Control of IDGC of the South PJSC on implementation of the work plan and results of the internal audit activity for 6 months of 2016.</p>
8	Minutes of meeting # 59 dated 03.10.2016	<p>1. On approval of the system of key performance indicators for the for Internal Audit Director – Head of the Internal Audit Department of IDGC of</p>	<p>1. To recommend the Director General of IDGC of the South PJSC to brush up the key performance indicators of the Director for Internal Audit, Head of the Internal Audit Department of IDGC of the South, taking into account the commensurability with the goals and</p>

		the South PJSC. 2. On preliminary consideration of amendments to the Regulations on the Audit Committee of the Board of Directors of IDGC of the South PJSC.	tasks of this function. 2. To approve the changes to the Regulations on the Audit Committee of the Board of Directors of IDGC of the South PJSC. 3. To recommend to the Board of Directors of IDGC of the South PJSC the following decision: 3.1. To approve the amendments to the Regulations on the Audit Committee of the Board of Directors of IDGC of the South PJSC.
9	Minutes of meeting # 60 dated 19.10.2016	On approval of the system of key performance indicators for Internal Audit Director – Head of the Internal Audit Department of IDGC of the South PJSC	1.To approve the key performance indicators for the Internal Audit Director – Head of the Internal Audit Department of IDGC of the South PJSC for 2016. 2. To recommend the Director General of IDGC of the South PJSC to approve the key performance indicators for the Internal Audit Director – Head of the Internal Audit Department of IDGC of the South PJSC.
10	Minutes of meeting # 61 dated 03.11.2016	On preliminary discussion of information on implementation of corrective and preventive measures to eliminate violations and deficiencies identified by the Audit Commission during the audit of the Company’s financial and business activities in 2015.	1. To instruct the Sole Executive Body of IDGC of the South PJSC when submitting to the Board of Directors of the Company information on implementation of corrective and preventive measures to eliminate violations and deficiencies identified by the Audit Commission of the Company during the audit of financial and economic activities in 2015, to include in it the Programmes and plans mentioned in information on implementation of corrective and preventive measures. 2. To recommend to the Board of Directors of IDGC of the South PJSC when discussing the information on implementation of corrective and preventive measures to eliminate violations and deficiencies revealed by the Audit Commission of the Company during the audit of financial and economic activities in 2015, to adopt the following decision: “1. To take into consideration information on implementation of corrective and preventive measures to eliminate violations and deficiencies revealed by the Audit Commission of the Company during the audit of financial and business activities in 2015. 2. To instruct the Sole Executive Body of IDGC of the South PJSC: 2.1. To take additional measures

			to address the shortcomings. 2.2. To provide an analysis of the implemented corrective and preventive measures to assess the effect of their implementation. 2.3. To ensure consideration of the Board of Directors of the Company of information on implementation of corrective and preventive measures to eliminate violations and deficiencies revealed by the Company's Audit Commission during the audit of financial and economic activities in 2015 as of December 31, 2016. Deadline: 31.03.2017.”
11	Minutes of meeting #62 dated 16.11.2016	On consideration of the draft report of the Audit Committee of the Board of Directors on the work accomplished in 2014-2015 corporate year.	1. To approve the Report of the Audit Committee of the Board of Directors on the work accomplished in 2014-2015 corporate year in accordance with Appendix 4 to this decision of the Audit Committee of the Board of Directors of the Company. 2. To recommend the management of the Company to ensure submission of the Report of the Audit Committee of the Board of Directors of the Company on the work done in 2014-2015 corporate year for consideration by the Board of Directors of the Company.
12	Minutes of meeting #63 dated 19.12.2016	1.On preliminary consideration of the work plan of the Internal Audit Department of IDGC of the South PJSC for 2017. 2.On preliminary consideration of the budget of the Internal Audit Department of IDGC of the South PJSC for 2017. 3.On preliminary consideration of the Programme of Guarantee and Improvement of Quality for the Internal Audit of IDGC of the South PJSC.	1. To approve the work plan of the Internal Audit Department of IDGC of the South PJSC for 2017. 2. To recommend the Board of Directors of IDGC of the South PJSC to adopt the following decision: “To approve the work plan of the Internal Audit Department of IDGC of the South PJSC for 2017.” 3. To approve the budget of the Internal Audit Department of IDGC of the South PJSC for 2017. 4. To recommend to the Board of Directors of IDGC of the South PJSC to adopt the following decision: “To approve the budget of the Internal Audit Department of IDGC of the South PJSC for 2017.” 5. To recommend to the Board of Directors of IDGC of the South PJSC to adopt the following decision: 5.1. To approve the Programme of Guarantee and Improvement of Quality for the Internal Audit of IDGC of the South PJSC. 5.2. The subdivision performing the internal audit function shall ensure that internal evaluation is carried out and its results

			are reported in accordance with paragraph 5.2 of the Programme to the Board of Directors of the Company, with preliminary consideration by the Audit Committee, starting with evaluation for 2016. 5.3. The Sole Executive Body of the Company shall ensure that an evaluation of the quality of the Company's internal audit activity is carried out as of December 31, 2018 and its results are provided to the Board of Directors with preliminary consideration by the Audit Committee.
13	Minutes of meeting #64 dated 23.12.2016	On consideration of the written information submitted by the external auditor on the main issues of the interim financial statements of the Company for 9 months of 2016 prepared in accordance with RAS and information of the management of the Company on adjustments made by the result of external audit of the report.	To take into consideration the written information submitted by the external auditor on the main issues of the interim financial statements of the Company for 9 months of 2016 prepared in accordance with RAS and information of the management of the Company on adjustments made by the result of external audit of the report.

According to the decision of the Board of Directors of 29.01.2016 (Minutes of meeting No.176/2016 of 01.02.2016): “in the event that the Chairman and/or members of the Committees of the Board of Directors of the Company are simultaneously members of the Board of Directors of the Company, remuneration is paid in the order and amount stipulated by the internal document of the Company regulating payments of remuneration and compensation to members of the Board of Directors of the Company approved by the General Meeting of Shareholders of the Company.”

Due to the fact that all members of the Audit Committee are simultaneously members of the Board of Directors of the Company, remuneration to members of the Audit Committee of the Company is paid in accordance with clause 4.5 of the Regulations on payment of remuneration and compensation to members of the Board

of Directors of the Company approved by the decision of the Company's AGM (Minutes of meeting No.13 of 22.06.2015).

**Personnel and Remuneration Committee under the Board of Directors  
of IDGC of the South PJSC**

Personnel and Remuneration Committee is an advisory committee providing effective implementation functions of Company's Board of Directors on administrative issues.

The task of the Committee is to work out recommendations (conclusions) to Board of Directors on the following activities: elaboration of principals and criteria of remunerations to Members of Board of Directors, Members of Collegiate Body and CEO; elaboration of offers on determining essential terms of contracts with Board of Directors members, members of collegiate body carrying out functions of sole executive body of the Company;

The Competence, procedure of convening and holding of meeting of the Committee were described in [the restated Regulations for the Personnel and Remuneration Committee under the BoD of IDGC of the South JSC](#) that was approved by the Company BoD on 31.07.2014 (minutes of meeting No.140/2014 dd 04.08.2014) and posted on corporate web-site of the Company.

**The composition of the committee elected at the meeting of the BoD on 23.07.2015 (Minutes No.163/2015 dd. 24.07.2015):**

name	work place and position held as of the moment of electing
<b>Varlamov Nikolay Nikolaevich chaiperson</b>	Deputy Director General - Chief of Staff, Rosseti PJSC
<b>Fadeyev Alexandr Nikolayevich</b>	Deputy Director General in charge of Security, Rosseti PJSC
<b>Mangarov Yuri Nikolayevich</b>	Chief adviser, Rosseti PJSC
<b>Chevkin Dmitriy Aleksandrovich</b>	Head of HR Policy and Organization Development Department, Rosseti PJSC

<b>Erpsher Natalia Ilynichna</b>	Head of Directorate of Organization Development at HR Policy and Organization Development Department, Rosseti PJSC
<b>Yakubovskaya Yelena Igorevna</b>	Head of Directorate for Personnel Records and Interaction with Managers at HR Policy and Organization Development Department, Rosseti PJSC
<b>Repin Igor Nikolaevich</b>	Deputy Executive director of Non-profit partnership Association of Professional investors
<b>Filkin Roman Alekseevich</b>	Director (power industry, machine construction) at representative office of Prosperity Capital Management Ltd (RF)
<b>Shevchyuk Alexander Viktorovich</b>	Executive Director of Association of Professional investors
<b>Dudchenko Vladimir Vladimirovich</b>	Financial Director of SoftBiKom LLC
<b>Petrieva Julia Vladimirovna</b>	Leading expert of the tariff sector of the economic department, OGK-2 PJSC

**Composition of the Committee elected at the meeting of the Board of Directors on 08.07.2016 Minutes No. 193/2016 dd. 11.07.2016):**

<b>name</b>	<b>work place and position held as of the moment of electing</b>
<b>Varlamov Nikolay Nikolaevich</b>	Deputy Director General - Chief of Staff, Rosseti PJSC
<b>Fadeyev Alexandr Nikolayevich</b>	Deputy Director General in charge of Security, Rosseti PJSC
<b>Mangarov Yuriy Nikolayevich</b>	Chief Advisor, Rosseti PJSC
<b>Chevkin Dmitriy Aleksandrovich</b>	Head of HR Policy and Organization Development Department, Rosseti PJSC
<b>Erpsher Natalia Ilynichna</b>	Head of Directorate of Organization Development at HR Policy and Organization Development Department, Rosseti PJSC
<b>Yakubovskaya Yelena Igorevna</b>	Head of Directorate for Personnel Records and Interaction with Managers at HR Policy and Organization Development Department, Rosseti PJSC
<b>Dudchenko Vladimir Vladimirovich</b>	Financial Director of SoftBiKom LLC
<b>Repin Igor Nikolaevich</b>	Deputy Executive director of Non-profit partnership Association of Professional investors
<b>Filkin Roman Alekseevich</b>	Director (power industry, machine construction) at representative office of Prosperity Capital Management Ltd (RF)

<b>Fadeyev Alexandr Nikolayevich</b>	Deputy Director General in charge of Security, Rosseti PJSC
<b>Zobokova Tatiana Valentinovna</b>	Head of Sector of Corporate Governance at Department of Corporate Governance, Price Environment and Inspection Activity in Spheres of Fuel-Power Complex, RF Ministry of Energy

The Committee includes independent directors:

name	work place and position held as of the moment of electing
<b>Dudchenko Vladimir Vladimirovich</b>	Financial Director of SoftBiKom LLC
<b>Shevchyuk Aleksandr Viktorovich</b>	Executive director of Non-profit partnership Association of Professional investors' rights protection

### **Information on the Committee's activity and decisions:**

In the reported year there were 8 meetings of the Committee (in absentee form) where 16 issues were discussed.

The Personnel and Remuneration Committee considered the following issues in 2016:

- the project of organizational structure of the Company was considered;
- preliminary adopted candidates for the positions specified by Company's Board of Directors;
- changes in the composition of the Management Board of the Company were preliminary approved.

#	Number and date of Minutes of meeting	Agenda item	Adopted decision
1	Minutes of meeting #67 dated 17.06.2016	On preliminary consideration of the corporate structure of the executive office of IDGC of the South PJSC	To recommend the members of the Board of Directors of the Company to adopt the following decision: 1. To approve the corporate structure of the executive office of IDGC of the South PJSC in accordance with the appendix to this decision of the Board of Directors of the Company and to bring it into effect taking into account the terms provided by the legislation of the Russian Federation when changing and terminating labour contracts with employees.

			2. From the date of introduction of the corporate structure of the executive office of corporate, the organizational structure of the executive office of the Company approved by the decision of the Board of Directors of the Company on 29.05. 2015 (Minutes of meeting # 160/2015) shall be considered as invalid.
2	Minutes of meeting #68 dated 05.08.2016.	On determining the number of members of the Management Board of the Company and early termination of powers of a member of the Management Board of the Company	To recommend the Board of Directors of the Company to adopt the following decision: 1.To determine the quantitative composition of the Management Board of the Company – 8 (eight) people. 2. To terminate the powers of a member of the Management Board of the Company Kiek Oleg Petrovich - Adviser to the General Director for Strategic Development of the Company.
3	Minutes of meeting #69 dated 19.08.2016	On electing a new member to the Company board of Directors	To recommend the members of the Board of Directors of the Company to adopt the following decision: “To elect Jabrailova Julianna Khasanovna as a member of the Company's Management Board”.

**[The Committee for Strategy, Development, Investments and Reform under the Board of Directors of IDGC of the South](#)**

The main task of the Committee for Strategy, Development, Investments and Reform under the Board of Directors of IDGC of the South PJSC is development and submission of recommendations (conclusions) to the Board of Directors of the Company for determining priority areas, strategic goals and basic principles of the Company’s strategic development.

The competence and procedure for convening and holding meetings of the Committee defined by [the Regulations on the Committee for Strategy, Development, Investments and Reform of “IDGC of the South” Board of Directors](#) approved by decision of

Company's BoD dd. 01.12.2009 (Minutes No. 37/2009 dd. 04.12.2009) and released at the corporate web-site of the Company.

**Composition of the Committee elected at the meeting of the Board of Directors on 23.07.2015 (Minutes of meeting No.163/2015 dd. 24.07.2015):**

name	work place and position held as of the moment of electing
<b>Terebkov Fyodor Alekseevich, Chairperson of the Committee</b>	Head of Capital markets and structured financing directorate of Rosseti PJSC
<b>Rakov Aleksei Viktorovich</b>	Head of Department of energy selling and interaction with participants of wholesale electricity market of Rosseti PJSC
<b>Peshkov Alexander Viktorovich</b>	Head of Directorate for Sector of Electric Energy Metering and Service Activity, Rosseti PJSC
<b>Piotrovich Nikolay Borisovich</b>	Deputy head of Sector for arrangement of activity of management bodies, Rosseti PJSC
<b>Balaeva Svetlana Aleksandrovna</b>	Head of Department of investment activity, Rosseti PJSC
<b>Savvin Yuri Aleksandrovich</b>	Deputy head of Sector in charge of economics of subsidiary and dependent companies, Rosseti PJSC
<b>Gurenkova Irina Sergeevna</b>	Head of tariff formation sector, Rosseti PJSC
<b>Repin Igor Nikolaevich</b>	Deputy Executive director Association of Professional investors
<b>Shevchyuk Aleksandr Viktorovich</b>	Executive director of Association of Professional investors
<b>Rybin Aleksei Aleksandrovich</b>	Deputy Director General in charge of economics and finance, IDGC of the South PJSC
<b>Filkin Roman Alekseevich</b>	Director (power industry, machine construction) of representative office of Prosperity Capital Management Ltd (RF)
<b>Dudchenko Vladimir Vladimirovich</b>	Financial Director of SoftBiKom LLC
<b>Erdyntsev Anton Alexandrovich</b>	Deputy director of Department for power industry development, RF Ministry of Energy

**Composition of the Committee elected at the meeting of the Company's Board of Directors on 08.07.2016 (Minutes of meeting No. 193/2016 dd. 11.07.2016):**

name	work place and position held as of the moment of
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	electing
<b>Balaeva Svetlana Aleksandrovna</b>	Head of Director General in charge of investment activity, Rosseti PJSC
<b>Rakov Alexey Viktorovich</b>	Head of Department of Electric Energy Metering and Interaction with Participants of Electricity Market, Rosseti PJSC
<b>Gurenkova Irina Sergeevna</b>	Head of Directorate of Disputes Settlement in the Sphere of Tariff Regulation at Tariff Policy Department, Rosseti PJSC
<b>Peshkov Alexandr Viktorovich</b>	Head of Directorate for Development of Electric Energy Metering and Service Activity at Department of Electric Energy Metering and Interaction with Participants of Electricity Market, Rosseti PJSC
<b>Savvin Yuri Aleksandrovich</b>	Head of Sector for Methodology of Business-Planning at Directorate of Economics of Affiliates, Department of Economic Planning and Budgeting, Rosseti PJSC
<b>Vodolatskiy Pavel Viktorovich</b>	Head of Project at Project Office, Rosseti PJSC
<b>Andropov Dmitry Mikhailovich</b>	Head of Directorate of Credit and Structured Finance at Finance Department, Rosseti PJSC
<b>Ushakov Alexandr Vladimirovich</b>	Senior Vice-President, CB "REB" (JSC)
<b>Zobokova Tatiana Valentinovna</b>	Head of Sector of Corporate Governance at Department of Corporate Governance, Price Environment and Inspection Activity in Spheres of Fuel-Power Complex, RF Ministry of Energy
<b>Dudchenko Vladimir Vladimirovich</b>	Financial Director of SoftBiKom LLC
<b>Repin Igor Nikolaevich</b>	Deputy Executive director Association of Professional investors
<b>Rybin Aleksei Aleksandrovich</b>	Deputy Director General in charge of economics and finance, IDGC of the South PJSC
<b>Filkin Roman Alekseevich</b>	Director (power industry, machine construction) of representative office of Prosperity Capital Management Ltd (RF)
<b>Shevchyuk Aleksandr Viktorovich</b>	Executive director of Association of Professional investors

strategy, development, investments and reforming of Company's BoD.

#### **Information on the Committee's activity and main decisions:**

In the reported year there were 32 meetings of the Committee (11 meetings in absentee form) where 104 issues were discussed.

Among the significant issues discussed by the Committee in 2016 were the issues and recommendations to the Board of Directors about increasing the efficiency of IDGC of the South PJSC by means of implementation of the long-term investment programme, as well as ensuring financial stability of the Company.

#	Number and date of Minutes of meeting of Board of Directors	Issue	Adopted decision
1	Minutes of meeting No.106; 29.02.2016.	On discussion of the draft long-term investment programme of IDGC of the South PJSC from 2016.	To recommend the members of the Board of Directors of the Company to adopt the following decision: 1. To approve the draft long-term investment programme of IDGC of the South PJSC for the period from 2016 for the purpose of public discussion in accordance with paragraph 7 of the Rules of approval of investment programmes of electric power industry entities, approved by the Russian Federation Government of 01.12.2009 No.977 "On the investment programmes of the subjects of electric power industry". 2. To entrust the sole executive body of IDGC of the South PJSC by the results of public discussion to submit a draft long-term investment programme of subsidiaries and affiliates of Rosseti PJSC for the period from 2016 for consideration by the Board of Directors of the Company, taking into account comments (in accordance with Annex 1 to this decision) and add a summary of proposals (received in accordance with paragraph 8 of the Rules for Approval of Investment Programmes of Electricity Subjects, approved by Resolution of the Government of the Russian Federation No. 977 of 01.12.2009 "On investment programmes of the subjects of electric power industry), indicating for each of the proposals a reasoned position containing information on accounting of such an offer or refusing to take it into account such offer in the draft investment programme.
2	Minutes of meeting No.112; 27.04.2016.	On recommendations to the annual General Meeting of Shareholders of the Company on the issue:	To recommend the members of the Board of Directors of the Company to adopt the following decision: To recommend the annual General Meeting of Shareholders of IDGC of the

		<p>“On increasing the authorized capital of IDGC of the South PJSC by placing additional shares”</p>	<p>South PJSC to adopt the following decision: To increase the authorized capital of the Company by placing additional registered uncertified shares in the amount of 11 615 110 154 (eleven billion six hundred fifteen million one hundred and ten thousand one hundred and fifty four) shares with a par value of 10 (ten) kopecks each for total net value of 1 161 511 015 (one billion one hundred sixty one million five hundred eleven thousand fifteen) rubles 60 kopecks, on the following conditions: - method of placement: open subscription; - price of placement of one additional ordinary registered uncertified share (including persons included in the list of persons having the preemptive right to acquire additional shares): 10 (ten) kopecks; - form of payment: additional ordinary registered uncertified shares of the Company are paid for in rubles of the Russian Federation in non-cash form.</p>
3	Minutes of meeting No.117; 26.05.2015.	On approval of the Programme for increasing operational efficiency and reducing expenses of IDGC of the South PJSC for 2016-2020	To recommend to the members of the Board of Directors of the Company to approve the Programme for increasing operational efficiency and reducing expenses of IDGC of the South PJSC for 2016-2020, taking into account the achievement of the target for the reduction of specific operating costs by at least 3% annually in accordance with Appendix No. 1 to this decision of the Committee.
4	Minutes of meeting No.127; 24.11.2016.	On discussion of the results of an on-site inspection of the RF Ministry of Energy of the implementation of the investment project: “Construction of 110 kV transmission line from 110 kV overhead line “Rassvet – Rezinovaya” with a branch line to substation “Stroyindustriya” (No. 121) and 110 kV “Rassvet – Lesnaya with branch lines” (No.122) for power supply of the	<p>To recommend the members of the Board of Directors:</p> <p>1. To take into consideration the information on the results of an on-site inspection of the RF Ministry of Energy of the implementation of the investment project: “Construction of 110 kV transmission line from 110 kV overhead line “Rassvet – Rezinovaya” with a branch line to substation “Stroyindustriya” (No. 121) and 110 kV “Rassvet – Lesnaya with branch lines” (No.122) for power supply of the projected 110/10 kV substation”.</p> <p>2. Instruct the Sole Executive Body IDGC of the South PJSC to: 2.1. improve Corrective Action Plan of the IDGC of the</p>

		<p>projected 110/10 kV substation” and approval of the action plan for elimination of the revealed violations.</p>	<p>South PJSC to eliminate violations revealed by the results of the field inspection conducted by the Ministry of Energy of the Russian Federation in the course of the implementation of the investment project “Construction of 110 kV electricity transmission line from 110 kV overhead line “Rassvet – Rezinovaya” with branch lines to substation “Stroyindustriya”(No. 121) and from 110 kV overhead line “Rassvet – Lesnaya” with branch” (No. 122) for power supply of the projected 110/110 kV substation” (hereinafter – the Corrective Action Plan) in accordance with the Annex to this decision. 2.2. approve the Corrective Action Plan in accordance with the form approved in the Guidelines for monitoring the implementation of corrective action plans to eliminate violations and deficiencies identified by internal audit, Order IDGC of the South PJSC No. 457 of 28.07.2016. 2.3. ensure control over implementation of the Plan of corrective actions and achievement of results from the implemented activities. 2.4. ensure that the Board of Directors of the Company submits a report on implementation of the Corrective Action Plan specified in clause 2.1 of the present decision. Term: quarterly, not later than 30 days from the end of the reporting quarter, until the full implementation of the Action Plan.</p>
5	Minutes of meeting No.129; 19.12.2016.	<p>On consideration of the plan providing for additional measures (effects) and the necessary resources to reduce power losses at specific grid nodes in the context of power distribution zones to achieve the key indicator of the business plan “Power Loss Level” for 2016.</p>	<p>To recommend the members of the Board of Directors of the Company:</p> <p>1. To take into consideration the Plan of additional actions of IDGC of the South PJSC, approved by order IDGC of the South PJSC from 02.11.2016 No.744 “On achievement of key efficiency indicators” “The level of electricity losses” by the end of 2016”. 2. To note that the Supplementary Action Plan of IDGC of the South PJSC, approved by the Order of IDGC of the South PJSC No.744 of 02.11.2016 “On achievement of key performance indicators” “The level of electricity losses” by the results of 2016” does not provide achievement of the planned indicators of the relative losses</p>

		(plan 9.29%, expected losses 9.52%, deviation – 0.23%).
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### **Reliability Committee at Board of Directors of IDGC of the South PJSC**

The task of the Committee at Board of Directors of IDGC of the South PJSC is to work out and submit recommendations (conclusions) to the Company's Board of Directors concerning assessment of investment programmes and plans of repair of power facilities, analysis of their implementation in terms of observance of complex reliability requirements.

The competence and procedure for convening and holding meetings of the Committee defined by the Regulations on the Reliability Committee of IDGC of the South PJSC Board of Directors approved by decision of Company's BoD on 20.08.2015 (Minutes of meeting No.164/2015 dd 21.08.2015 dd. 04.08.2014) and released at the corporate web-site of the Company.

### **Composition of the Committee elected at the meeting of the Company's Board of Directors on 23.07.2015 (Minutes of meeting No.163/2014 dd. 24.07.2015):**

<b>name</b>	<b>work place and position held as of the moment of electing</b>
<b>Magadeev Ruslan Raisovich, chairperson</b>	Deputy Director of Situation and Analytical Centre, Rosseti PJSC
<b>Smaga Mikhail Vladimirovich</b>	Deputy Director of Rosseti PJSC branch – Engineering Supervision Centre
<b>Shpilevoy Sergey Vladimirovich</b>	Deputy Head of Directorate – Head of Sector of Accidents Analysis at Directorate for accidents analysis and methodology, Situation and Analytical Centre, Rosseti PJSC
<b>Repin Igor Nikolaevich</b>	Deputy Executive director of Non-profit partnership Association of Professional investors
<b>Polovnev Igor Georgievich</b>	Financial Director of Non-profit organization Association on Investors' rights protection
<b>Goncharov Pavel Viktorovich</b>	Deputy Director General in charge of technical issues – chief engineer of IDGC of the South PJSC

<b>Korotenko Alexandr Vasilievich</b>	Deputy Head of Sector of Perspective Development Perspective Development of Power Industry, Power Industry Department of RF Ministry of Energy
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**Composition of the Committee elected at the meeting of the Company's Board of Directors on 08.07.2016 (Minutes of meeting No.193/2016 dd. 11.07.2016):**

name	work place and position held as of the moment of electing
<b>Magadeev Ruslan Raisovich, chairperson</b>	Deputy Chief Engineer, Rosseti PJSC
<b>Shpilevoy Sergey Vladimirovich</b>	Deputy Head of Directorate – Head of Sector of Accidents Analysis at Directorate for accidents analysis and methodology, Situation and Analytical Centre, Rosseti PJSC
<b>Akhtyrskiy Andrey Borisovich</b>	Head of Sector for Methodology and Planning at Engineering Supervision Centre, branch of Rosseti PJSC
<b>Goncharov Pavel Viktorovich</b>	Deputy Director General in charge of technical issues – chief engineer, IDGC of the South PJSC
<b>Zhuravlyov Dmitry Olegovich</b>	Deputy Director General in charge of Development and Technological Connection, IDGC of the South PJSC
<b>Polovnev Igor Georgievich</b>	Financial Director of Non-profit organization Association on Investors' rights protection
<b>Repin Igor Nikolaevich</b>	Deputy Executive director of Non-profit partnership Association of Professional investors
<b>Korotenko Alexandr Vasilievich</b>	Deputy Head of Sector of Perspective Development Perspective Development of Power Industry, Power Industry Department of RF Ministry of Energy
<b>Rybin Aleksei Aleksandrovich</b>	Deputy Director General in charge of economics and finance, IDGC of the South PJSC

**Information on the Committee's activity and main decisions:**

In the reported year there were 8 meetings of the Committee (1 meeting was held in joint attendance form) where 27 issues were considered.

Among the significant issues discussed by the Reliability Committee of the Board of Directors in 2016, were the reports of the Director General on the Company's activities regarding reliability, injury rate, accidents and enforcement of regulatory legal acts on establishing indicators of reliability and quality of the services provided by the Company's branches.

#	Number and date of Minutes of meeting of Board of Directors	Issue	Adopted decision
1	Minutes of meeting No.41; 25.03.2016.	On informing the Board of Directors of IDGC of the South PJSC on the status of the fixed assets of the Company's energy facilities as of 31.12.2015.	To send information to the Board of Directors of IDGC of the South PJSC on the status of the fixed assets of the Company's energy facilities as of 31.12.2015, in accordance with Appendix 5 to this decision of the Reliability Committee of the Company's Board of Directors.
2	Minutes of meeting No.46; 18.11.2016	On the readiness of the Company to work in the autumn-winter period 2016-2017.	To take into consideration the information on the Company's readiness to work in the autumn-winter period 2016-2017.
3	Minutes of meeting No.46; 18.11.2016	On consideration of reports on readiness for organizing and carrying out emergency recovery works in the autumn-winter period 2016-2017.	To take into consideration the information on the Company's readiness for organizing and carrying out emergency recovery works in the autumn-winter period 2016-2017.

All Committees attached to Company's Board of Directors acted on the basis of approved Activity Plans for 2016.

During the reported period chairpersons and members of the Committees organized regular working meetings with top managers of the Company, heads of departments of executive body of the Company, participating in the process of business-planning and strategy development of IDGC of the South PJSC.

External experts were invited at meetings in presentia.

All members of the Committee agreed on disclosing of information about them in the current annual report.

#### **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 total remuneration paid to the members of the Committees in 2016 amounted to 4 225 989.00 rubles.

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 on the Internet at: <http://www.mrsk-yuga.ru>

### **Executive bodies of IDGC of the South PJSC**

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.

### **Management Board of IDGC of the South PJSC**

The Management Board is a collegial executive body of the Company responsible for the practical implementation of the Company's objectives, development strategies and policy of the Company. The Chairman of the Management Board in accordance with the Charter of IDGC of the South PJSC is the General Director of the Company.

The Management Board of the Company, performing management of the Company's day-to-day operations, acts in the interests of the Company and is guided by the decisions of the General Meeting of Shareholders and the Board of Directors of the Company, in accordance with the laws of the Russian Federation, the Charter of IDGC of the South, the [Regulations on the Management Board of IDGC of the South PJSC](#) approved by the General Meeting of Shareholders of the Company on June 19, 2015 (Minutes of meeting No.13; 22.06.2015) 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 Company's [Charter](#).

In accordance with paragraph 5 of the item 22.2 of Article 22 of the Charter of IDGC of the South PJSC, 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 PJSC.

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

The functions of the Secretary of the Management Board in 2016 were performed by Radchenko Ye.N., employee of the corporate governance and shareholder relations department.

**Composition of IDGC of the South PJSC Management Board as of 31.12.2016 (employment is stated as of 31.12.2016):**

**Ebzeev Boris Borisovich**

Chairperson of the Management Board from 17 June 2014.

**Employer: IDGC of the South PJSC**

**Position: Director General**

Year of birth: 1975

Citizenship: Russian Federation

Higher education:

- Moscow State University named after M.V. Lomonosov, legal studies.
- Institute of Legislation and Comparative Jurisprudence, candidate of legal sciences.

Positions within the last 5 years:

- Deputy executive director of Pension Fund of the Russian Federation;
- Advisor of Director General of “Unified energy company” JSC.
- First deputy Director General of IDGC of the South JSC.
- Acting Director General, chairperson of management board of IDGC of the South JSC

**Alaev Timur Ulyumbdzhievich**

Member of the Management Board from 16 September 2011

**Employer: IDGC of the South PJSC**

**Position: Deputy Director General – director of IDGC of the South PJSC branch – “Astrakhanenergo”**

Year of birth: 1971

Citizenship: Russian Federation

Higher education:

- Novocherkassk Polytechnic Institute of Order of the Red Banner of Labour named after Sergo Ordzhonikidze, Novocherkassk, specialty – “Automatic control of electric systems”.
- State Academy of professional retraining and advanced training of administrative employees and specialists in sphere of investments on programme: “Providing of ecological safety by heads and specialists of general management systems”.
- GOUDPO Professional retraining at State Educational Institution for Continuing Professional Education Interdisciplinary Institute of Professional Retraining and Development for Managers and Specialists named after Plekhanov G.V. on Federal Programme for Managers Training: Management, specialization: “Strategic management” with right of working in sphere of “management”.

Positions within the last 5 years:

- Deputy Director General on technical issues – chief engineer of “Kalmenergo” JSC, member of management board of IDGC of the South JSC.
- Deputy Director General – director of IDGC of the South JSC branch – “Kalmenergo”.

- Deputy Director General – director of IDGC of the South JSC branch – “Astrakhanenergo”.

### **Goncharov Pavel Viktorovich**

Member of the Management Board from 16 September 2011

### **Employer: IDGC of the South PJSC**

### **Position: Deputy Director General on technical issues – chief engineer**

Year of birth: 1966

Citizenship: Russian Federation

Higher education:

- Industrial Institute of Pavlodar, specialty “Electric systems”, qualification “Electrical engineer”.
- Volgograd Academy of State service, retraining on “State and municipal management”.
- Institute for advanced retraining of managers and specialists of power industry, program “Protection of commercial secret”.
- Professional retraining at State university of management, program “Management of energy companies in market economy” with right to perform activity in the sphere of economy and management in energy industry.
- Professional retraining at Russian Presidential Academy of National Economy and Public Administration under the President of Russian Federation on the programme “Management of Company’s Development” 2013.

Positions within the last 5 years:

- First deputy director general– chief engineer of “Astrakhanenergo” JSC.
- Deputy Director General of technical issues – chief engineer of IDGC of the South JSC branch – “Astrakhanenergo”, member of IDGC of the South JSC management board.
- Deputy Director General – director of the IDGC of the South JSC branch – “Astrakhanenergo”.
- Member of Board of Directors of “Astrakhanelektrosetremont” JSC.
- Chairperson of “Energoservis Yuga” JSC Board of Directors.

### **Dzhabrailova Yulianna Khasanovna**

Member of the Management Board from 16 September 2011

**Employer: IDGC of the South PJSC**

**Position: Deputy Director General – chief of staff**

Year of birth: 1981

Citizenship: Russian Federation

Higher education:

- Kuban Institute of International Business and Management, specialty “Finance and Credit”;
- Kuban State Agrarian University, specialty “Agro-engineering”.

Positions within the last 5 years:

- Chief Specialist, deputy head of service, head of service, head of department of IDGC of the South JSC;
- Adviser, IDGC of the North Caucasus JSC;
- Deputy chief of staff of IDGC of the South JSC;
- Branch of IDGC of the South PJSC – “Kubanenergo”;
- Chairperson of the Board of Directors of “Recreation centre “Energetik” JSC.

### **Rybin Aleksey Aleksandrovich**

Member of the Management Board from 30 September 2013

**Employer: IDGC of the South PJSC**

**Position: Deputy Director General in charge of economics and finances of**

Year of birth: 1972

Citizenship: Russian Federation

Higher education:

- Kharkiv Aviation Institute named after Zhukovskiy N.E., specialization “Aircraft engines and power plants”.
- Rostov State University, specialization “Jurisprudence”.

Positions within the last 5 years:

- Deputy director – head of sector for tariff regulation in spheres of fuel and energy of Regional tariff service of Rostov region.

- Deputy director of Department for development of communal infrastructure, Director of for development of communal infrastructure Kaluga Region Development Corporation O\JSC.
- Deputy director in charge of development of investment activity and services of Federal Grid Company branch – Rostov enterprise of bulk power transmission lines.
- Acting deputy director general in charge of economics and finances of IDGC of the South JSC.

### **Savin Grigoriy Grigorievich**

Member of the Management Board from 26 February 2013.

#### **Employer: IDGC of the South PJSC**

#### **Position: Chief accountant – head of department of accounting and tax audit**

Year of birth: 1952

Citizenship: Russian Federation

Higher education:

- Russian Distance Institute of Finance and Economics, specialization “Labour economics”.

Positions within the last 5 years:

- Chief accountant, Member of Management Board of Kubanenergo JSC.
- Chief accountant, Member of Management Board of IDGC of the South JSC.

### **Chasovskoy Aleksandr Aleksandrovich**

Member of the Management Board from 21 April 2014.

#### **Employer: IDGC of the South PJSC**

#### **Position: Deputy Director General in charge of security**

Year of birth: 1957

Citizenship: Russian Federation

Higher education:

Positions within the last 5 years:

- Head of security department of IDGC of the South JSC;
- Acting deputy Director General in charge of security of IDGC of the South JSC.

### **Chekmaryov Sergey Alekseevich**

Member of the Management Board from 30 September 2013.

**Employer: IDGC of the South PJSC**

**Position: Deputy Director General – director of IDGC of the South PJSC branch – “Rostovenergo”**

Year of birth: 1976

Citizenship: Russian Federation

Higher education:

- Novocherkassk Polytechnic Institute “Automated control of electric energy systems”.

Positions within the last 5 years:

- Chief engineer of Rostovenergo branch – North-Western electric grids.
- Deputy Chief engineer of IDGC of the South JSC branch – Kalmenergo.
- Deputy Director of branch in charge of technical issues - Chief engineer of IDGC of the South JSC branch - Kalmenergo.
- Deputy Director General - director of IDGC of the South JSC branch - Kalmenergo.

**Until 07.09.2016 the Management Board included:**

**Kiyok Oleg Petrovich**

Member of the Management Board from 30 September 2013.

**Employer: IDGC of the South PJSC**

**Position: Deputy Director General in charge of strategic development (07.09.2016)**

Year of birth: 1972

Citizenship: Russian Federation

Education - higher:

- Moscow External University of the Humanities MEGU, speciality “Jurisprudence”.
- Institute of Economics and Management in healthcare and social spheres, specialization “Psychology”.
- Kuban State Agricultural University, Krasnodar.

- Professional training in All-Russian Distance Institute of Finance and Economics, “Accounting and audit”.

Positions within the last 5 years:

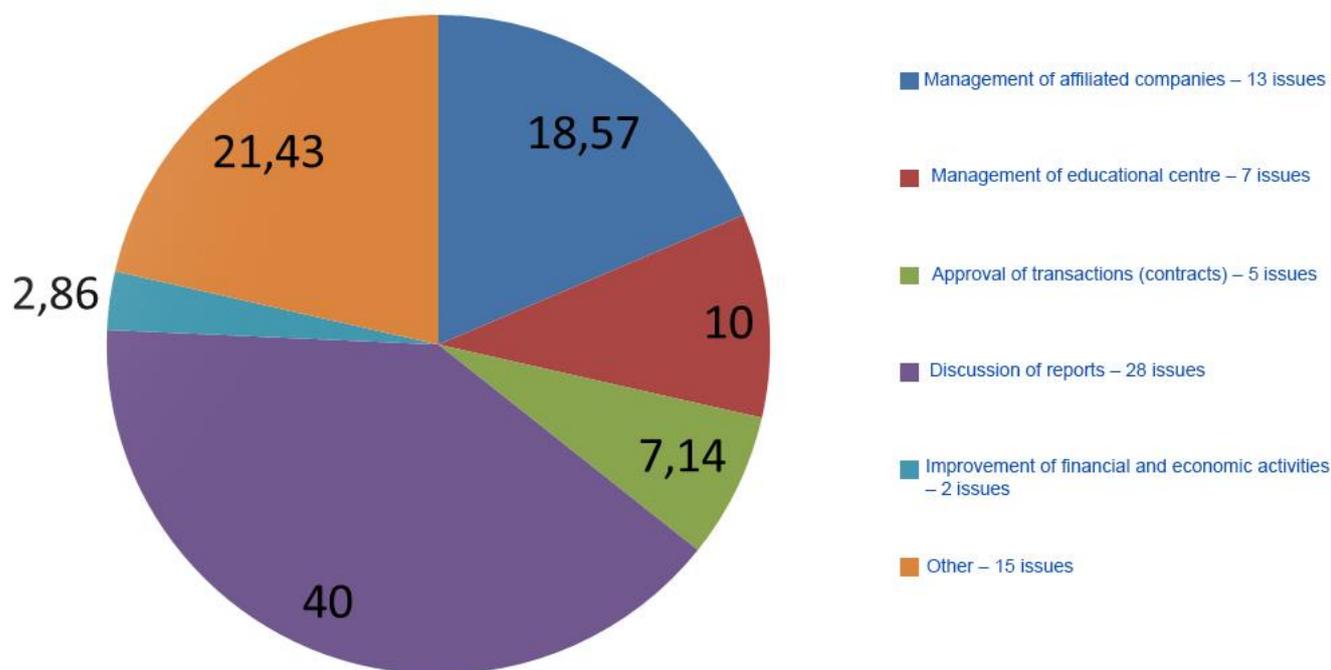
- Deputy Director General in charge of security in Krasnodar regional gas selling company, LLC.
- Head of Department of economic security and regime, IDGC of the South JSC.
- Head of Security department, IDGC of the South JSC.
- Chairperson of Recreation Centre “Energetik” JSC Board of Directors.
- Deputy Chief of staff, IDGC of the South JSC.

Goncharov P.V., management board member, owns 236 633 ordinary shares of “IDGC of the South” JSC that amounts 0,000005% from the authorized capital of the Company. Other members do not own shares of IDGC of the South PJSC or shares of subsidiaries and affiliates of IDGC of the South PJSC, do not have family relations with other persons who are the members of management bodies and authorities of financial and operational activities of the Company. Three members of Company’s management board agreed to disclosure the information about them in this Annual report.

### **Activity of the Management Board in 2016**

During the reporting year, the Board held 43 meetings (7 of them were meetings in presentia), over 80 items were discussed, precisely:

Analysis of resolutions adopted by the Management Board in 2015, %



Member of the Management Board	Meetings attended / meetings held during the reporting year	Period of membership
Ebzeev Boris Borisovich	35/43	from 17.06.2014 till now
Alayev Timur Ulyumdzhevich	43/43	from 16.09.2011 till now
Goncharov Pavel Viktorovich	37/43	from 16.09.2011 till now
Savin Sergey Grigorievich	38/43	from 26.02.2013 till now
Kiek Oleg Petrovich	22/43	from 30.09.2013 till 07.09.2016
Rybin Alexey Alexandrovich	35/43	from 30.09.2013 till now
Chekmaryov Sergey Alexeyevich	40/43	from 30.09.2013 till now
Chasovskoy Alexandr Alexandrovich	36/43	from 21.04.2014 till now
Dzhabrailova Yulianna Khasanovna	17/43	from 07.09.2016 till now

Among the most important decisions taken by the Management Board in 2016, the following should be noted:

- approved the draft of the adjusted long-term investment programme of IDGC of the South PJSC for 2016-2022;
- approved the Programme for creation of a comprehensive information security system for the power grid complex of IDGC of the South PJSC for 2016-2020;
- elected members of the Board of Directors of the Company's subsidiary – "Recreation Center "Energetik" JSC;

appointed director of the Private centre for supplementary vocational education “Training Center “Energetik”;

appointed Director of the Private centre for supplementary vocational education “Astrakhan Training Centre”;

in pursuance of an agency agreement concluded between Rosseti PJSC and the Company’s subsidiaries and affiliates (Energoservis JSC) to provide financial support for the costs of humanitarian assistance to the affected areas in the south-eastern regions of the Lugansk and Donetsk regions of Ukraine for the construction, reconstruction and rehabilitation of infrastructure facilities, necessary for reliable electricity supply to industrial consumers and public, through the implementation of procurement procedures;

approved conclusion of an agreement on opening of a revolving credit line between IDGC of the South PJSC and Povolzhskiy Bank Sberbank PJSC;

approved conclusion of a loan agreement on the opening of a credit line between IDGC of the South PJSC and Bank GPB (JSC);

approved conclusion of a contract for construction, installation, commissioning of works between IDGC of the South PJSC and “Setstroy” CJSC;

approved a plan of measures to manage operational risks of the Company’s main and other business processes for 2017.

The members of the Board of the Company regularly examined reports on implementation of the previous decisions, monitored the activities of the Company in the sphere 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 addressed 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 PJSC.

### **Information on remuneration (refund of charges) to members of the Management Board**

In accordance with paragraph 13 of item 15.1 article 15 of the Charter of the Company the decision on setting remuneration paid to the Management Board members is within the competence of the Board of Directors of the Company. The Management Board members are considered as top managers.

In accordance with the labour contracts between the Company and the Management Board members, the remuneration shall 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 of meeting No.67/2011 dated 16.06.2011).

**Members of the Management Board are motivated by:**

- bonus payments made in accordance with order of Company Director general, in amount up to 15% from the fixed salary of top manager;
- being quarterly and annually paid a remuneration to members of the Management Board as top managers for achieving target values of key performance indicators

On the basis of resolutions of the Company’s BoD:

[Minutes of meeting](#) dated 22.05.2008 No.13/2008, [Minutes of meeting](#) dated 01.12.2008 No.20/2008, [Minutes of meeting](#) dated 11.02.2009 No.22/2009, [Minutes of meeting](#) dated 25.12.2009 No.38/2009, [Minutes of meeting](#) dated 05.02.2010 No. 39/2010, [Minutes of meeting](#) dated 28.04.2010 No. 44/2010, [Minutes of meeting](#) dated 28.06. 2010 No. 49/2010,[Minutes of meeting](#) dated 08.07.2010 No. 50/2010, [Minutes of meeting](#) dated 01.09.2010 No. 53/2010, [Minutes of meeting](#) dated 29.10.2010 No. 55/2010, [Minutes of meeting](#) dated 24.12.2010 No.57/2010, [Minutes of meeting](#) dated 01.06.2011 No.65/2011, [Minutes of meeting](#) dated 30.08.2011 No. 71/2011, [Minutes of meeting](#) dated 19.09.2011 No. 72/2011, [Minutes of meeting](#) dated 26.12.2011 No. 77/2011, [Minutes of meeting](#) dated 30.07.2012 No. 92/2012

[Minutes of meeting](#) dated 01.03.2013 No.104/2013, [Minutes of meeting](#) dated 03.10.2013 No.116/2013, Minutes of meeting dated 23.04.2014 No.131/2014,

Minutes of meeting dated 18.08.2014 No.141/2014 on determining the amount of members of Management Board and on electing members to the Board, as well as in accordance with article 21 of the Company Charter and articles 15 and 57 of RF Labour Code additional agreements to the labour contracts are concluded with members of the Management Board of the Company on exercising powers of members of the Collegiate Executive Body of the Company - Management Board. From the foundation date of the Management Board (19.05.2008) to 31.08.2011 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 01.09.2011 members of Management Board receive monthly payments in amount of 11% from fixed top manager's salary for exercising their authorities.

Total remuneration paid to Management Board members in 2016 amounted to 70 391 412.27 rubles (personal income tax included —13 %). This amount includes the cost of compensation for participation in the Management Board meetings totaling 1 603 134.02 rubles (personal income tax included — 13%), payment of salary totaling 34 185 884.87 rubles (including personal income tax — 13%), payment of bonuses – 31 286 531 rubles and refund of charges in amount of 3 315 862.38 rubles (including personal income tax — 13%).

### **Director General**

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

Rights and obligations of the Director General are specified in the legislation of the Russian Federation, the Charter and the labour 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.

When exercising his/her rights and responsibilities, the Director General acts reasonably on behalf of the Company and in good faith.

On 28 July 2014 (minutes of meeting No.139/2014 dd 31.07.2014) the Board of Directors decided to appoint starting from 29 July 2014 and for the period of three years:



**Ebzeev Boris Borisovich,**

Chairperson of the Management Board from 17 June 2012,

**Director General of IDGC of the South PJSC**

Information on Director General is available at chapter “the Board of Directors of IDGC of the South JSC” in this annual report.

The results of resolutions on the key activities of the Company adopted by the Director General in 2016 are described in corresponding chapters of this Annual report.

### **Remuneration of Director General**

The salary and incentives of the Director General are determined by the Regulation on financial incentives of the Director General of IDGC of the South PJSC 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 PJSC decision (minutes of meeting No.67/2011 of June 14, 2011, updated (minutes No.85/2012 of April 26, 2012 and No.102/2012 of January 13, 2013 and No.153/2015).

The regulations on remuneration paid to the Director General of IDGC of the South PJSC define:

- the procedure for determining, approving and changing the salary of the Director General;
- the procedure of making additional allowances for working with information constituting a state secret;

types of bonuses:

- bonuses for achieving key performance indicators (quarterly, annual, special and additional);

- 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 implementation of the approved regulation.

Bonuses to the Director General in 2015 were paid in accordance with the results of key performance indicators assessed by the Board of Directors of the Company.

#### **Interested party transactions**

In 2016, in accordance with the requirements of the Federal Law “On Joint-Stock Companies” the Board of Directors approved 42 interested party transactions.

The list of the approved by the BoD transactions of interest concluded by IDGC of the South PJSC in 20146 are specified in Annex 7 to the Annual report.

#### **Information on major transactions**

In 2016, 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**

#### **Information on the role of the Auditing Commission in ensuring transparency and full disclosure of information**

In accordance with the Federal Law No.208-FZ of 26.12.1995 “On Joint Stock Companies”, the procedure for the activity of the Auditing Commission (Auditor) of the Company is determined by an internal document of the Company approved by the General Meeting of Shareholders.

The Regulation on the Auditing Commission of IDGC of the South PJSC, approved by the decision of the General Meeting of Shareholders (Minutes of meeting No.13 of 22.06.2015), determines that the Auditing Commission of the Company is elected by the General Meeting of Shareholders to control the financial and economic activities of the Company.

The Auditing Commission is a permanent internal control body of the Company that regularly monitors the Company's business performance, its separate branches, officers, management bodies and departments.

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

When carrying out its activities, the Company's Auditing Commission is independent of the officers of the Company's management bodies, and does not belong to the number of the Company's management bodies.

The Auditing Commission of the Company is responsible to the General Meeting of Shareholders for the reliability and objectivity of the results of the inspections conducted.

In its activities, the Auditing Commission of the Company is guided by the legislation of the Russian Federation, the Charter of the Company, the Regulations of the Auditing Commission of IDGC of the South PJSC approved by the resolution of the General Meeting of Shareholders (Minutes of meeting No.13 of 22.06.2015) and other internal documents of the Company approved by the General Meeting of Shareholders of the Company.

The tasks of the Company's Audit Commission are:

- 1) control over financial and economic activities of the Company;
- 2) making an independent assessment of the reliability of the data contained in the Company's annual report and annual financial statements.

The text of the regulations on the Auditing Commission of the IDGC of the South PJSC is available at the corporate website at: <http://mrsk-yuga.ru/> in the section "Corporate Governance".

### **Competence of the Auditing Commission**

In accordance with the paragraph 24.3 of the article 24 of the Company's Charter the competence of the Auditing Committee of the Company includes the following:

- audit (revision) of financial, accounting, payment and settlement and other documentation of the Company related to the Company's financial and business

activities, for compliance with the legislation of the Russian Federation, the Charter, internal and other documents of the Company;

- checking and analyzing the financial condition of the Company, its solvency, functioning of the internal control system and the risk management system, the liquidity of assets, the ratio of own and borrowed funds, the correctness and timeliness of accrual and payment of interest on bonds, income from other securities;

- control over money expenditure of the Company in accordance with the approved business plan and budget of the Company;

- control over the formation and use of the reserve and other special funds of the Company;

- checking the timeliness and correctness of conducting settlement operations with counterparties and the budget, as well as settlement operations for labor remuneration, social insurance, accrual and payment of dividends and other settlement transactions;

- monitoring compliance with the established procedure for writing off the debt of insolvent debtors for losses of the Company;

- verification of the Company's business operations carried out in accordance with the concluded contracts;

- verification of compliance with the use of material, labor and financial resources in the financial and economic activities of existing contracts, standards and standards, approved estimates and other documents regulating the activities of the Company;

- control over the safety and use of fixed assets;

- checking the cash and property of the Company, the effectiveness of using the Company's assets and other resources, identifying the causes of non-productive losses and expenses, identifying reserves to improve the financial condition of the Company;

- verification of compliance with the requirements to eliminate violations and deficiencies previously identified by the Company's Auditing Commission;

- development of regulations for the Company's management bodies;

- other actions (measures) related to check of financial and business activity of the Company.

Information on the membership, share in the authorized capital, share of the Company's ordinary shares, including information on changes in the composition of the Auditing Commission that took place in the reporting year

The number of members of the Auditing Commission is determined by the Charter of the Company.

**Auditing Commission of the Company elected by the resolution of the annual General Meeting of Shareholders of IDGC of the South PJSC on 19.06.2015 (minutes of meeting No.13 dd 22.06.2015) (Information on employment of the members of the Auditing Commission is stated as of their nomination):**

- Kim Svetlana Anatolievna (chairperson);
- Kirillov Artyom Nikolayevich;
- Lukovkina Irina Pavlovna;
- Medvedeva Oksana Alekseyevna;
- Slesareva (Guseva) Yelena Yurievna.

Name: **Kim Svetlana Anatolievna**

Year of birth: **1981**

Education: **Higher.**

All offices having been/being held by the person concerned with the Issuer and other organizations during the last 5 years and at present, including those held on part-time basis as of the moment of election to the Auditing Commission

Period		Company	Position
from	to		
2008	2013	FGC UES JSC	Head of investments control at Department for control and inspections
2013	now	Rosseti PJSC	Head of Directorate for supervisory activity at Department for supervisory activity

Name: **Kirillov Artyom Nikolaevich**

Year of birth: **1984**

Education: **Higher**

All offices having been/being held by the person concerned with the Issuer and other organizations during the last 5 years and at present, including those held on part-time basis as of the moment of election to the Auditing Commission

Period		Company	Position
from	to		
2009	2012	FGC UES JSC	Lead expert of Department of control and inspection
2013	2013	FGC UES JSC	Lead expert of Department of control and inspection
2013	2015	Rosseti PJSC	Deputy head of Directorate for supervisory activity at Department for supervisory activity

Name: **Lukovkina Irina Pavlovana**

Year of birth: **1970**

Education: **Higher**

All offices having been/being held by the person concerned with the Issuer and other organizations during the last 5 years and at present, including those held on part-time basis as of the moment of election to the Auditing Commission

Period		Company	Position
from	to		
2008	2012	Funding agency for mortgage loan activity "Fund Gazpromipoteka"	Chief economist of sector for financial planning and liquidity management
2012	2013	Moscow Telecommunications Center of Energy Systems JSC	Leading specialist of planning and financial sector at Department for Finance and Economics
2013	2015	Rosseti PJSC	Chief expert of Directorate for supervision and risks at Department for supervisory activity

Name: **Medvedeva Oksana Alekseyevna**

Year of birth: **1978**

Education: **Higher**

All offices having been/being held by the person concerned with the Issuer and other organizations during the last 5 years and at present, including those held on part-time basis as of the moment of election to the Auditing Commission

Period		Company	Position
from	to		
2010	2011	Baikal Service TK, LLC	Head of internal audit sector
2011	2014	FGC UES JSC	Head of sector at Department of control and inspection
2014	now	Rosseti PJSC	Chief expert of Directorate for supervision activity at Department for supervisory activity

Name: **Slesareva (Guseva) Yelena Yurievna**

Year of birth: **1970**

Education: **Higher**

All offices having been/being held by the person concerned with the Issuer and other organizations during the last 5 years and at present, including those held on part-time basis as of the moment of election to the Auditing Commission

Period		Company	Position
from	to		
2009	2013	IDGC of the South JSC	Chief specialist at department of internal audit and risks management
2013	now	Rosseti PJSC	Chief expert at Directorate of internal audit

**Members of the Auditing Committee:**

**The persons have no participation shares/ordinary shares in authorized capital of the Issuer**

Participation shares of the persons in authorized (share) capital (unit investment fund) of subsidiaries and associated companies of the issuer

**The persons do not own the specified shares**

Data on character of any family relations with other persons who are members of the management authorities of the issuer and/or authorities auditing the financial and economic activity of the issuer: **No specified family relations**

Data on bringing the persons to administrative responsibility for breaches of law related to finance, taxes and charges, securities market or to criminal responsibility (previous conviction) for crimes referring to economy or crimes against the state power: **The persons were not brought to the specified kinds of responsibility**

Data on positions held by the persons in management authorities of commercial entities in periods when stated entities were prosecuted for insolvency and/or

insolvency proceedings were started in conformity with the legislation of the Russian Federation on Insolvency (Bankruptcy):

**The persons did not hold the specified positions**

**Auditing Commission of the Company elected by the resolution of the annual General Meeting of Shareholders on 3 June 2016 (minutes of meeting No.15 dd 09.06.2016) (Information on employment of the members of the Auditing Commission is stated as of their nomination):**

- Lelekova Marina Alekseyevna (chairperson);
- Kirillov Artyom Nikolayevich;
- Kabizskina Yelena Alexandrovna;
- Medvedeva Oksana Alekseyevna;
- Slesareva (Guseva) Yelena Yurievna.

Name: **Lelekova Marina Alekseyevna**

Year of birth: **1961**

Education: **Higher.**

All offices having been/being held by the person concerned with the Issuer and other organizations during the last 5 years and at present, including those held on part-time basis as of the moment of election to the Auditing Commission

Period		Company	Position
from	to		
2009	2013	FGC UES JSC	Head of Department for control and inspections
2013	2015	Rosseti JSC	Head of Department of internal audit and control
2015	now	Rosseti PJSC	Head of Department of control and inspection activities

Name: **Kirillov Artyom Nikolaevich**

Year of birth: **1984**

Education: **Higher**

All offices having been/being held by the person concerned with the Issuer and other organizations during the last 5 years and at present, including those held on part-time basis as of the moment of election to the Auditing Commission

Period		Company	Position
from	to		
2009	2012	FGC UES JSC	Lead expert of Department of control and inspection
2013	2013	FGC UES JSC	Lead expert of Department of control and inspection
2013	now	Rosseti PJSC	Deputy head of Directorate for supervisory activity at Department for supervisory activity

Name: **Kabizskina Yelena Alexandrovna**

Year of birth: **1964**

Education: **Higher**

All offices having been/being held by the person concerned with the Issuer and other organizations during the last 5 years and at present, including those held on part-time basis as of the moment of election to the Auditing Commission

Period		Company	Position
from	to		
2005	2013	FGC UES JSC	Deputy head of Department for control and inspections
2013	2014	MOESK JSC	Head of Directorate for methodological support at Department of internal audit
2014	2015	Rosseti JSC	Deputy head of Directorate for auditing activity and internal audit at Department of internal audit and control
2015	now	Rosseti PJSC	Deputy head of division for auditing activity at department of control and auditing activity

Name: **Medvedeva Oksana Alekseyevna**

Year of birth: **1978**

Education: **Higher**

All offices having been/being held by the person concerned with the Issuer and other organizations during the last 5 years and at present, including those held on part-time basis as of the moment of election to the Auditing Commission

Period		Company	Position
from	to		
2010	2011	Baikal Service TK, LLC	Head of internal audit sector
2011	2014	FGC UES JSC	Head of sector at Department of control and inspection

2014	now	Rosseti PJSC	Chief expert of Directorate for supervision activity at Department for supervisory activity
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Name: **Slesareva (Guseva) Yelena Yurievna**

Year of birth: **1970**

Education: **Higher**

All offices having been/being held by the person concerned with the Issuer and other organizations during the last 5 years and at present, including those held on part-time basis as of the moment of election to the Auditing Commission

Period		Company	Position
from	to		
2009	2013	IDGC of the South JSC	Chief specialist at department of internal audit and risks management
2013	now	Rosseti PJSC	Chief expert at Directorate of internal audit

**Members of the Auditing Committee:**

**The persons have no participation shares/ordinary shares in authorized capital of the Issuer**

Participation shares of the persons in authorized (share) capital (unit investment fund) of subsidiaries and associated companies of the issuer

**The persons do not own the specified shares**

Data on character of any family relations with other persons who are members of the management authorities of the issuer and/or authorities auditing the financial and economic activity of the issuer: **No specified family relations**

Data on bringing the persons to administrative responsibility for breaches of law related to finance, taxes and charges, securities market or to criminal responsibility (previous conviction) for crimes referring to economy or crimes against the state power: **The persons were not brought to the specified kinds of responsibility**

Data on positions held by the persons in management authorities of commercial entities in periods when stated entities were prosecuted for insolvency and/or insolvency proceedings were started in conformity with the legislation of the Russian Federation on Insolvency (Bankruptcy):

**The persons did not hold the specified positions**

## **Activity of the Auditing Committee in the reporting year**

The Auditing Committee of “IDGC of the South” JSC has conducted 8 meetings in 2016.

1. 05.02.2016. (Minutes of meeting No. 5 of 05.02.2016), which addressed the issue:  
- on consideration and approval of the Auditing Commission Act on the results of monitoring the elimination of violations and deficiencies, implementation of recommendations of the Auditing Commission, identified/issued following the audit of the financial and business activities of the Company for 2014.

2. 17.03.16. (Minutes of meeting No. 6 of 17.03.2016), which addressed the issue:  
- on approval of the Work Plan of the Auditing Commission of IDGC of the South PJSC for 2015-2016 in new edition.

3. 25.03.2016. (Minutes of meeting No. 7 of 25.03.2016), which addressed the following issues:

- on approval of the Programme for auditing the financial and business activities of the Company in 2015, including approval of objects, procedures, terms and scope of the audit;

- on inviting specialists (experts) to participate in the audit of relevant inspection facilities, including specialized organizations;

- on distribution of responsibilities between the members of the Auditing Commission and experts (in case of their involvement) on the objects of the audit of the Company’s financial and economic activities for 2015. Determination of the members of the Auditing Commission responsible for collecting information, necessary documents, materials, as well as preparing a draft Opinion (Act) of the Auditing Commission for the meeting of the Auditing Commission for conducting the results of the audit;

- on making the list of information, documents, materials necessary for inspection of each object of inspection, methods and sources of its receipt;

- on identification of persons who need to be involved in the conduct of the audit.

4. 22.04.2016. (Minutes of meeting No. 8 of 22.04.2016), which addressed the issue:

- on consideration and approval of the Opinion of the Auditing Commission for assessing the reliability of data contained in the Annual Report of IDGC of the South PJSC and accounting (financial) statements for 2015.

5. 03.06.2016. (Minutes of meeting No. 9 of 03.06.2016), which addressed the issue:

- on consideration and approval of the Auditing Commission Act on the results of the audit of the financial and economic activities of IDGC of the South PJSC for 2015.

6. 07.06.2016. (Minutes of meeting No. 1 of 07.06.2016), at which the following issues were considered:

- on election of the Chairperson of the Auditing Commission of the Company;
- on election of the Secretary of the Auditing Commission of the Company.

7. 15.07.2016. (Minutes of meeting No. 2 of 15.07.2016), which addressed the issue:

- on approval of the Work Plan of the Auditing Commission of IDGC of the South PJSC for 2016-2017.

8. 30.11.2016. (Minutes of meeting No. 3 of 30.11.2016), at which the following issues were considered:

- on approval of the Work Plan of the Auditing Commission of IDGC of the South PJSC for 2016-2017 in the new edition;
- on approval of the thematic audit programme within the first stage of the audit of the financial and economic activities of IDGC of the South PJSC for 2016, including the approval of facilities, procedures, timing and scope of the audit;
- on inviting experts (experts) to participate in the thematic inspection of the relevant inspection objects, including specialized organizations;
- on distribution of responsibilities between the members of the Auditing Commission and the experts, if they are involved, on the objects of the thematic verification, determination of the members of the Auditing Commission responsible for collecting information, necessary documents, materials, as well as preparing a Draft Opinion (Act) of the Auditing Commission for the meeting of the Auditing Commission on the results of the thematic audit;

- on making the list of information, documents, materials necessary for conducting a thematic check on each object of inspection, methods and sources of their receipt;
- on identification of persons who need to be involved in the conduct of the audit;
- on appointment of the date of the meeting of the Auditing Commission of IDGC of the South PJSC to summarize the results of the thematic audit.

Minutes of meetings of the Auditing Commission for the entire period of the Company's activity are posted on the corporate website on the Internet at <http://mrsk-yuga.ru/> in the section “Corporate Governance”.

As a result of the audit of the financial and economic activities of the Company in 2015, the Order No.492 “On Implementation of the Action Plan for Eliminating Violations Based on the Results of the Audit of Financial and Economic Activities of IDGC of the South PJSC for 2015” was issued on 09.08.2016. In accordance with this order, measures designed to eliminate violations revealed during the audit were developed and approved. The plan of measures to eliminate violations identified the officials responsible for monitoring of elimination of violations and immediate performers, as well as the timing of the implementation of activities.

#### **Information on remuneration (compensation of losses) paid to the members of the Auditing Committee**

Payment of remuneration to the members of Auditing Committee of the Company in 2015 was carried out in accordance with the Regulations on payment to the Auditing Committee members of Public Joint Stock Company “Interregional Distribution Grid Company of the South” of emoluments and remunerations, approved by the decision of the annual General meeting of shareholders on 06.06.2016.

Remuneration to a member of the Auditing Commission is determined from the basic part of the remuneration ( $R_{\text{base}}$ ). The basic remuneration to a member of the Audit Commission is established on the basis of the Company's revenue calculated according to RAS for the financial year, in accordance with the below-mentioned scale.

The Regulation on payment of remuneration and compensation to members of the Auditing Commission is posted on the Company's official website in the section "Corporate Governance": <http://mrsk-yuga.ru/korporativnoe-upravlenie/dokumenty-reglamentiruyushchie-deyatelnost-organov-upravleniya-i-kontrolya-obshchestva/>

A member of the Auditing Committee is reimbursed expenses related to participation in audit and meeting of the Auditing Committee in accordance with current as of the moment of the meeting/audit rules of reimbursing expenses.

The total amount of remuneration paid to the members of the Auditing Committee of IDGC of the South PJSC in 2016 was **782.037 thousand rubles** (including income tax).

### **3.3. Auditor**

According to articles No.47, 48, 54 and 88 of the Federal Law on Joint Stock Companies; according to sub-clause 11 of cl.10.2 of article 10; cl.11.1 of article 11; cl.24.8 of article 24 of the Charter of the Company, the General Shareholders Meeting approved RSM RUS for the position of the Auditor of the Company.

#### **Criteria and methods of Auditor appointment**

The candidature of an auditor for 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.

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 candidatures of auditor.

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 the Company.

In order to ensure independency and fairness of external auditor, the Company selects an external auditor by a public tender at the trading platform “B2B-energo”. Information on a tender for audit services in 2015-2017 was available at [www.b2b-mrsk.ru](http://www.b2b-mrsk.ru). Tender deadline: 10.04.2015, RSM RUS LLC won the tender. The participants were judged by preassigned and declared criteria of the tender.

The auditor of IDGC of the South PJSC carries out audit of the issuer’s business activity in accordance with requirements of the legislation of the Russian Federation on the basis of the concluded contract.

The Board of Directors of IDGC of the South recommended (minutes of meeting No.186/2016 dated 04.05.2016) and the AGM approved on 3 June 2016 (minutes of meeting No.15 dated 09.06.2016) the Company’s auditor RSM RUS LLC to carry out audit of financial (accounting) report for 2016.

RSM RUS LLC is a member of the Self-Regulatory Organization of Auditors Non-commercial partnership “Audit Association “Sodruzhestvo”.

Factors that may affect the independence of the auditor from the issuer, as well as the material interests connecting the auditor (auditor’s officials) with the issuer (the issuer’s officials) are absent.

In accordance with section 24.10 article 24 of the Charter of IDGC of the South PJSC the amount of the auditor’s remuneration shall be determined by the Board of Directors of the Company.

The cost of services and the payment procedures are specified in the agreement between the Company and the auditor. By the decision of the Board of Directors of the Company on 05.08.2016 (Minutes of meeting No. 97/2016 of 08.08.2016), the amount of payment for the services of the auditor of IDGC of the South PJSC – RSM RUS LLC, was determined under an agreement on rendering audit services for the audit of financial statements prepared in accordance with RAS, and the audit of the consolidated financial statements prepared in accordance with IFRS for the year ending December 31, 2016 (the audited period from January 1, 2016 to December 31, 2016), in the amount of 2 177 796.75 rubles (two million one hundred seventy

seven thousand seven hundred ninety six rubles 76 kopecks), including VAT (18%) – 332 206.28 rubles. No special auditing tasks were performed in the reporting year.

#### **Auditor's contacts**

Full business name: **Limited Liability Company RSM RUS**

Abbreviated business name: **RSM RUS LLC**

Registered office: **4 Pudovkina street, Moscow, Russian Federation 119285**

Location: **4 Pudovkina street, Moscow, Russian Federation 119285**

TIN: **7722020834**

PSRN: **1027700257540**

Telephone: **(495) 363-2848**

Fax: **(495) 981-4121**

e-mail: [mail@rsmrus.ru](mailto:mail@rsmrus.ru)

Details of Auditor's membership in self-regulating auditor organizations

Name: **Self-regulatory organization of auditors Non-profit Partnership “Auditing Association “Sodruzhestvo”**

Location: **21/4 Michurinsky Prospekt, Moscow, Russia 11919**

phone: **(495) 734-22-22,**

fax: **(495) 734-04-22;**

e-mail: [info@auditor-sro.org](mailto:info@auditor-sro.org).

The date of receipt of a Self-regulatory organization status: **December 30, 2009**

Document on the basis of which was obtained on the basis of the status of Self-regulatory organization: **Order of the Ministry of Finance of the Russian Federation No.721 dated 30.12.2009**

Number in the state register of Self-regulatory organization: **06**

#### **3.4. The Risk Management System**

The Company has a risk management system, whose goal is to ensure sustainable continuous operation and development of the Company through timely identification, assessment and effective management of risks that threaten the effective implementation of the Company's economic activities and reputation, employees' health, environment and property interests of shareholders and investors.

The main document regulating the risk management process in the Company is the “Risk Management Policy” approved in a new version by the decision of the Board of Directors of the Company on 1 April 2016 (Minutes of meeting No.182/2016 dated 01.04.2016).

### **Participants of the Risk Management System**

In accordance with the Company’s Risk Management Policy, as well as the amendments to the Regulations on the Strategy, Development, Investment and Reform Committee (minutes of the meeting of the Board of Directors dated 14.03.2016 No.180/2016), the main participants of the Company’s risks management system are:

- Board of Directors of the Company;
- Committee for Strategy, Development, Investments and Reform of the Board of Directors of the Company;
- Auditing Commission;
- Management Board of the Company;
- General Director of the Company;
- Functional units of the Company – risk owners;
- risk management division of the Company, which is entrusted with the function of coordination and methodological support of risk management activities,
- performers of risk management activities;
- Internal Audit Department.

### **Main risk factors**

The significance of risk is a combination of the likelihood of occurrence of a risk and the magnitude of the consequences for the Company in monetary terms and in other manifestation. The risk assessment is performed taking into account the existing risk passports or expertly in accordance with the following scale:

<b>Level of risk significance</b>	
Critical	
Significant	

Moderate



### Evaluation of risks significance

#	Risk	Description	Activities for mitigation of risks	Significance
<b>Industry risks:</b>				
1	Tariff risks	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.	To reduce the negative effect and prevent conditions that affect its activity, the Company developed the following measures: - interaction with state tariff regulation bodies when conducting a tariff campaign	
2	Grid connection risks	An important risk factor is the recognition of the Company as a violator of the antimonopoly legislation. Activities in the field of grid connection of consumers to electric networks are under such antimonopoly risks. Violations of the terms of the grid connection, of the pricing procedures during the calculation of payment for technological connection, as well as a number of other measures established by law, put the Company under the risk of imposition of administrative sanctions	To minimize the risks associated with the prosecution for a violation of antimonopoly laws in the part of the grid connection, all branches of the Company use software to successfully control the implementation of applications for technological connection, local regulations governing the activities carried out within the framework of technological connection. Also, the Company carried out measures to improve the quality of services for technological connection as part of the strategy of "Improving access to energy infrastructure"	
3	The risk of falling out income due to cross-subsidization	In accordance with the requirements of the RF Government Resolution No.1178 of 29.11.2011, when calculating and establishing unified "boiler" prices (tariffs), the amount of cross-subsidization is taken into account. At the same time, the exceeding of the limit	In order to reduce the negative impact and conditions affecting the Company's operations, the Company performs the following activities: - interaction with the state regulation of tariffs during the tariff campaign	

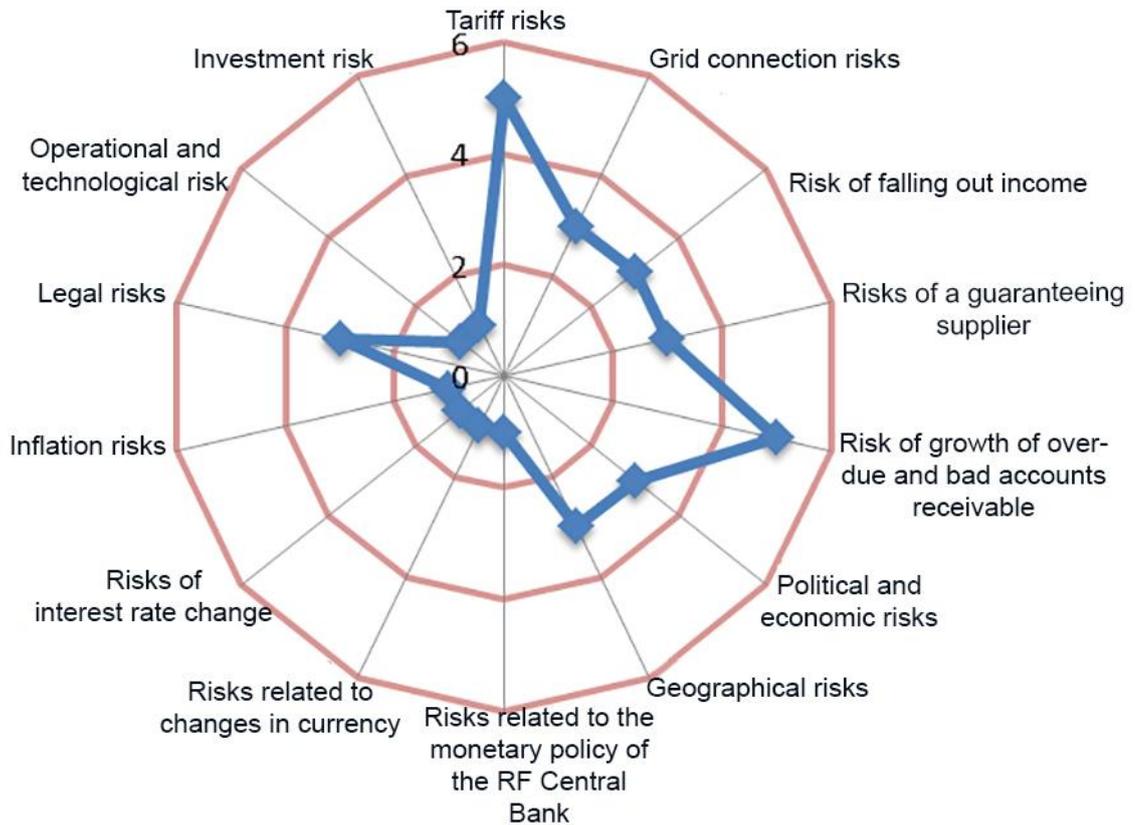
		value for the region, fixed in Annex 6 to the Resolution of the Government of the Russian Federation of 29.12.2011 No.1178 is not allowed. Accordingly, if cross-subsidization is exceeded, there is a risk of reduction in electricity transmission tariffs		
4	Risks associated with appointing the status and functions of a guaranteeing supplier	<p>The impact of the risks associated with the acquisition of the functions of the guaranteeing supplier is aimed at the loss of revenue from energy sales activities. The main risks include:</p> <ul style="list-style-type: none"> <li>- the risk associated with the growth of accounts receivable of final consumers of electricity and write-off of accrued receivables under contracts for the provision of electricity transmission services between energy sales and distribution grid companies;</li> <li>- the risk associated with performance of the functions of a guaranteeing supplier at the wholesale electricity and capacity market;</li> <li>- the risk caused by the growth of the Company's expenses related to performance of the functions of a guaranteeing supplier, exceeding the necessary gross proceeds provided for the formation of marketing surcharges</li> </ul>	Following the results of 12 months of 2016, the Company did not perform functions of a guaranteeing supplier on the territory of its presence.	
5	Risk of growth of overdue and bad accounts receivable	The growth of overdue receivables for electric power transmission services has a significant impact on the financial results of the Company, resulting in lower liquidity	To reduce these risks, the Company carries out the following activities: <ul style="list-style-type: none"> <li>- negotiations with contractors;</li> <li>- participation in the meetings at the level of</li> </ul>	

		and financial stability of the company. With low payment discipline and lost revenue from customers, the Company has to attract credit resources for the implementation of operations, resulting in additional costs of servicing the loan portfolio.	regional authorities on payments for electricity transmission services; - agreements on debt restructuring; - limiting of the mode electric power consumption of the debtor to which the restriction is possible and permissible; - handling complaints and related work with consumer debtors.	
<b>Country and regional risks</b>				
6	Risks related to political and economic situation in the country and the region	The risk factor that has a definite influence on the activities of the Company is the deterioration of the economic and political situation in the country and the regions of the Company's presence, which may lead to a reduction in electricity consumption and a decline in the purchasing capacity of consumers.	The Company cannot influence the country risks; however, planning of activities is conducted on the basis of the feasibility of such risks. Besides that, the Company actively interacts with the state, regulating and other organizations to create conditions for the development of the industry and the Russian economy in general.	
7	Risks connected with geographic peculiarities of the country and the region including the heightened danger of natural disasters, possible discontinuance of transportation	The risks related to geographical features of the regions where the Company operates, include the risk of losses due to unfavourable weather conditions. The regions where the Company operates are characterized by developed transport infrastructure and are not subject to risks associated with the termination of transport connection due to remoteness and/or inaccessibility.	Company's actions to reduce the impact of these risks are designing of transmission lines in view of features of weather in the region, as well as insurance of related risks.	
<b>Financial risks:</b>				
8	Risks related to the monetary policy of the Central Bank of the Russian Federation	The risk factor that influences the Company's activity is the increase in key rate of the Central Bank of the Russian Federation. The key rate is an economic and financial	In order to minimize the costs of servicing the debt portfolio, the Company seeks to use loans and borrowings with a fixed interest rate, as well as negotiates with the creditor	

		tool in the field of monetary policy of the state	banks to reduce interest rates on loans	
9	Risks related to changes in currency	The Company is currently conducting its financial and economic activities in the territory of the Russian Federation and has no investments in foreign companies, the net asset value of which is exposed to changes in exchange rates, has no revenue and expenses denominated in foreign currencies. In addition, the Company does not plan to carry out activities on the foreign market, so the risks associated with currency fluctuations are not a factor of direct impact on the financial results of the Company's activities.	In case of the negative impact of exchange rate changes on financial and economic activity, the Company is planning to conduct a risk analysis and take an appropriate decision in each case.	
10	Risks of interest rate change	The Company is exposed to interest rate risk. With the rising interest rates the interest payments for loans from commercial banks increase as well and, consequently, the Company's profit reduces.	In order to minimize maintenance costs of the debt portfolio the Company regularly reviews its own financial condition, floating interest rate dynamics. The Company selects financial institutions to provide financial services by means of open one-stage tender or open auction in accordance with procedures established by the legislation of the Russian Federation, the constant monitoring of the debt capital market and when possible the debt innovation is performed.	
11	Inflation risks	The inflation risk may arise when the Company's received cash income depreciates in terms of real purchasing power faster than they grow nominally. The growth of inflation may increase the cost of the enterprise (due to the increase in prices of basic	In order to reduce the impact of inflation on the operating activities, the Company plans the investment and repair programmes with regard of the increase in the cost of materials and equipment. In addition, the Company enters into contracts on the terms of a	

		tools, materials, services of other organizations), and, consequently, a drop in the Company's profit and profitability of its business, as well as increase in the cost of borrowing for the Company.	firm (fixed) price that does not change under the influence of inflation during the period.	
<b>Legal risks:</b>				
12	Legal risks	Legal risk management is based on optimization of the process of legal registration of documents and support of activities. There is a risk of changes in legislation (federal laws and subordinate legislation) regulating economic relations, which may adversely affect the results of the current litigations in which the Company participates.	To minimize legal risks, the company's business processes, that are subject to risks, pass obligatory legal examination, the company also continuously monitors changes in legislation and judicial practice.	
<b>Risks related to the company's activity:</b>				
13	Operational and technological risk	The Company's operational activities include performing maintenance, repairs, as well as preventive measures aimed at improving reliability of the electric grid complex. Untimely implementation of these measures in the event of natural events (thunderstorm, ice, icy rain) can lead to massive outages of energy facilities and an increase in the duration of the interruption of energy supply to consumers	Measures taken by the Company to reduce operational and technological risks: - timely implementation of repair and maintenance programme; - melting ice (if necessary); - monitoring the performance of surge arresters (arresters); - control of lightning protection effectiveness.	
14	Investment risk	Investment programmes of the Company's branches are formed in accordance with the long-term development of regional programmes and are subject to review and approval by the regional authorities. Timely implementation of investment programmes of the branches depends on many factors, including failure to perform or delay in performance of contractors' obligations. Failure to comply with the investment	Measures taken by the Company to reduce the risks in investment activity: - monitoring the performance of obligations by suppliers, contractors; - arrangement of the timely adjustment of the investment programme; - reallocation of funds received from the savings on the results of tender procedures to other objects of investment programme;	

	programmes increases the risk of technical failures and industrial accidents and can lead to disturbances in the power supply.	- monitoring of compliance with the terms of the procurement procedures; - evaluation of the effectiveness and return on investment projects.	
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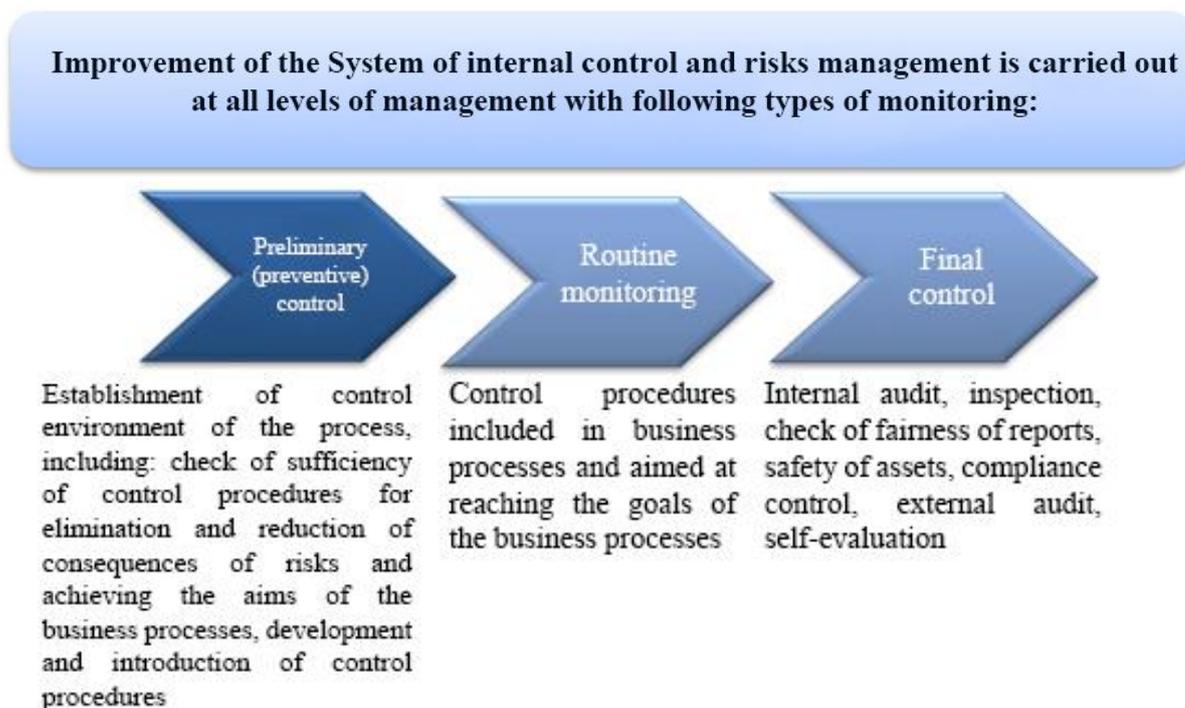
The Company's internal control system is an element of the general management system of the Company. Internal control is an integral part of the Company's risk management system, while risk management is a continuous and cyclical process within the general management system of the Company.

The system covers all areas of the Company's activities, control procedures are carried out continuously in all processes (lines of business) of the Company at all levels of management and are aimed at providing reasonable guarantees for achieving the objectives in the following areas:

- efficiency and effectiveness of the Company's operation, safety of the Company's assets;

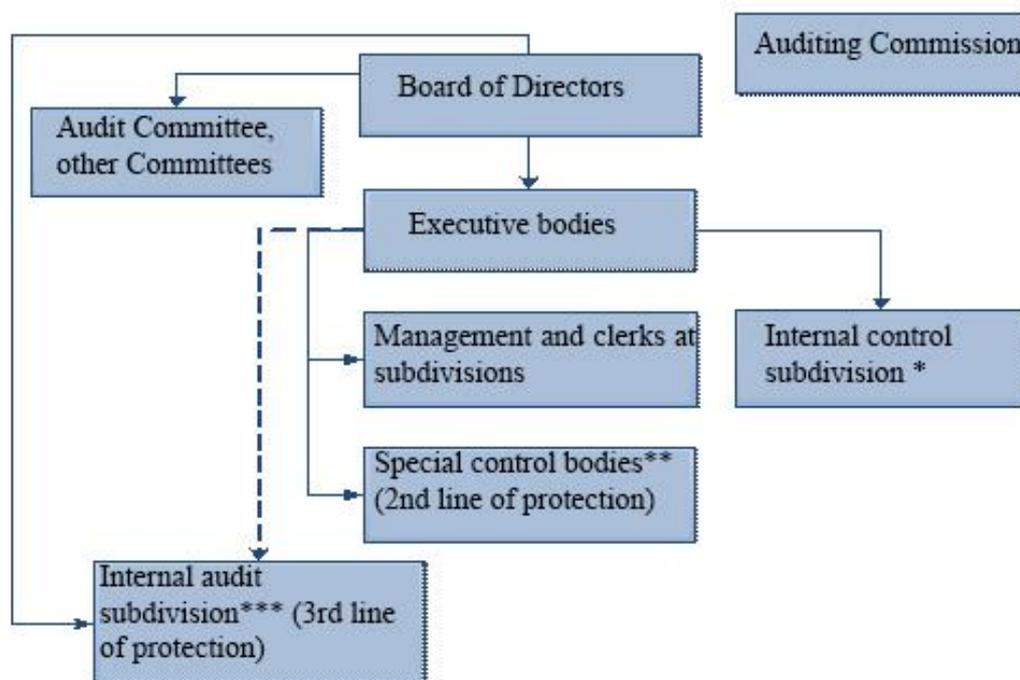
- compliance with the requirements of the legislation applicable to the Company and local regulatory documents of the Company, including when carrying out economic activities and maintaining accounting records;
- ensuring reliability and timeliness of accounting (financial) and other reporting.

### 3.5. Internal Control System:



In order to implement the Strategy for development and improvement of the Internal Control System of Rosseti PJSC and its subsidiary and dependent companies (approved by the decision of the Board of Directors of Rosseti PJSC on 10.02.2014 (Minutes of meeting No.143)), the Company by a resolution of the Board of Directors dated 01.04.2016 (Minutes of meeting No.182/2016) approved the Internal Control Policy of IDGC of the South PJSC in a new version. The internal control policy determines the general principles of the Internal Control System, its goals and objectives, general approaches to organization, distribution of responsibilities between the participants of the Internal Control System and the nature of their interaction.

### Participants of the Internal Control System



\* The division responsible for implementation of the functions of internal control in the Company is the internal control and risk management department.

\*\* Specialized bodies of control in the Company:

- Security Department;
- Department of Legal Support;
- Department of Anticorruption Compliance Procedures.

\*\*\* The subdivision responsible for implementation of the internal audit functions in the Company is the Internal Audit Department.

### Functions of the participants of the internal control system

Participant	Functions in the sphere of the of internal control system
<b>The Board of Directors</b>	<ul style="list-style-type: none"> <li>• ensuring the establishment, monitoring of operation and determination of the general strategy of development of the system of internal control and risk management in the Company</li> <li>• consideration of the reports and decisions of the system, the key issues of concern and internal controls</li> </ul>
<b>Audit Commission</b>	<ul style="list-style-type: none"> <li>• control over financial and economic activities of the Company;</li> <li>• independent evaluation of the data contained in the annual report and annual financial statements of the Company</li> </ul>

<b>Audit Committee of the BoD</b>	<p>controls selection of an external auditor, evaluation of the external auditor's performance</p> <ul style="list-style-type: none"> <li>• provides evaluation of fairness of Company's accounting (financial) reports (including the auditor's report)</li> </ul>
<b>Director general, the Management Board</b>	<ul style="list-style-type: none"> <li>• ensures the development and everyday functioning in the Company of an effective and reliable system of internal control</li> </ul>
<b>Heads of sectors and subdivisions</b>	<ul style="list-style-type: none"> <li>• organize an effective control environment of the supervised processes (activities), are responsible for the effective achievement of operational goals of the supervised processes (activities) and perform risk management of the processes (activities) and the performance of the control procedures</li> </ul>
<b>Employees of the Company's structural divisions, fulfilling the control procedures due to their job duties</b>	<ul style="list-style-type: none"> <li>• fulfill the control procedures within the internal audit system in accordance with job descriptions and the established regulatory documents</li> <li>• ensure timely notification of the managers on the instances where the fulfillment of the control procedures and risk management measures becomes impossible for any reasons and/or where the design of such control procedures/risk management measures requires modification due to the changes in the internal and/or external conditions of the Company's operations, and for ensuring the development and submitting of suggestions to the management on the implementation of control procedures and risk management measures in the relevant areas of operation</li> </ul>
<b>Security Department</b>	<ul style="list-style-type: none"> <li>• protection of the Company's interests from unlawful actions of legal entities and individuals that have intentions or cause material and/or moral damage to the Company, detection, minimization of the damage;</li> <li>• creation of conditions ensuring information security of information, which is subject to protection in accordance with the current legislation of the Russian Federation, identification and suppression of possible channels of information leakage;</li> <li>• organization and improvement of antiterrorist and anti-sabotage security at the Company's facilities;</li> </ul>

<b>Legal Department</b>	<ul style="list-style-type: none"> <li>• ensuring the legality of production and economic activities of the Branch, the Company;</li> <li>• Ensuring the legal protection of the rights and legitimate interests of the Branch, the Company;</li> <li>• methodical provision of legal protection of interests of the Branch, the Company;</li> <li>• development and implementation of measures aimed at prevention, detection and suppression of corruption manifestations, as well as minimization of reputational and corruption risks;</li> </ul>
<b>Department of Anti-Corruption Compliance Procedures</b>	<ul style="list-style-type: none"> <li>• Coordination of the Company’s activities related to conduct of corporate compliance procedures (including countering the misuse of insider information and market manipulation in the Company, ensuring compliance with the requirements of the RF legislation in the Company, etc.);</li> <li>• Organization of the Company’s activities related to the implementation of anticorruption compliance procedures (including conflict of interest management, anti-corruption control of procurement activities, prevention, detection and suppression of corruption manifestations, etc.)</li> </ul>
<b>Internal Control Division (Internal Control and Risk Management Department)</b>	<ul style="list-style-type: none"> <li>• develops and ensures implementation of basic and methodological documents for construction and improvement of the internal control system;</li> <li>• provides assistance to management in establishment of a control environment, development of recommendations for describing and implementing control procedures in the processes (activities) and securing responsibility for officials;</li> <li>• ensures coordination of activities to maintain and monitor the target state of the internal control system;</li> <li>• prepares information on the status of the internal control system for interested parties;</li> <li>• interacts with state control and supervisory bodies on internal control issues</li> </ul>
<b>Division of internal audit (Department of internal audit)</b>	<ul style="list-style-type: none"> <li>• develops, based on the results of the internal audit, recommendations for improving of control procedures, separate components (elements) of internal control and internal control system;</li> <li>• carries out an internal independent evaluation of the effectiveness of the internal control system and issues recommendations for improving the efficiency and effectiveness of the internal control system</li> </ul>

To ensure that the internal control system is effective and corresponds to the changing requirements and conditions, the Company evaluates the effectiveness of the internal control system: its compliance with the goals and the maturity level.

The strategy of development and improvement of the internal control system of Rosseti PJSC and its SDCs, approved by the decision of the Board of Directors of Rosseti PJSC dated 10.02.2014 (Minutes of meeting No.143) (hereinafter – the Development Strategy), defined 6 levels of maturity of the internal control system (from 1 “zero” to 6 “high”).

In the reporting year, the Company implemented the following activities aimed at improving the internal control system:

- to ensure the effective functioning of the internal control system, the Company in 2016 approved a new edition of Internal Control Policy of IDGC of the South PJSC (Minutes of the Board of Directors meeting No.182/2016 dd 01.04.2016);
- on 28.02.2016 the Company approved the order No. 889 “On formation and implementation of verification plan and procedure for conducting inspections at IDGC of the South PJSC”, on the basis of which a consolidated plan of inspections for the year shall be formed, as well as analytical report of the audit and report on monitoring the results of corrective action plan. The order specifies a uniform format for carrying out verification and control measures, and quarterly monitoring of its implementation is carried out;
- in order to unify the forms of recording information on the Company’s control procedures aimed at achieving operational goals, compliance with legislation and reliability of reporting in accordance with the schedule, systematic work was done on development of production process control schemes and matrices, “Economic Security, Compliance”, “Information security”, “Security of Power Supply Company facilities”. The work on adaptation of business processes approved by Rosseti PJSC Commission on formation of a single methodological base for internal audit and internal control within the Rosseti group of companies was organized;
- pursuant to the decision of the Audit Committee of the Board of Directors, in accordance with the requirements of the Internal Control Policy as amended

(Minutes of the Board of Directors meeting No. 182/2016 of 01.04.2016), amendments were made to the Regulations on structural divisions of the Company regarding the consolidation of control functions carried out in Internal control system;

- the Company assesses the effectiveness of the current state of the Company's internal control system, with consideration of the results of the system effectiveness analysis by the Audit Committee and the Board of Directors, as well as regular review of the state of the company's internal control and risk management systems by the external auditor;

- control over implementation of instructions from the management and management bodies of the Company, as well as the implementation of orders, elimination of violations and deficiencies identified by external control and supervision bodies, as well as by the Audit Commission. In order to improve the mechanisms for monitoring implementation of orders and elimination of violations and deficiencies identified by external control and supervision bodies, the Company is currently working to update the Regulations for accounting of the Company's audits carried out by external control bodies (supervision) approved by the order of IDGC of the South JSC No.502 from 27.09.2013 with changes in accordance with the order No.79 of 10.02.2015.

Implementation of these measures has made it possible to increase the assessment of the internal control system in 2016. Thus, the internal audit of the Company based on the results of 2016 assesses the systems of internal control as being "moderate" at the maturity level (4.2/4.1 points for internal control system/risk management system, respectively), whereas at the end of 2015 the level of maturity was estimated as "moderate" with an assessment of 3.8/3.8 points (internal control system/risk management system).

An internal independent evaluation of the effectiveness of the internal control system was carried out by the Internal Audit Department of the Company, and no external independent evaluation was conducted.

The question of the effectiveness of the internal control system following the results of 2016 was discussed at a meeting of the Board of Directors (minutes from \_\_\_\_\_ # \_\_\_\_), with a preliminary discussion of this issue by the Audit Committee of the Board of Directors (Minutes No. 68 of 17.03.2017).

Activities aimed at improving the Company's internal control system planned for 2017:

- implementation of measures to update the Company's organizational and executive documentation and local regulations, which regulate the division of responsibilities and the distribution of powers, with the aim of decomposing the management functions and the Company's management personnel into regulatory and regulatory documents regulating the activities of the Company's main business processes;
- development (in the 2<sup>nd</sup> quarter of 2017), approval and implementation by the Company's management of the plan of measures to improve the internal control system of the Company in 2017.

Within the framework of the third security line, the internal audit function is being implemented. The subdivision responsible for implementation of the internal audit functions in the Company is the Internal Audit Department.

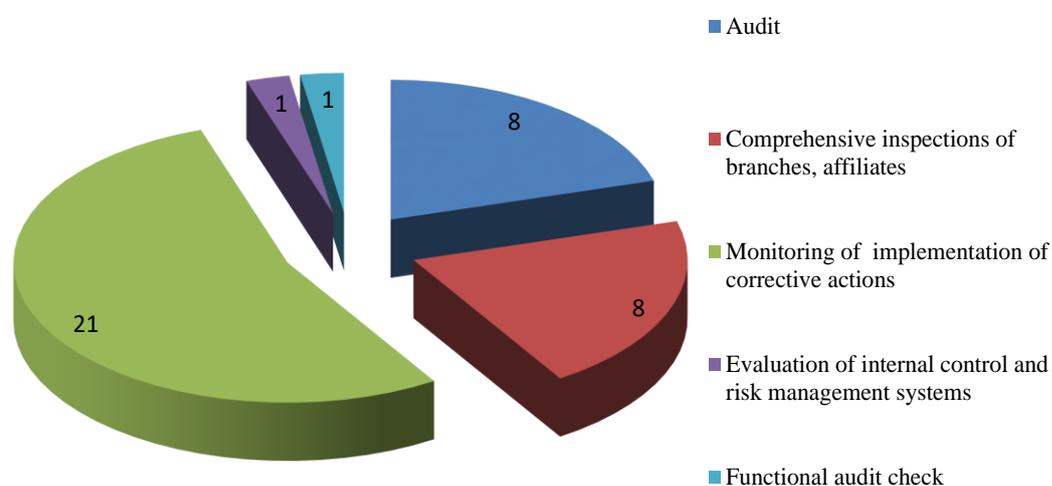
The Internal Audit Department is functionally accountable to the Board of Directors of the Company, which means that the Board of Directors supervises and organizes the activity of the internal audit department, including approval of the internal audit activity plan, report on the implementation of the internal audit activity plan and the budget of the internal audit department, dismissal, as well as determining the remuneration of the head of the internal audit department.

The goals and objectives, the basic principles of organization and functioning of internal audit, the functions and powers of internal audit are defined in the Internal Audit Policy of IDGC of the South PJSC (new version) approved by the decision of the Board of Directors (Minutes No.182/2016 of 01.04.2016). The Company approved standards in terms of internal audit activities, standards of quality characteristics, standards of practical application.

The purpose of the internal audit is to assist the Board of Directors and the executive bodies of the Company in improving the management of the Company, improving its financial and economic activities, including through a systematic and consistent approach to the analysis and evaluation of risk management systems, internal control and corporate governance as tools to provide reasonable assurance in achieving the goals set for the Company.

Number of employees performing the function of internal audit in 2016: 6.

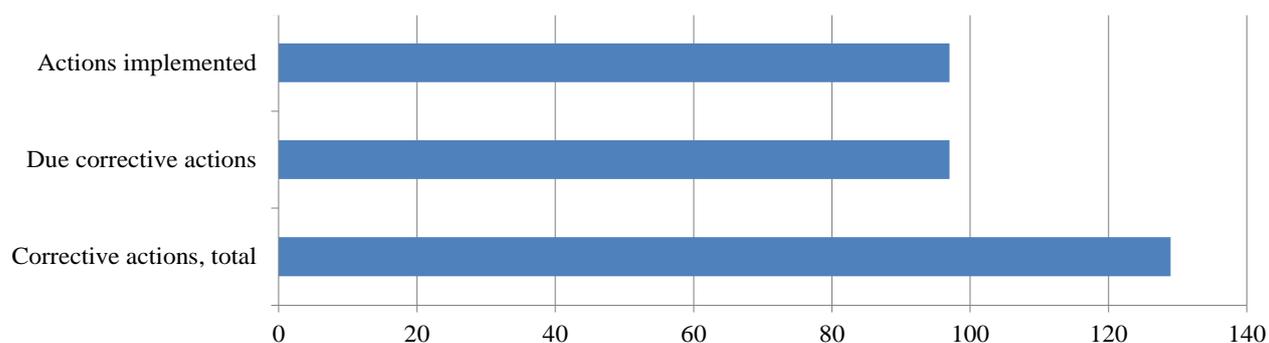
The division of internal audit conducted 39 control measures (diagram 1) in 2016.



As a result of the control measures carried out by the internal audit in 2016, 129 corrective actions aimed at eliminating and preventing further violations and deficiencies identified by the internal audit department were prescribed for implementation.

Out of 97 events, the due date for which came in the reporting year, 97 corrective actions were performed.

### Corrective actions



Implementation of corrective activities is controlled by the Audit Committee of the Board of Directors by means of reviewing regular reports of the Company’s management on implementation of corrective actions plans to eliminate the deficiencies identified by the Company’s Audit Commission, the Internal Audit Department, and external control bodies.

### 3.6. Property management

As of 31 December 2016, IDGC of the South PJSC is the founder of four companies and owns 100% of the voting shares in each of them:

- Energoservis Yuuga JSC;
- PSKh named after A. A. Grechko JSC;
- PSKh Sokolovskoye JSC;
- Recreation Centre “Energetik” JSC.

Please, see more details in Appendix 5 to this Annual Report.

IDGC of the South PJSC carries out corporate management of its subsidiaries via 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 PJSC 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 \(shares\)](#) (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 PJSC expresses the Company’s opinion on the agendas of General Shareholders Meetings and meetings of the Board of Directors of subsidiaries (instructions to Company’s representatives to participate or not participate in voting on agenda items, and to vote

on resolutions “for”, “against”, or “abstain”), including on questions related to the approval of the business plans (adjusted business plans) of subsidiaries, subsidiaries’ business plan performance reports, distribution of profits and losses based on the results of a fiscal year, on recommendations on the amount of dividends on shares and its payment procedure.

90 items were discussed at meetings of the Board of Directors of the subsidiaries in 2016.

In order to mitigate risks of non-compliance of subsidiaries with the requirements of the legislation of the Russian Federation in the area of disclosure of information, the Company performs a permanent supervision of subsidiaries by monitoring public sources of information.

### **Consolidation of electric grid assets**

Consolidation of electric grid assets is carried out within the framework of the implementation of the provisions of the Decree of the President of the Russian Federation No.1567 dd 22.11.2012 “On the open joint-stock company Russian Grids” to ensure the step consolidation of territorial electric grid organizations, implementation of tasks and targets of the Strategy for the Development of the Russian Federation Electric Grid Complex, Decree of the Government of the Russian Federation No.511-r of 03.04.2013, on reducing the degree of separation of grid facilities and increasing control over them, as well as ensuring the functioning of the distribution grid complex by organizing the most efficient infrastructure.

As part of implementation of the tasks on consolidating electric grid assets in the territory of responsibility of IDGC of the South PJSC, a multilateral agreement was concluded on 14.11.2011 between the Government of the Astrakhan Region, Astrakhan, the Nizhne-Volzhsky Administration of the Federal Service for Environmental, Technological and Nuclear Supervision and IDGC of the South PJSC to ensure reliable power supply to consumers connected to ownerless power grid facilities. The agreement defines the order of actions of the parties aimed at eliminating the problems of ownerless abandoned movable energy facilities located on the territory of Astrakhan and the Astrakhan region.

The Commission for the Consolidation of Grid Assets of IDGC of the South PJSC studied the list of territorial grid organizations (hereinafter referred to as “TGO”) potentially inconsistent with the criteria for assigning owners of electric grid facilities to TGO in accordance with the RF Government Decree No. 84 of 28.02.2015. The list of municipal organizations that have on the balance sheet the electric grid facilities that are affiliated to the branch networks and a list of ownerless power grid assets in the regions of the presence of IDGC of the South PJSC was approved.

At present, the Working Groups on consolidation of power grid assets in the branches conduct an assessment of the feasibility of projects on consolidation of electric grid assets (according to the approved list), with respect to expedient projects it is planned to develop a plan for consolidating the grid assets “Roadmap”, including working meetings with the owners of assets.

With regard to property, the owners of which are ready to transfer their power grid property on any right of IDGC of the South PJSC, proposals have been developed for the draft Programme of consolidation of electric grid assets for the period 2017-2019.

On September 16, 2016 by the Decree of the Governor of the Volgograd Region No.682, a working group on development of the electric grid facilities of the Volgograd Region was established, consisting of representatives of the Administration of the Volgograd Region, as well as representatives of Rosseti Group of Companies.

In 2016, the Rostov Region Government concluded a framework agreement “On interaction between the Government of the Rostov Region and IDGC of the South PJSC to implement measures aimed at ensuring reliable electricity supply and creating conditions for consumers to connect to electric grids in the territory of the Rostov Region.”

Guided by the tasks of increasing the reliability of power supply to consumers, increasing the market share, increasing the manageability of the power grid complex, IDGC of the South conducts regular work with the owners of electric grid facilities

that do not meet the criteria for classifying owners of electric grid facilities as territorial grid organizations approved by the resolution of the Government of the Russian Federation No.184 dated 28.02.2015, for consolidation of electric grid assets on the basis of IDGC of the South PJSC.

The programme of IDGC of the South PJSC on consolidation of electric grid assets for the period 2016-2018 was approved by the commission of Rosseti PJSC for consolidation of electric grid assets (Minutes No.113 of 11.11.2016).

The largest project on consolidation of electric grid assets, envisaged by the programme for consolidation of electric grid assets: acquisition of electric grid property of “KalmEnergoKom” JSC.

In December 2016, IDGC of the South PJSC implemented the project, purchased the electric grid property of “KalmEnergoKom” JSC (the price of the contract was 422 million rubles (excluding VAT), the electricity grid capacity was 4 184.3 USD). In addition, IDGC of the South PJSC acquired the electric grid property belonging to “Remtekhnika” LLC, located at the address: 17 Slavy street, Kirovskaya village, Kagalnitsky District, Rostov Region; namely equipment of Indoor Transformer Substation No.89 for 10 kV overhead line No. 319 of substation “KG-3”, manufactured in 1969, with a total cost of 24 thousand rubles.

The above-mentioned transactions indicate 100% performance of the Programme of consolidation of electricity grid assets in 2016.

One of the strategic tasks of the company is consolidation of electric grid assets located on the territory of the Republic of Kalmykia, Astrakhan, Volgograd and Rostov regions, in order to create a single electric grid space in the territory of presence of IDGC of the South PJSC. As objects of consolidation, the electric grid assets of municipalities, territorial grid organizations, other owners of electric grid assets are reviewed.

To implement this task, the target Programme of consolidation of power grid assets of IDGC of the South PJSC for 2016-2018 was formed.

In 2016, in the regions of presence of IDGC of the South PJSC, 64 territorial grid organizations operated.

The Programme of consolidation was formed taking into account the approved investment programme for 2016, as well as taking into account the objects, consolidation of which will be carried out in future and which will be included in the Company's investment programme. In addition, the Programme includes objects planned to be leased out or planned to extend lease agreements. The objects included in the Programme of consolidation correspond to the technical and economic criteria for making decisions on the projects for the consolidation of electric grid assets.

The Programme of IDGC of the South PJSC on consolidation of power grid assets of is based on the principle of an annual decrease in the share of uncontrolled gross revenue requirement of TGO in the service areas.

#### Implementation of the Programme of consolidation of electric grid assets

IDGC/DGC (branch of IDGC, DGC and affiliate of IDGC)	2014			2015			2016		
	Volume of consolidation of electric grid assets for the period			Volume of consolidation of electric grid assets for the period			Volume of consolidation of electric grid assets for the period		
	MVA	km	c.u.	MVA	km	c.u.	MVA	km	c.u.
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>
<b>IDGC of the South PJSC</b>	107,97	360,4 3	1678,5	107	333	1591, 6	195,6 3	1082	5775, 6
Acquisition of electric grid facilities	0	0	0	0	0	0	88,63	749	4184
Rent of electric grid facilities	67	159	509,6	67	159	509,6	67	159	509,6
Other (permanent rights of possession and use)	0,97	27,43	86,9	0	0	0	0	0	0
Other (temporary rights of possession and use)	40	174	1082	40	174	1082	40	174	1082
<b>Branch: Astrakhanenergo</b>	<b>92,97</b>	<b>201,4 3</b>	<b>1244,5</b>	<b>92</b>	<b>174</b>	<b>1157, 6</b>	<b>92</b>	<b>174</b>	<b>1157, 6</b>
Acquisition of electric grid facilities	0	0	0	0	0	0	0	0	0
Rent of electric grid facilities	52	0	75,60	52	0	75,60	52	0	75,60
Other (permanent rights of possession and use)	0,97	27,43	86,9	0	0	0	0	0	0
Other (temporary rights of possession and use)	40	174	1082	40	174	1082	40	174	1082
<b>Branch: Volgogradenergo</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Acquisition of electric grid facilities	0	0	0	0	0	0	0	0	0
Rent of electric grid facilities	0	0	0	0	0	0	0	0	0
Other (permanent rights of possession and use)	0	0	0	0	0	0	0	0	0
Other (temporary rights of possession and use)	0	0	0	0	0	0	0	0	0

<b>Branch: Kalmenergo</b>	<b>13</b>	<b>109</b>	<b>275</b>	<b>13</b>	<b>109</b>	<b>275</b>	<b>101</b>	<b>858</b>	<b>4459</b>
Acquisition of electric grid facilities	0	0	0	0	0	0	88	749	4 184
Rent of electric grid facilities	13	109	275	13	109	275	13	109	275
Other (permanent rights of possession and use)	0	0	0	0	0	0	0	0	0
Other (temporary rights of possession and use)	0	0	0	0	0	0	0	0	0
<b>Branch: Rostovenergo</b>	<b>2</b>	<b>50</b>	<b>159</b>	<b>2</b>	<b>50</b>	<b>159</b>	<b>2,63</b>	<b>50</b>	<b>161,3</b>
Acquisition of electric grid facilities	0	0	0	0	0	0	0,63	0	2,3
Rent of electric grid facilities	2	50	159	2	50	159	2	50	159
Other (permanent rights of possession and use)	0	0	0	0	0	0	0	0	0
Other (temporary rights of possession and use)	0	0	0	0	0	0	0	0	0

**NOTE:**

Acquired: all actual volume of purchased electric grid assets during the calendar period;

Leased: all actual volume of leased electric grid assets at the end of the period (i.e. all current contracts, including those previously concluded, the number of current transactions at the end of the period);

Other (permanent possession and use rights): all actual acquisition of property during the calendar period;

Other (temporary possession and use rights): all current contracts as of the end of the period, including previously concluded;

\* Information is provided for each service region, including the controlled companies.

IDGC of the South PJSC (on the basis of agreement on transfer of powers of the sole executive body of “Donenergo” JSC to the Management Company as of 20.09.2014) exercises the functions of the sole executive body of “Donenergo”.

The programme on consolidation of electric grid assets in “Donenergo” is absent.

IDGC/DGC (branch of IDGC, DGC and affiliate of IDGC)	2014			2015			2016		
	Volume of consolidation of electric grid assets for the period			Volume of consolidation of electric grid assets for the period			Volume of consolidation of electric grid assets for the period		
	MVA	km	c.u.	MVA	km	c.u.	MVA	km	c.u.
1	2	3	4	5	6	7	8	9	10

<b>Donenergo JSC</b>	<b>6,516</b>	<b>39,7 5</b>	<b>222,71</b>	<b>12,866</b>	<b>49,34</b>	<b>260,37</b>	<b>0</b>	<b>0</b>	<b>0</b>
Acquisition of electric grid facilities	0,65	0,20	4,82	7,00	11,74 0	48,60	0	0	0
Rent of electric grid facilities	5,866	39,5 5	217,89	5,866	37,6	211,77	0	0	0
Other (permanent rights of possession and use)	0	0	0	0	0	0	0	0	0
Other (temporary rights of possession and use)	0	0	0	0	0	0	0	0	0

## 4. Share Capital and Securities Market

### 4.1. Share Capital

#### Share Capital History

As of June 28, 2007 (the date of state registration of the Company), the Company's equity capital amounted to 10 000 000 rubles and was divided into 100 000 000 ordinary registered shares with a nominal value of 10 kopecks each.

On 31 March 2008 in the result of reorganization of the Company by jointing "Astrakhanenergo" JSC, "Volgogradenergo" JSC, "Kalmenergo" JSC and "Rostovenergo" JSC to the Company, the number of shares increased to 49 811 096 064 shares by means of conversion of the shares of the merged companies.

As of 31 December 2016 the authorized capital of the Company is **4 981 109 606 rubles 40 kopecks** and is divided into **49 811 096 064** ordinary registered uncertified shares with nominal value 10 kopecks each. Preference shares have not been issued.

Number of declared shares: **31 078 103 936** shares.

The ordinary shares announced by the Company for placement provide their owners the rights specified at paragraph 6.2 of the article 6 of the Charter of IDGC of the South PJSC.

#### Issue of the Company's shares

#	State registration number of an issue	Amount, rubles	Category	Quantity	Par value, rubles
First issue					
1	1-01-34956-E dd 20.09.2007	10 000 000	ordinary	100 000 000	0.1
Additional issues					
2	1-01-34956-E-001D	228 296 779.1	ordinary	2 282 967 791	0.1

	dd 20.03.2008				
3	1-01-34956-E-002D dd 20.03.2008	1 620 347 283.7	ordinary	16 203 472 837	0.1
4	1-01-34956-E-003D dd 20.03.2008	439 059 322.3	ordinary	4 390 593 223	0.1
5	1-01-34956-E-004D dd 20.03.2008	2 029 712 678.4	ordinary	20 297 126 784	0.1
6	1-01-34956-E-005D dd 20.03.2008	192 111 155	ordinary	1 921 111 550	0.1
7	1-01-34956-E-006D dd 20.03.2008	461 582 387.9	ordinary	4 615 823 879	0.1
<b>Total:</b>				<b>49 811 096 064</b>	
Note: In accordance with the notification of the Federal Financial Markets Service of Russia No. 08-EK-03/17099 dated 12.08.2008, 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 28 June 2007 “RAO UES of Russia” JSC, the sole founder of the Company, owned 100 % of the shares.

On 31 March 2008, as a result of the reorganization through joining of “Astrakhanenergo” JSC, “Volgogradenergo” JSC, “Kalmenergo” JSC and “Rostovenergo” JSC to 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.

Since 1 July 2008 in the result of the reorganization of “RAO UES of Russia” JSC, “IDGC Holding” JCS (renamed to Rosseti JSC on 04 April 2013, from 17.02.2015 – Rosseti PJSC) became the owner of the Company’s shares.

As of 31.12.2016 the total amount of persons/entities in the Company’s shareholder register was **9 238**.

### Share capital structure as of 31 December 2016

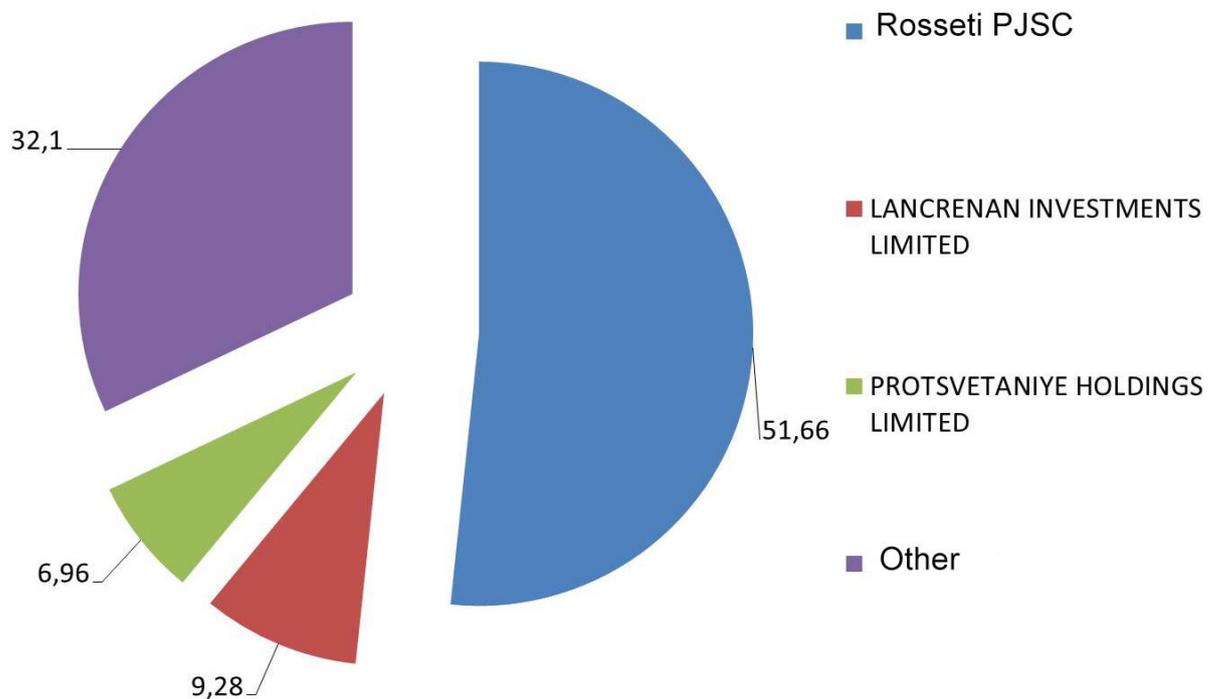
Registered entity	Number of company’s shareholders	Number of shares	Share in authorized capital, %
Individuals	9 145	1 448 097 035	2,83
<i>including non-residents</i>	39	10 511 352	0,02

Legal entities	87	1 503 986 301	2,93
<i>including non-residents</i>	<i>10</i>	<i>14 679 891</i>	<i>0,03</i>
State	1	69 125 536	0,13
Nominee holders	4	48 224 030 347	94,10
Unidentified persons/entities	1	4 948 798	0,0097
<b>Total:</b>	<b>9 238</b>	<b>51 250 188 017</b>	<b>100,00</b>

**Structure of share capital as of 18.04.2016 (the date of making the list of persons entitled to participate in the Annual meeting of shareholders)**

Holder	Amount of shareholders	Amount of shares	% from total number of shares
<b>Holders – individuals</b>	<b>10 987</b>	<b>6 854 443 974</b>	<b>13,76</b>
<i>including non-residents</i>	<i>38</i>	<i>9 958 822</i>	<i>0,02</i>
<b>Holders – legal entities</b>	<b>204</b>	<b>42 742 701 116</b>	<b>85,81</b>
<i>including non-residents</i>	<i>72</i>	<i>16 813 484 691</i>	<i>33,75</i>
<b>State</b>	<b>2</b>	<b>70 456 639</b>	<b>0,14</b>
<b>Nominee holders</b>	<b>6</b>	<b>57 463 404</b>	<b>0,12</b>
<b>Trustee</b>	<b>12</b>	<b>81 082 133</b>	<b>0,16</b>
<b>Pledge holders</b>	<b>0</b>	<b>0</b>	<b>0,00</b>
<b>Unidentified persons</b>	<b>1</b>	<b>4 948 798</b>	<b>0,01</b>
<b>Total:</b>	<b><u>11 212</u></b>	<b><u>49 811 096 064</u></b>	<b><u>100</u></b>

**Shareholders – owners of more than 5% of authorized capital of IDGC of the South PJSC as of 18.04.2016 (the deadline of closing the registry of holders of registered**



On January 10, 2017, the Company received notification on increase in the ownership interest of Protsvetaniye Holdings Limited in the authorized capital of the Company up to 10.69% (5 324 404 342 shares) **from December 19, 2016**, and, therefore, decrease in the share of Lancrenan Investments Limited in the authorized capital of the Company up to 4.98% (2 479 011 056 shares).

There are no cross ownership shares.

\* In accordance with the current edition of the Company's Charter as of the date of this report, the total number of ordinary registered shares is 49 811 096 064.

At the same time, the decision to increase the authorized capital of the Company by placing additional 11 615 110 154 ordinary registered shares with a net value of 10 (ten) kopecks each for a total sum of 1 161 511 015 rubles was taken on June 06, 2016 (Minutes dated 09.06.2016 No.15). On August 4, 2016, the registration authority adopted a decision on state registration of an additional issue of securities; state registration number: 1-01-34956-E.

The number of actually placed securities of this issue was 11 367 043 353. The end date for the placement of securities is 30 March 2017. The Bank of Russia will be notified on the results of the additional issue of securities within the set deadline.

Following the submission of this notice to the Bank of Russia, the issuer will implement measures to introduce appropriate changes to the charter.

#### 4.2. Circulation of Shares at the Stock Market

Shares of IDGC of the South PJSC were admitted to trading on MICEX in quotation list B (ticker —MRKY), ISIN code: RU000A0JPPG8

In the reporting year, the turnover of shares of IDGC of the South PJSC amounted to 8.20% of the total number of placed shares.

The shares of IDGC of the South PJSC fully comply with the requirements set by the trade organizer for maintaining the list of securities admitted by the Moscow Exchange to 2<sup>nd</sup> level trading.

#### Quotations and Trading Volumes in 2016

(01.01.2016 - 31.12.2016)

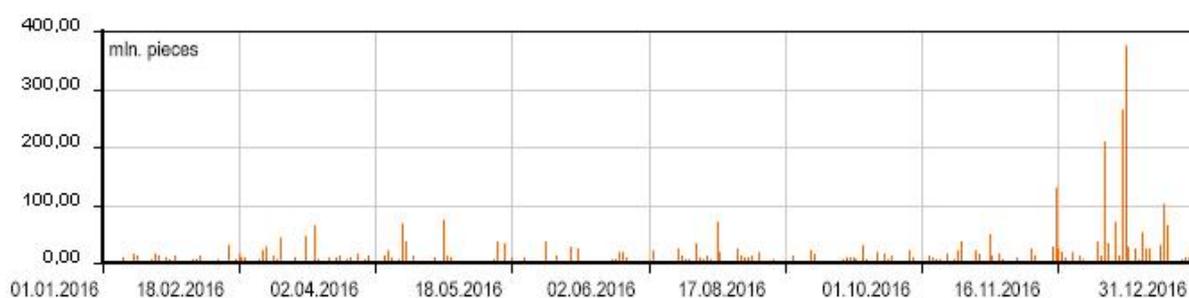
Trade organizer	Volume, mln. Shares (market transactions)	Volume, rub. (market transactions)	Number of Market Transactions	Prices of transactions, rubles			
				first	maximum	minimum	last
Moscow Exchange	4085.41	187.56	22 776	0.0313	0.0609	0.03	0.0524

In 2016 the total volume of Company's share transactions at Moscow Exchange amounted to **187.56 million rubles**.

#### Share price performance, the MICEX index and MICEX-Energy index in 2016 (according to MICEX Exchange)



■ IDGC of the South JSC      ■ MICEX index      ■ MICEX-Energy



According to data from Moscow Exchange, the market capitalization as of 31.12.2016 amounted to **2 550 328 118.47 rubles**.

The dynamics of the market capitalization of the Company at the end of the reporting year compared to 2015 showed a 65.2% increase.

This growth in the market capitalization of IDGC of the South PJSC is due to general positive trends in the securities market, as well as the Company's payment of dividends for 2015.

AS of 31.12.2016 the Company's shares were included in the allocation base of the index MICEX Energy.

## **5. Report on Sustainable Development**

### **5.1. HR and Social Policy of the Company**

The key objectives of the Company's personnel and social policy (hereinafter referred to as the Policy), designed to ensure achievement of the targets of the Electric Grid Development Strategy, are:

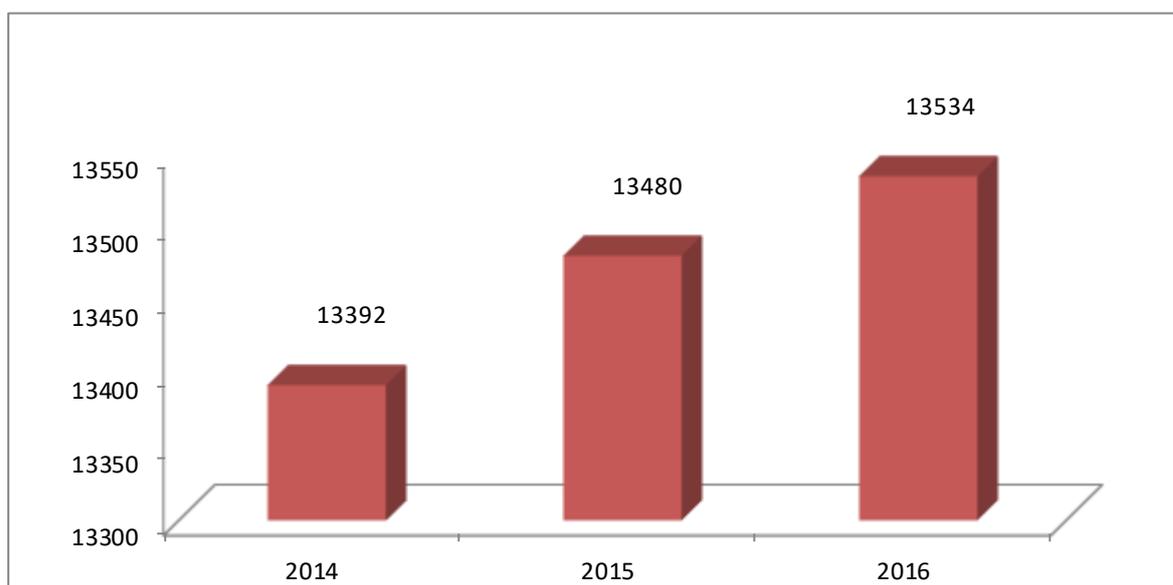
- planning of necessity in new staff – ensuring the availability of reliable information on current and predictive amount and qualitative needs in the labour force, necessary and sufficient to perform the tasks assigned to the Company;
- timely provision of the needs of the Company in personnel with required qualifications;
- ensuring the efficiency of the staff, the growth of labor productivity.

These key objectives of personnel and social policy are achieved by implementing a set of measures in various areas of activity and achievement of the set targets:

- in organizational design;
- in the field of staff number management;
- in the area of staffing and staff development;
- in the area of social benefits and guarantees;
- in the security of staff and work culture.

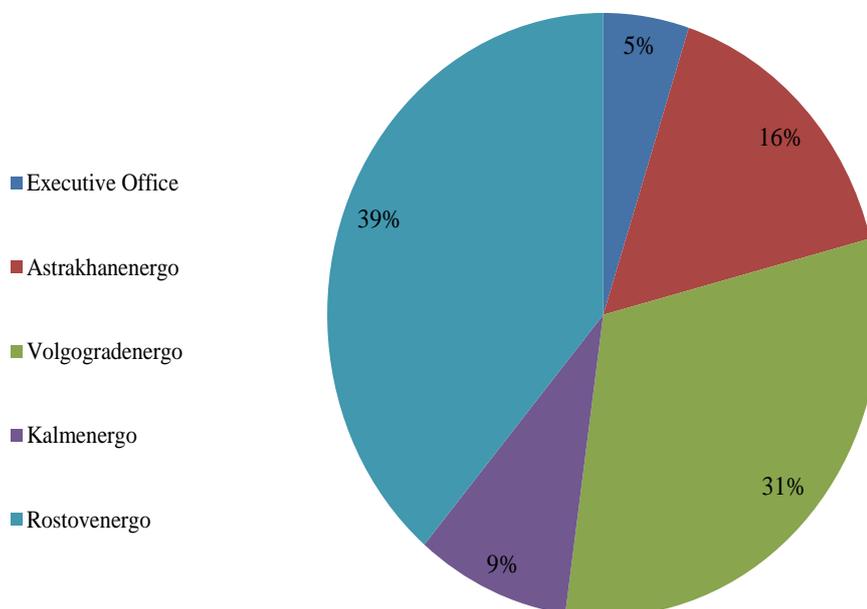
### Staff composition

The average number of IDGC of the South PJSC employees in 2016 was 13534 people, increase in comparison to the previous year — 54 people (0.4).



**Diagramm 15. Average number of employees of IDGC of the South PJSC, 2014-2016 dynamics**

The growth of the average number of employees in 2016 in comparison with 2015 is due to hiring of production personnel to production departments and electric network areas.



### **Diagram 16. Distribution of the average number of personnel in 2016**

The staffing of the Company over the past two years has been stable and maintained at a fairly high level, at least 97% (an increase of 1.3 point from 2014).

The average age of employees in 2016 remained at the level of 2015 and was 42.

A significant proportion of employees of IDGC of the South PJSC is staff aged 25 to 50 (60.1%). For three years there has been a decline in the proportion of workers in the age category “from 50 years to retirement age” (by 1.8 percentage points since 2014).

Personnel of IDGC of the South PJSC are characterized by a high level of qualification of employees – 82.1% of employees have a professional education. This indicator increased by 2 percentage points for the last three years.

### **Personnel training and development**

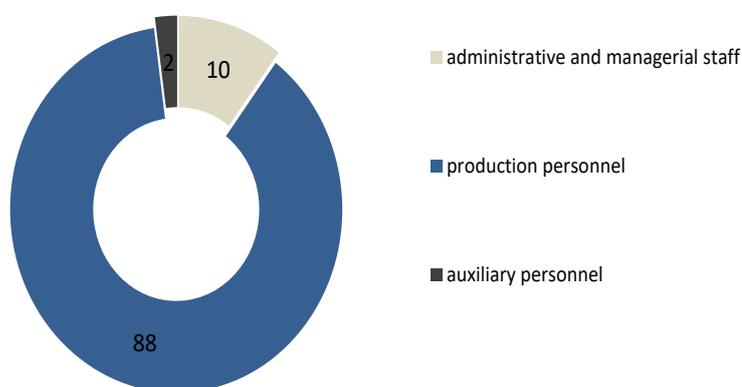
Training is one of the priorities of the Company’s personnel and social policy and is governed by the Regulations on the Professional Training, Retraining and Advanced Training of the Staff of IDGC of the South PJSC, approved by the Order of IDGC

of the South PJSC No.467 dated 11.09.2013, the Rules for Working with Personnel in Electric Power Organizations in RF, approved by the Order of the Ministry of Fuel and Energy of the Russian Federation on February 19, 2000 No.49, as well as the approved plan for training, retraining and improving the skills of personnel within the funds provided for in the business plan.

The share of employees who took part in training events in the reporting year with a separation from work to the average number of staff is 33.6% (4 541 people), which is 4.6 percentage points (598 people) higher than in 2015.

The largest share among the trained is occupied by production personnel – 88% (3 980 people). This indicator in 2015 was 88.6%. The structure of the personnel who received training in the context of the categories “administrative-management, production and auxiliary staff”, is presented below:

**The structure of personnel who took part in training activities with a break from work by category, %**



On the basis of corporate training centers in 2016, 2 753 people received vocational training, retraining and advanced training, which is 61% of the total number of trainees, which is 4 percentage points lower than in 2015 (in 2015, 2 568 people were trained at the corporate training centers (65% of the number of trained personnel)).

The main share of the trained personnel on the basis of corporate training centers is also occupied by production personnel – 95% (2603 people).

### Information on training centres of IDGC of the South PJSC



Training of personnel at the Company’s own education center is distinguished by a number of advantages:

- organization of uniform standards and forms of training;
- formation of training principles related to the Company’s strategic plans;
- prompt response and restructuring of the educational process;
- use of company’s training grounds;
- cost reduction;
- qualification of the personnel, trained as much as possible to the needs of the company;
- evaluation of training effectiveness.

The key providers of educational services, in addition the Company’s own education centers, are also:

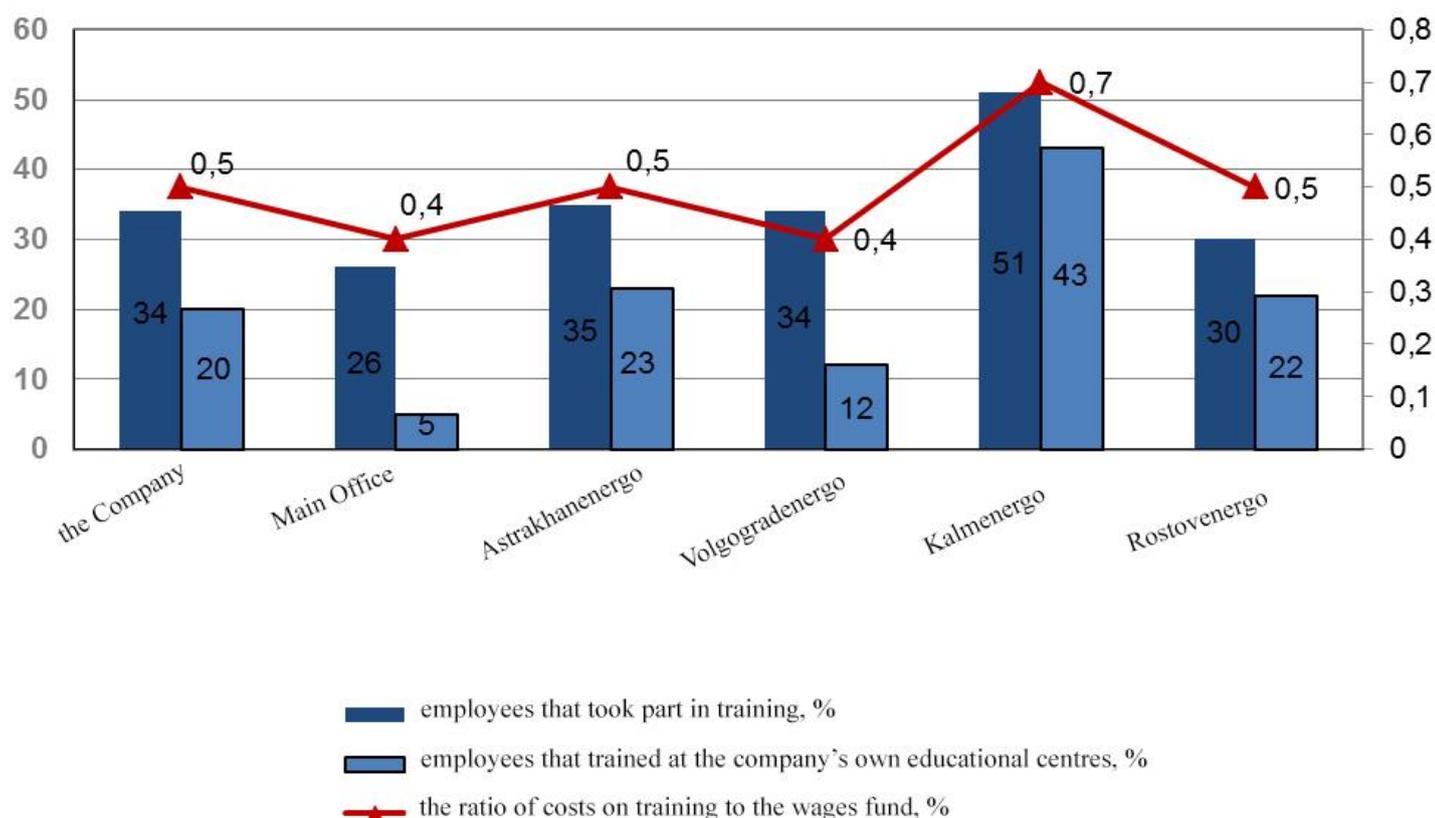
- NP “Corporate Educational and Scientific Center of the Unified Energy System” (Moscow);
- Russian Presidential Academy of National Economy and Public Administration (RANEPA) (Moscow);
- St. Petersburg Power Engineering Institute of Advanced Training (Saint-Petersburg);

- educational institution of additional vocational education “TsNTI “Progress” (St. Petersburg);
- Training Center “IOTs Northern Capital” (St. Petersburg);
- National Research University “Moscow Power Engineering Institute” (Moscow);
- Autonomous non-profit organization “Moscow Training Center of the Unified Energy System” (Yessentuki);
- Federal State Autonomous Non-Governmental Organization “Scientific and Training Center “Welding and Monitoring” at the Bauman Moscow State Technical University (Moscow);
- Federal State Autonomous Non-Governmental Organization “Academy of Standardization, Metrology and Certification (training)” (Rostov-on-Don);
- Autonomous non-profit organization of additional professional education “Educational and consulting center “Energopersonal”;
- Autonomous non-profit organization “Rostov Center for Training and Advanced Training in Ground Transportation” (Rostov-on-Don);
- Autonomous non-profit organization “Volgodonsky Center for Training and Advanced Training in organization “Rostov Center for Training and Advanced Training in Ground (Volgodonsk)”;
- Educational institution “Nizhnevolzhsky Training Center” (Volgograd);
- LLC “Training Center” (Volgograd);
- Training Center “Poznanie” (Volgograd);
- Private Educational Institution "Training Center K" (Elista), etc.

Actual costs for training of personnel (regardless of sources) amounted to 27 906 thousand rubles, of which 17 966 thousand rubles (64.4%) for personnel training based on corporate training centers. In 2015, 25 353 thousand rubles were allocated for training of personnel, of which 18 906 thousand rubles were spent for training at corporate training centers (74.6%).

The ratio of the actual costs of personnel training to the wages fund in the reporting year was 0.5% (in 2015 – 0.5%).

**The proportion of employees who took part in training activities with a break from work, and the ratio of costs of preparation to the wages fund in the reporting year, %**



**Interaction with educational institutions**

Among the specialized educational institutions with which IDGC of the South cooperates, there are 22 universities.

The key educational institutions are the Federal State Educational Institution of Higher Professional Education “South-Russian State Polytechnic University (Novocherkassk Polytechnic Institute) named after M.I. Platov” (hereinafter - YURPU (NPI) and a branch of the National Research University “Moscow Power Engineering Institute”, Volzhskiy.

Among the most significant areas of interaction with educational institutions, the implementation of which was carried out in the reporting year there are:

- provision of places for industrial and pre-graduation practices to students of specialized educational institutions;

- organization of Open Doors Day at the production facilities of branches for students of profile universities, colleges and high school students;
- participation of the Company's employees in job fairs organized by specialized universities and colleges.

The Company annually forms student construction brigades of the power grid complex of Russia. In the reporting year, 70 students from electrical engineering departments were hired for work. The best fighters of the Company's engineers squads (6 students) took part in the 7<sup>th</sup> Meeting of the student teams of the power grid complex, organized by the Rosseti PJSC in Moscow.

In order to increase the number of young people who are ready to continue their education in the specialized professions, vocational guidance of students of secondary and higher vocational education institutions, the Company holds an annual event "Open Day of IDGC of the South PJSC: meetings with students, presentations of the Company, excursions to energy facilities. In 2016, 486 students took part in the event.

### **Relations with personnel reserve**

In order to ensure the timely provision of the Company's needs with qualified and efficient managers, create conditions for the fullest disclosure of labor potential in the executive office and branches of IDGC of the South PJSC on an ongoing basis, work is being carried out to form and develop personnel reserves – the managerial personnel reserve and the personnel reserve of young specialists.

The managerial personnel reserve is formed with the purpose of prompt and qualitative fulfillment of the Company's needs in the employees, prepared for work at the leading positions:

- top managers;
- middle managers (from the level of the head of division);
- chiefs and chief engineers of production departments and distribution zones;
- operational managers.

Special attention is paid in the Company to the formation of a personnel reserve for the positions of heads of engineering and technical units.

The main criteria for inclusion of employees in the management personnel reserve are:

- high professional qualification;
- high results of production activities;
- experience in certain positions;
- presence of personal and business potential, necessary for professional development and career growth.

As of 31 December 2016, the Company's managerial personnel reserves comprise 524 employees of the Company.

Since 2011, in order to involve young workers in solving current problems of the power grid complex, increase their professional competence, assist in their career growth, systematic work is carried out to train young specialists within the framework of youth personnel reserves.

Youth personnel reserves are formed at the level of branches and at the Company from the number of young specialists under the age of 35, having a high potential for development, motivated for professional development and career growth in the Company.

The composition of the youth personnel reserve is updated annually, as well as an additional set of young specialists of the Company to replace the reservists assigned to higher positions and retired from the reserve pool.

At the end of the reporting period, the number of young specialists in the personnel reserve of in the Company is 39 people.

The most important conditions for the effectiveness of personnel reserve are development of professional competence and managerial potential of reservists. Members of the Company's personnel reserves are assigned to mentors from among the most experienced and respected employees, whose duties include assisting reservists in training for the target position.

Employees of the Company's managerial and youth staff reserve regularly participate in training programmes, Russian and regional conferences, which enable

them to get acquainted with the best practices of electric grid companies, learn new technologies, and learn more effective methods of work.

In 2016, as part of the Company's personnel training, 207 reservists were trained in the areas of activity in external educational organizations.

During 2016, 30 positions were filled with candidates from among the members of the staff reserve.

### **Social responsibility**

The most important condition for successful activity of IDGC of the South PJSC is implementation of effective social policy: caring for health of the employees, veterans, organizing recreation and health improvement for the children of employees, developing physical fitness and sports.

The Company's social policy is implemented on the basis of the Industry Tariff Agreement (Agreement in the electric power industry for 2016-2018), the Collective Agreement of IDGC of the South PJSC for 2016-2018, internal regulations, rules, orders and other local regulations for corporate and cultural events of Rosseti PJSC and IDGC of the South PJSC.

### **Key documents in the sphere of social policy**

Document	Approved
Industry Tariff Agreement in the electric power industry of the Russian Federation for 2013-2015.	Agreement on the procedure, conditions and extension of the validity of Industry Tariff Agreement 2013-2015 for the period 2016-2018.
Collective agreement of IDGC of the South PJSC for 2016-2018	Approved by the minutes of meeting of the BoD on 23.11.2015; No.171/2015
Code of Corporate Governance of IDGC of the South PJSC	Order of IDGC of the South PJSC No.756 dd 01.12.2015

Regulation on Non-State pension provision of IDGC of the South PJSC employees	Decision of “IDGC of the South” JSC BoD dd. 29.12.2012 (Appendix No. 9 to Minutes No. 102/2012 dd. 11.01.2013)
Regulation on provision of trip vouchers to holiday centres and children’s camp vouchers	Decision of IDGC of the South PJSC BoD dd. 15.06.2012 (Appendix No. 4 to Minutes No. 91/2012 dd. 18.06.2012)
Regulations on the Council of Veterans	Order of IDGC of the South PJSC No.162 dd 23 March 2016
Regulation on additional benefits, guarantees and remuneration for employees of executive body of IDGC of the South PJSC	Order of “IDGC of the South” JSC No. 112 dd 1 March 2016

Since 2016, IDGC of the South PJSC has a new Collective Agreement of IDGC of the South PJSC for 2016-2018, approved by the minutes of meeting of the Board of Directors of the Company No.171/2015 dated 23.11.2015.

Also in 2016, the Regulations on the work of the Council of Veterans of IDGC of the South PJSC were adopted, the Regulation on additional benefits, guarantees and remuneration for employees of executive office of IDGC of the South PJSC was updated.

In 2016, the amount of funds allocated to fulfill obligations under the Collective Agreement amounted to 18 464 025 thousand rubles, an increase in comparison with the previous year amounted to 3 725.95 thousand rubles (25.2%), this is due to increased costs directed by Employer for the payment of benefits and compensation under the Collective Agreement, as in the new Collective Agreement all payments in Section 6 “Benefits, guarantees, compensation” have been increased.

#### Awards

In the reporting year 1 employee of IDGC of the South PJSC was awarded the State award of the Russian Federation, 5 employees of IDGC of the South PJSC won the

Russian President’s awards, more than 70 employees received departmental awards of the Russian Ministry of Energy, approximately 100 employees received corporate awards of Rosseti PJSC, “Russian industrial association of employers in the sphere of power industry” awarded more than 60 employees of the Company, corporate awards of IDGC of the South PJSC were given to more than 450 employees. One employee was included on the Honor Board of the Branch of electric power and one employee was included Hall of Fame of Rosseti PJSC.

#### Material assistance

To develop and improve working conditions and living standards of IDGC of the South PJSC employees the Company allows for workers some additional social benefits and guarantees. As part of social package the material assistance in emergency situations is provided (child birth, marriage registration, funeral of immediate relatives, retirement and other types of benefits provided by Collective Agreement).

Material assistance payments in the Company are made in accordance with conditions of Collective Agreement (Chapter 6 “Additional benefits, guarantees and compensations”) and decisions of the Commission on social benefits.

Branch	2014 (thousand rubles)	2015 (thousand rubles)	2016 (thousand rubles)
Astrakhanenergo	2 007,4	1 600,2	2 160
Volgogradenergo	2 919,8	3 329,6	3 809,6
Kalmenergo	586,02	740,03	738,67
Rostovenergo	3 781,1	2 548,05	4009,01
Main office	242,5	555,4	744,24
<b>Total</b>	<b>9 536,8</b>	<b>8 773,3</b>	<b>11 461,5</b>

Material assistance for all employees in 2016 amounted 11 461.5 thousand rubles, in 2015 – 8 773.3 thousand rubles, increasing of expenditures amounted 2 688.2 thousand rubles (30.6%), the increasing is connected with changing of material assistance in connection with indexation of minimal monthly tariff rate (MMTS).

In accordance with clause 6.1.6 of the Collective Agreement of IDGC of the South PJSC, the Employer ensures provision to the Company's Employees the Private Benefit Pension for Employees, which is carried out in accordance with the local regulatory acts of the Company.

The work on the private pension provision (hereinafter – pension) with the Non-state pension fund of the electric power industry (hereinafter NPF of the electric power industry) has been organized since 2002 according to the “Corporate Plan” in accordance with the local regulatory acts. Since 2006, the programme “Parity Plan” has been included in the pension programme.

Currently, IDGC of the South PJSC is cooperating with the Joint Stock Company Private Pension Fund of the electric power industry regarding the implementation of the corporate pension program for the Company's employees.

In 2016, as part of implementation of the social programme aimed at improving health of employees and their children, 424 children of the Company's employees spent their vacations at the children's health camps, as well as 675 employees of the Company and their family members. In order to develop and strengthen the corporate culture, increase the cohesion of the team, develop motivation of the staff and create a healthy lifestyle, various sports and cultural events were held in the Company in 2016.

The event dedicated to the celebration of the 73<sup>rd</sup> anniversary of victory in the Battle of Stalingrad: the branch of IDGC of the South PJSC Volgogradenergo presented flowers and gifts to the veterans of the energy sector, who had the certificate “Children of Stalingrad” and participants of the Battle of Stalingrad. On the Alley of Heroes, a garland and flowers were laid at the Eternal Flame.

The Day of Liberation of Rostov-on-Don from the Nazi invaders: February 14, 2016, the day of the 73<sup>rd</sup> anniversary of the liberation of Rostov-on-Don from the Nazi occupation, the department for work with personnel in conjunction with the Council of Veterans and the Council of Youth of IDGC of the South PJSC paid tribute to the memory of the Soviet soldiers and took part in the ceremony of laying flowers at the monument to soldiers-liberators.

On February 19, 2016, corporate events dedicated to the Day of Defender of the Fatherland were held in IDGC of the South PJSC. The branches of IDGC of the South PJSC organized events to congratulate male employees.

On March 4, 2016, on the eve of the International Women's Day on March 8, festive events were held. The male team of IDGC of the South PJSC congratulated their women colleagues on the upcoming holiday, the events took place in a solemn atmosphere, good mood, women's smiles and spring flowers were dominant on this day.

From 23 to 27 March 2016, on the days of school holidays, children of employees of IDGC of the South, took part in the School Marathon in the rhythm of NONStop, which was organized for pupils of secondary schools throughout Russia at the territory of the Dagomys health complex. During the Marathon various competitions, games, contests, relay races, tournaments, daily discos were held. At the solemn closing of the Marathon, the winners were awarded with diplomas and memorable prizes.

On April 18, 2016 the branch IDGC of the South PJSC – “Volgogradenergo” hosted the sport event “Spartakiada”, dedicated to the 85<sup>th</sup> anniversary of the Volgograd energy system. Over 100 employees of all production departments competed in different sports: volleyball, football, shooting and table tennis. As a result, the Pravoberezhnye Electric Networks (PES) won the first place in volleyball competitions, the Kamyshinskiy Electric Networks (KES) team showed the best result in shooting. The management team of the branch office took the first places in futsal and table tennis, having won in the end and in the overall standings. Pravoberezhnye Electric Networks and Kamyshinskiy Electric Networks won silver and bronze in the overall standings, respectively.

On April 20, 2016, the management of the branch IDGC of the South PJSC – “Rostovenergo” together with the personnel management department, as well as the members of the Youth Council, congratulated the honored workers of the enterprise on the anniversary – the 95<sup>th</sup> anniversary of “Rostov Energy System”. 62 employees were awarded with gratitude and honorary signs. Altogether, there are more than 2.8

thousand veterans in the Rostov branch of IDGC, of which 1.7 thousand people continue their work and share their experience with the new generation of power engineers. These people worked for the energy company for 20-40 years and are like a legend for young professionals.

On April 22, 2016, employees of the branch of IDGC of the South PJSC – “Volgogradenergo” conducted an environmental action on the High Altitude of Russia – the Mamayev Kurgan in Volgograd, planting dozens of trees and bushes. The tradition to plant trees every year at the foot of the memorial “Motherland Calls!” was born five years ago, since then the Company’s employees, members of the Councils of Veterans and Youth, as well as the heads of the Volgograd branch and the executive office of IDGC of the South PJSC annually increase the area of green spaces at the territory of the museum-reserve.

On April 26, 2016, members of the IDGC of the South Youth Council took part in the memorial run “Rostov Ring-2016”, to honor the memory of the victims of the Great Patriotic War. IDGC of the South PJSC employees take part in the mass race for the third consecutive year. This year the participants crossed 22 km, the route was divided into three stages, which passed along the main thoroughfares of the Don capital.

In 2016, the annual contest “Rosseti: children paint!” was held; it was organized in connection with the celebration of the birthday of Rosseti PJSC. The children of IDGC of the South PJSC employees took an active part in the competition and won prizes.

From 5 to 8 May 2016, the Company organized and held ceremonial events dedicated to the 71<sup>st</sup> anniversary of the Victory in the Great Patriotic War. Members of the Council of Young Specialists, employees of the Company laid wreaths and flowers at the memorials of the Eternal Flame, took part in the annual Russian action “St. George's ribbon”. Employees of IDGC of the South PJSC visited with gifts and congratulations on the 71<sup>st</sup> anniversary of the Great Victory the veterans of the war – former workers of the power system, who defended their homeland from fascism during the Great Patriotic War on the battlefields and on the home front.

On the day of celebration of the 71<sup>st</sup> anniversary of the Victory in the Great Patriotic War, specialists from all branches of IDGC of the South PJSC took part in the international action “Immortal Regiment”. With the portraits of their relatives-veterans, former employees of energy sector, they marched in a victorious march in the column of the “Immortal Regiment” in their cities. Behind every carefully kept photograph of a father, grandfather or great-grandfather there is a story of an unforgettable deed, a memory from a deeply personal, family become an imperishable page of a great history.

From 23 to May 27, 2016 in Volgograd, the VII Games of Power Engineers IDGC of the South PJSC, dedicated to the 71<sup>st</sup> anniversary of the Victory in the Great Patriotic War, was organized and held. Competitions were held in four kinds of sports: volleyball, futsal, table tennis and chess. For the first time in the programme of “Spartakiada” the “Ready for labor and defense” classification standards were introduced, aimed at promoting mass sports and physical education of the Company’s employees.

The Company held an event dedicated to the International Children’s Day. Entertainment programmes were organized with participation of entertainers, as well as contests with prizes and gifts. Children of the staff of the Executive Office and the branch of “Rostovenergo” took part in a festive programme “M-party” and watched a cartoon film. In the branch “Astrakhanenergo” children of the employees visited the play “Hello, Little Red Cap!”, and a festive sport event was organized at the boarding house # 2. Employees of “Kalmenergo” branch held electrical safety lessons for 500 children aged 5 to 11.

In the period from 10 to 16 July 2016 in the Kaluga region, the VI International Forum of Young Power Engineers and Industrialists “Forsage-2016” was held. The united team of Rosseti PJSC consisted of three IDGC of the South PJSC employees: Pisarev V.N. (“Astrakhanenergo”); Sidelnikov D.E. (“Volgogradenergo”), Shishkalova M.Yu. (Executive Office). Young specialists together with other participants of the Forum in the format of professional communities developed projects and presented them to experts.

In the period from 5 to August 9, 2016, the North Caucasus Youth Forum “Mashuk-2016” was held in Pyatigorsk. Participating in the second stage of the forum, a group of young specialists from the Rosseti PJSC, which included a specialist from the HR department of IDGC of the South, Shishkalova M.Yu., introduced the participants and guests of the forum to the social and youth programmes implemented by Rosseti PJSC. Quizzes and installations, which were held in a special booth of Rosseti, told the forum participants about the peculiarities of power industry in the region, its history and prospects for development.

On August 11, 2016 young specialists from IDGC of South PJSC, together with the students of Student construction brigades, visited an art exhibition. “To shine without limits!” – this was the name of the art exhibition, which was attended by the members of the Youth Council of the Executive office of IDGC of the South PJSC on August 11 together with the students of the Student construction brigades. Young power engineers got acquainted with the works of painting and graphics of 20 artists of different styles and generations from different cities of Russia. This exhibition gives a unique opportunity to look at the usual things differently and make sure that the power industry can be beautiful.

In the period from 16 to 18 August 2016 in the village Samarskoye, Rostov Region, the VI Interregional Youth Forum of the Council of Young Specialists IDGC of the South PJSC was held. For two days, the young power engineers of Volgograd, Astrakhan, Rostov regions and Kalmykia shared their experience of participating in other youth forums of Rosseti, discussed the future of the Student construction brigades, evaluated the colleagues’ newspapers and projects dedicated to the topic of the forum “PRomovement – honest power industry”.

In the period from September 2 to November 23, 2016, the Russian Festival of Energy Saving took place in all regions of the country # BrighterTogether – an event to attract the attention of the inhabitants of Russia to the issues of careful attitude to energy resources and the use of modern energy-efficient technologies in everyday life and production. Members of the Youth Council took an active part in the work of the festival activities organized by IDGC of the South PJSC in Rostov-on-Don,

Volgograd and Elista. The main theme in 2016 was “Safe electricity for children”. All competitions were related on electrical safety issues. The same theme was used in videos, quizzes, entertainment zones for children.

On September 25, 2016 in the village Starocherkasskaya, Rostov region, a meeting of the Council of Youth and the Council of Veterans of IDGC of the South PJSC took place. In the framework of a folklore festival “The Song over the Don”, veterans and young specialists visited the Starocherkassk Historical and Architectural Museum and the memorable places of the first capital of the Don Cossacks.

On October 17, 2015 was the Chess Tournament of IDGC of the South PJSC, which united all employees of all branches of the company in Rostov-on-Don. In total, 5 teams participated in the tournament – the combined teams of the Company’s branches and the executive office of IDGC of the South. The tournament had the status of qualifying competitions for the formation of the IDGC of the South team for participation in the chess tournament named after M.M. Botvinnik. Winners and participants of the competitions were awarded with diplomas, cups, medals and memorable prizes.

On October 25, 2016, young specialists of IDGC of the South PJSC took part in the youth programme “Investing in the Future”, which took place during the Power-Gen Russia exhibition-conference. This conference hosted the second full-time stage of the work of professional communities, which was launched at the International Forum of Young Power Engineers and Industrialists “Forsazh 2016”.

On November 18, IDGC of the South PJSC team successfully performed in the sixth open chess tournament among power engineers dedicated to the 105<sup>th</sup> anniversary of the birth of the first Soviet chess champion Mikhail Botvinnik. IDGC of the South at this championship was represented by the winners of the qualifying tournament – employees of the executive office and the Volgograd branch of the company:

During October and in early November 2016, “Volgogradenergo” branch of IDGC of the South PJSC held an action to pay tribute to the legendary power engineers of the region, dedicated to the 85<sup>th</sup> anniversary of the Volgograd power industry, and in which four memorial plaques were installed in four production branches of the

branch in honor of people who have made a serious contribution to establishment and development of the Volgograd region's energy system: Vsevolod Arkadievich Mozaev, Evgeny Ivanovich Zhukov, Alexander Mikhailovich Klochkov, Dmitry Mikhailovich Loktionov.

On November 26, 2016, members of the IDGC of the South PJSC Youth Council took part in the city youth festival of the industry and professionally-oriented teams "Young Worker", organized by the Department for Youth Affairs of the Administration of the Rostov-on-Don. The team competitions were held in three stages. The first is an information block under the motto "Invest in yourself"; the next step is the team game – "Brain-ring". Homework was a gastronomic one– each team represented its special pie at the jury. The best culinary product was chosen after tasting and voting. A contest of children's drawings "Children Draw Power Industry" was held; it was dedicated to the Day of Draw Power Industry in two nominations: "World of Draw Power Industry" and "Free theme". In all, 28 children participated in the final stage of the competition, of whom 9 children aged from 4 to 6 years old (inclusive), 11 children from 7 to 10 years old (inclusive), from 11 to 14 (inclusive) – 8 children. Winners and participants of the competition were awarded with diplomas and memorable prizes. New Year children's matinees are organized for the children of employees of the executive staff and branches of the Company. The programme of the New Year performances included musical performances, meeting children with Father Frost and Snow Maiden. Events for the employees of the Company dedicated to the professional holiday of the Power Industry Day and the New Year were organized. The management of the company in a solemn atmosphere congratulated IDGC of the South PJSC employees on their professional holiday. Employees of IDGC of the South PJSC congratulated veterans of all branches of the Company on the professional holiday – Power Industry Day. Ceremonial events were held with the participation of vocal and dance groups. Also the veterans were shown congratulatory videos, made by the members of the Youth Council.

### **Key performance indicators**

The system of key performance indicators of the Company (KPI) is established by the decision of the Board of Directors of the Company on 31.03.2016 (Minutes of meeting No.182/2016; 01.04.2016).

The composition and methodology of calculating the KPIs in 2016 were adjusted by the decision of the Board of Directors of the Company on 30 December 2016 (Minutes of meeting No.214/2017; 09.01.2017) in pursuance of Directives of the Government of the Russian Federation dated 03.03.2016 No.1422p-P13 and dated 04.07.2016 No.4750p-P13 in the part of the KPI “Efficiency of Innovative Activity” and “Reducing Specific Operating Expenses (Costs)”

In accordance with the above-mentioned decisions of the Board of Directors of the Company, the following composition and target values of key performance indicators for 2016 are established.

#### Quarterly indicators

Indicators	Target for 2016
Absence of major emergency occurrence rate growth	absence of growth
Prevention of growth in the number of injured persons in case of accidents	absence of growth
Stability and Liquidity Indicators	equity capital/debt capital $\geq 0,67$ or the indicator approved in the business plan leverage ratio $\geq 1$ or the indicator approved in the business plan

#### Annual indicators

Indicators	Target for 2016
TSR (total shareholder return)	> Changes in MOEX RCI index (Index of regulated companies) for the reporting period + 0.01 percentage points
Return On Invested Capital (ROIC)	$\geq$ the planned value calculated in accordance with the Company’s forecast indicators, established in accordance with the business plan, formed in accordance with the principles of the consolidated financial statements (IFRS)
Reduction of specific operating costs	$\geq 10\%$
Level of power losses	$\leq$ approved in the business plan

Achievement of required reliability level of delivered services	$\leq 1$
Reduction of specific investment costs	$\leq 1$
Compliance with the commissioning schedule	$\geq 95\%$
Compliance with the due dates for grid connection	$\leq 1,1$
Labor efficiency indicator	$\geq 904$ rubles./ man-hours.
Efficiency of innovation activity	$\geq 90\%$

Actual values of indicators, taking into account the timing and procedure of preparation of the report, which is the source of information for their calculation, at the time of the formation of the annual report are not summarized and not approved by the Board of Directors of the Company.

Comparison of the values of the current year with the previous years is not carried out due to changes in approaches to the procedure of establishing target indicators and calculation of the actual indicators of KPI.

The system of key performance indicators used by the Company determines the amount of variable remuneration paid to the executives: each indicator bears a certain specific relative value within the total remuneration amount; quarterly and annual bonuses are paid subject to achievement of corresponding KPIs.

## **5.2. Environmental Policy**

[Implementation of the main objectives of the Company in 2016 in the field of environmental protection, with specification of information on costs and activities in the field of environmental protection \(dynamics for 2014-2016\)](#)

In order to implement the Environmental Policy of IDGC of the South PJSC in 2016, the order of the Director General approved a programme which set the objectives for ensuring observance of 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. To achieve the goals of the Environmental policy, practical measures were developed for air protection, as well as protection and rational use of land and water resources and wildlife protection.

Implementation of the programme for protection and management of water resources was held in 2016 under the conditions of the license agreements; an assessment of the quality of groundwater (monitoring of the level and temperature of groundwater, accounting of water consumption, sampling for bacteriological and chemical analysis, determination of physical properties of water).

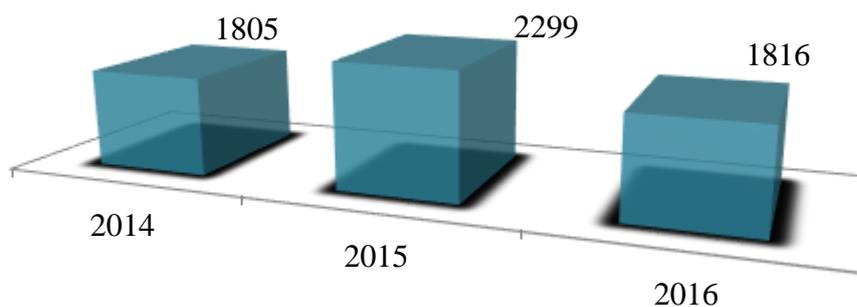
In total in 2016, IDGC of the South PJSC had 17 licenses for the right for subsurface use for underground water abstraction: 5 licenses in the branch “Volgogradenergo” and 12 – in the branch “Rostovenergo”.

Activities planned and implemented in 2015 for the protection and rational use of land, included control over the collection and storage of industrial waste (tires, scrap metal, used transformers, batteries, spent mercury-containing lamps, waste oils, etc.), their timely removal from the territory of production units.

Within the framework of the implementation of measures to protect air quality the branches of IDGC of the South PJSC carried out the production analytical control of emissions from stationary sources by instrumental measurements of pollutants in industrial emissions by specialized accredited laboratories. During the annual state technical inspection of vehicles, the diagnostics of emissions was carried out.

In 2016, for certain production sites IDGC of the South PJSC developed and approved in state authorities the regulations on major environmental impacts, obtained the necessary permits. Timely standardization of the negative impact on the environment and obtaining permits eliminates the need to pay excessive fees and penalties.

The amount of payments for negative impact on the environment from the activities of IDGC of the South PJSC is specified on the picture in thousand rubles:



In addition, in 2016, in pursuit of the main goals of the Environmental Policy IDGC of the South PJSC and for reduction of the size of the payments, the following measures have been taken:

- timely confirmation of the stability of the production process and raw materials that determine the types and classes of environmental risk of the wastes, as well as standards and volume of its production;
- removal of waste from production sites was carried out in the framework of contracts with specialized organizations;
- certified fuel was used.

Reduction of the negative impact on the environment was the goal of IDGC of the South during a range of technical activities:

- “Astrakhanenergo” branch installed 1611 bird diverters, “Volgogradenergo” branch – 2354, “Kalmenergo” branch – 864. The environmental effect of the implementation of these measures is to protect birds, among which there are rare species, near power lines from electric shock;
- in the long-term schedule the company continued to decommissioning and disposal of equipment containing polychlorinated biphenyls. Events held in the framework of implementation of the requirements set by the Russian Federation in 2001, the Stockholm Convention on the withdrawal of process equipment containing persistent organic pollution. The branch “Rostovenergo” removed 0.156 tons of equipment.

Total expenses of IDGC of the South PJSC on environmental protection in 2016 amounted to 9 649 thousand rubles.

#### Dynamics in 2014-2016

Expenses	2014 thousand rubles	2015 thousand rubles	2016 thousand rubles
Total expenditures on environment protection	11 186	9 649	14 078

Increase in the total expenses of IDGC of the South PJSC on environmental protection activities in 2016 is due to the need to develop project documentation (the

frequency of development is every 5 years) in the field of atmospheric air protection. In total, in 2016 for development of the necessary environmental documentation, the costs of IDGC of the South PJSC amounted to 3 573.00 thousand rubles.

#### Implementation of the most significant events in the field of environmental protection by IDGC of the South PJSC in 2016

List and information on the costs of the most significant events in the field of environmental protection in 2015:

Activities	Costs, thousand rubles	Effect achieved
Measures for rationing negative effects on the environment, obtaining permits in the field of air and waste management, monitoring of emissions of pollutants in the air	4 696	Identification of safe levels of exposure to the environment in company's business activities, obtaining of approval documents, monitoring of compliance with safe levels of exposure to the environment in its business activities.
Disposal of industrial waste, including those containing trichlorodiphenyl	1 371	Prevented environmental pollution by waste from production and consumption, prevention of land pollution

#### The main tasks of the Company in the sphere of environmental safety for 2017

IDGC of the South PJSC set forth the following key tasks in the field of environmental protection for 2017:

- development of project documentation in the field of atmospheric air protection and waste management with a view to obtaining permits;
- provision and control of a safe level of emissions of pollutants into the air from stationary and mobile sources;
- improving the competence of employees admitted to activities on ensuring of environmental safety;
- evidence of compliance with the established standards for waste generation norms;
- ensuring security in the area of migration and habitat of birds;

- elimination of possibility of land pollution and excessive accumulation of waste at the production sites, timely removal of waste containing trichlorodiphenyl from the territory of production sites;
- timely payment for negative impact on the environment;
- compliance with license agreements and renewal of licenses for subsoil use.

### Relations with the concerned parties

In 2016 IDGC of the South PJSC again successfully passed certification of the management system for compliance with the requirements of the international standard ISO 14001: 2004, which made it possible to confirm the status of a reliable partner and a socially responsible company at the international level. The certification was carried out by the Swiss company SGS Vostok Limited.

In May 2016, a representative of the executive office took part in a seminar on the topic “Safe operation of polychlorinated biphenyls -containing equipment and its cleaning”, which was held by the Federal Energy Management Agency “REA” of the Ministry of Energy of Russia with the support of the Ministry of Energy of Russia. The seminar covered the requirements of the legislation of the Russian Federation for removing PCB-containing equipment from circulation, approaches to inventorying, and methods and technologies for safe disposal of PCB-containing equipment. The event involved representatives of the Ministry of Energy of Russia, the Ministry of Natural Resources of Russia, Federal Service for Supervision of Natural Resource Usage, scientific organizations, companies involved in the utilization of PCBs.

Polychlorinated biphenyls (PCBs) are chlorine derivatives of saturated hydrocarbons, extremely dangerous (highly toxic) substances, the derivatives of which were previously used in the manufacture of electrical equipment (capacitors, transformers, etc.). Condensers with trichlorodiphenyl are still used at some sites of IDGC of the South PJSC.

In the period until 2016, a significant number of capacitors of various types were withdrawn from IDGC of the South PJSC, and the company plans to completely stop using this equipment by 2026.

In April 2016 a representative of the branch of IDGC of the South PJSC “Astrakhanenergo”, took part in the 10th Russian Congress “State Regulation of Environmental Protection and Ensuring Environmental Safety 2016”, which was held by “Group of Companies “Agency for Social and Economic Development” LLC. The Congress provided information on the requirements of the legislation of the Russian Federation on setting up legal entities for state registration as objects of negative impact, licensing of activities for collecting, transporting, processing, disposing, disposing, disposing of I-IV hazard wastes, industrial environmental control, for negative impact on the environment. Representatives of the Ministry of Natural Resources of Russia, the Ministry of Agriculture of the Russian Federation, Federal Service for Supervision of Natural Resource Usage, the Academy of the General Prosecutor's Office of the Russian Federation, scientific organizations took part in the congress.

### **5.3. Customer-centric policy**

The customers of the Company are individuals, entrepreneurs and legal entities receiving services at operational area of four branches of IDGC of the South PJSC:

- Astrakhanenergo branch
- Volgogradenergo branch
- Kalmenergo branch
- Rostovenergo branch

In order to improve relationships with customers in the company, IDGC of the South JSC approved in 2011 the “Customer-centric policy” (Order No.56 dated 07.02.2011), as well as a policy of engagement with society, consumers and the authorities of Rosseti JSC (extract from the minutes of the Board of Directors of IDGC of the South JSC meeting No.140/2014 dated 15.08.2014).

As the aim of the customer-centric policy the Company sees creation of convenient and comfortable environment for clients in the course of interaction with all the structural units of the Company.

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 PJSC approved on 18 June 2015 Standard of the Centralized Customer Service System in IDGC of the South PJSC (hereinafter – the Standards).

### **Guidelines for building customer relations**

Basic principles of work with consumers include:

- provision of information to consumers about the company and its services (information is provided in accessible formats for consumers and is public);
- territorial availability and comfortable service in IDGC of the South PJSC (the location of the branches, customer centres and conveniently organized service determined in accordance with the requirements of the Standard;
- availability and timeliness of correspondence and interactive services of company (the company organized round the clock access, as well as through electronic document management);
- competent service (organization of all forms of service is carried out by a competent and qualified staff);
- the transparency of the business processes of customer service and objective review of consumer complaints (procedures for interaction with consumers formalized and understandable that provides an objective impartial examination of complaints in a timely manner, as well as the opportunity to appeal the decisions).

### **The basic forms and services for consumers**

The system of centralized customer service of IDGC of the South PJSC (full-time, correspondence and interactive services) includes 10 customer service centers and 107 local offices for interaction with consumers, the total number of personnel employed in the system of customer service in IDGC of the South PJSC is 166.6.

IDGC of the South PJSC processes applications received from customers in both oral, written form or in a form of an electronic document.

The face-to-face communication with customers is arranged at customer service centres and offices. The most popular issues the customers are addressing with are applications on rendering of services, requests of information and consultations. The most popular subjects are: technological connection to electric networks,

commercial accounting of electric energy, limitation of energy consumption, additional/extra services.

In 2014, employees of customer service centres of IDGC of the South PJSC received and processed 240 145 applications on various topics, 16299 applications for technological connection and 69228 applications on rendering additional services.

The Company also provides its services by telephone, mail and the Internet.

Online interactive service for consumers is organized on the basis of the section “Clients” at the corporate website of “IDGC of the South”. In this section, the following links are available:

- “Customer Service Centres” (contact information of all offices and customer service centres, customer service standards, customer profiles);
- “Electricity transmission” (normative documents, standard forms of documentation, tariffs, the balance of electric power, etc.);
- “Grid connection” (regulations of grid connection, standard forms of documentation, information on availability of free capacity in the context of feeding centres, information about the bids and contracts);
- “Commercial accounting of electrical energy”;
- “Additional Services” (price list);
- “FAQs/Feedback” (contains links “question-answer”, “appeal / complaint”);
- “Development prospects”;
- “Tariff Rates”;
- “My Account” (application for technological connection of power up to 150 kW in terms of voltage up to 10 kV and tracking of pending applications on the website of Rosseti for customer relations: портал.тп-рф).

These sections fully reflect the information on the activities of companies that are subject to mandatory disclosure in accordance with the disclosure standards of the wholesale and retail electricity markets, approved by the RF Government Decree No. 24 dated 21.01.2004).

For clients of IDGC of the South PJSC there is a toll-free hot line 8-800-100-70-60. 3a Throughout the 2015 the call center operators of IDGC of the South PJSC

received and processed 21113 applications from consumers, providing fast and quality service.

### **Activities implemented in the reporting period**

Activities implemented in 2016 aimed at improving the quality of service:

1. The Company changed the mode of operation of customer service centers in accordance with the requirements of the Standard of the organization “Quality standards for the service consumers of IDGC of the South PJSC;
2. Consumer service centers and local offices for interaction with consumers are equipped in accordance with the requirements of the Standard of the organization “Quality standards for the service consumers of IDGC of the South PJSC;
3. Agreements were concluded with 32 Multifunctional centers for provision of state and municipal services on the territory of Rostov region for accepting applications from individuals and legal entities, individual entrepreneurs for technological connection of power receivers up to 150 kW;
4. A software module was developed to organize information exchange between multifunctional centers of provision of state and municipal services and IDGC of the South PJSC, and methodological instructions for employees;
5. To improve the skills of employees engaged in the consumer service system, training seminars were conducted;
6. Meetings with individuals and representatives of small businesses on issues of technological connection were organized;
7. The list of services provided for other activities was expanded.

### **Activities planned for 2017 and aimed at enhancement of the quality of rendered services:**

1. Development and increase of the share of IDGC of the South PJSC at the market of electrical services by means of services for changing the network topology (lifting of the land use restriction) in the interests of the applicant;
2. Improving the quality and efficiency of informing consumers of services through telephone communication;

3. Development and promotion of interactive services on the site of IDGC of the South PJSC;
4. Implementation of the project on acceptance of applications for technological connection at the Multifunctional centers for the provision of state and municipal services on the territory of Volgograd and Astrakhan regions;
5. Raising the level of skills of employees interacting with clients.

#### Evaluation of the implementation of the approved indicators for quality of services in 2016.

In accordance with the Guidelines for the calculation of the reliability and quality of goods supplied and services rendered for the organization of management at the unified national (Russian) electric grid and regional network organizations, approved by the Ministry of Energy of the Russian Federation on October 14, 2013 No.718, the branches of IDGC South PJSC have been evaluated to check if the planned indicators for 2016 were achieved and performance level of the grid connection and the level of quality of services were evaluated.

The target indicators of the quality of services approved by the executive bodies of subjects of the Russian Federation in the field of state regulation of tariffs for 2016 branches of IDGC of the South were met (achieved).

#### **5.4. Accidents prevention**

Analysis of emergency situations that occurred at the Company's facilities.

Emergency situations related to the power supply disruption were not observed at facilities of IDGC of the South PJSC in 2016.

Measures developed and applied in the branches of IDGC of the South PJSC to reduce the time of organization and carrying out emergency recovery works:

- development, discussion and approval of emergency shutdown schedules;

According to the assignment of the branch of "SO UES" JSC:

- Astrakhan Regional Dispatching Office in the branch of IDGC of the South PJSC – "Astrakhanenergo" developed emergency shutdown schedules for the electricity (power) consumption mode approved by the branch of IDGC of the South PJSC – "Astrakhanenergo" on 05.09.2016, they were approved by the subsidiary of "SO

UES” Astrakhan Regional Dispatching Office on 17.08.2016, the Ministry of Industry and Power Industry of the Astrakhan region 31.08.2016;

- Volgograd Regional Dispatch Office in the branch of IDGC of the South PJSC – “Volgogradenergo”, the schedules of emergency restriction of the mode of consumption of electric energy (capacity), approved by the branch of IDGC of the South PJSC – “Volgogradenergo” on 09.09.2016 was approved by the branch of “SO UES” Volgograd Regional Dispatch Office on 24.08.2016, by the Fuel and Energy Complex Committee of the Volgograd Region on 31.08.2016;

- Rostov Regional Dispatch Office, on 14.06.2016 developed, agreed and approved emergency schedule for 2016/2017 at the branch of IDGC of the South PJSC – “Kalmenergo” across the territory of the Republic of Kalmykia;

- Rostov Regional Dispatch Office in the branch of IDGC of the South PJSC – “Rostovenergo” developed schedules of emergency power(capacity) consumption limitation, approved by the affiliate of IDGC of the South PJSC – “Rostovenergo” on 15.09.2016, approved by the branch of “SO UES” JSC Rostov Regional Dispatch Office on 25.08. 2016 and by the Ministry of Industry and Energy of the Rostov region 15.09.2016.

The volume of daily electricity consumption for consumers included in the schedule for limiting the consumption of electricity is:

- in Astrakhanenergo branch: 4255.25 thousand kWh, the planned: 4255.25 thousand kWh. The capacity of consumers included in the schedule for limiting the electric power consumption is 160.4 MW, with a target of 160.4 MW. The capacity for power consumers included in the schedule of temporary disconnection is 160.4 MW, with a target of 160.4 MW. The total volume of the load of consumers included in the schedule of temporary cut-off of consumption by the time ranges is:

- up to 5 minutes 56.54 MW (35.25%, with a target of at least 35%);

- up to 20 minutes 99.61 MW (62.1%, with a target of at least 60%);

- in Volgogradenergo branch: 9855.7 thousand kWh, the planned: 9855.7 thousand kWh. The capacity of consumers included in the schedule for limiting the regime of electric power consumption is 354.1 MW, with a target of 354.1 MW. The capacity

of consumers included in the schedule of temporary cut-off of consumption is 266.7 MW, with a target of 266.7 MW. The total volume of the load of consumers included in the schedule of temporary cut-off of consumption by the time ranges is:

- up to 5 minutes 56.54 MW (35.25%, with a target of at least 35%);
- up to 20 minutes 99.61 MW (62.1%, with a target of at least 60%);
- in Volgogradenergo branch: 9855.7 thousand kWh, while the plan is: 9855.7 thousand kWh. The capacity of consumers included in the schedule for limiting electric power consumption is 354.1 MW, with a target of 354.1 MW. The capacity of consumers included in the schedule for limiting electric power consumption n is 266.7 MW, with a target of 266.7 MW. The total volume of the load of consumers the schedule for limiting electric power consumption by the time ranges is:

- up to 5 minutes 74,647 MW (28%);
- up to 20 minutes 156,322 MW (58.6%);
- in Kalmenergo branch, the daily electricity consumption for consumers included in the schedule for limiting electric power consumption amounted to 606 thousand kWh. The capacity of consumers included in the schedule for limiting electric power consumption was 24.2 MW. The capacity of consumers included in the schedule for limiting electric power consumption was 24.2 MW, including the capacity of consumers whose shutdown time is:

- up to 5 minutes - 9.44 MW (38.97%);
- up to 20 minutes - 15.7 MW (64.8%);
- in branch Rostovenergo: 14811.18 thousand kWh, while the planned is: 14756 thousand kWh. The capacity of consumers included in the schedule for limiting the regime of electric power consumption is 568.07 MW, with a target of 562.2 MW. The capacity of consumers included in the schedule of temporary cut-off of consumption is 565.96 MW, with a target of 562.2 MW. The total volume of the load of consumers included in the schedule of temporary cut-off of consumption by the time ranges is:

- up to 5 minutes 243.11 MW (42.96%, with a target of at least 35%);
- up to 20 minutes 454.23 MW (80.26%, with a target of at least 60%).

In total for branches of IDGC branches of the South PJSC, the volume of daily consumption of electric energy for consumers included in the schedule for limiting the electric energy consumption is 29528.13 thousand kWh, with a target of 29472.95 thousand kWh. The volume of power consumers included in the schedule for limiting the electric power consumption is 1106.77 MW, with a target of 1100.9 MW. The capacity of consumers included in the schedule of temporary cut-off of consumption is 1017.26 MW, with a target of 1013.5 MW. The total volume of the load of consumers included in the schedule of temporary cut-off of consumption by the time ranges is:

- up to 5 minutes 383,737 MW (36.295%, with a target of at least 35%);
- up to 20 minutes 725.862 MW (66.44%, with a target of at least 60%);
- Carrying out emergency response training of personnel in conditions typical for work in autumn-winter period;

According to preparation plan of IDGC branches of the South PJSC to work in autumn-winter period in 2016-2017, the company conducted 236 emergency personnel trainings to prevent emergency situations typical for autumn-winter period (low outdoor temperature, ice formation, snow melting, etc.).

Fulfillment of the tasks of the dispatch centers of SO UES JSC in terms of the load of consumers for connection to emergency control systems;

In accordance with the assignment of the branch of SO UES JSC:

- Astrakhan Regional Dispatch Office in the branch of IDGC of the South PJSC – Astrakhanenergo developed the volume of the emergency control of the automatic system of frequency unloading for a total of 325.5 MW (39.55%), while the target was 325.5 MW (39.55%);
- Volgograd Regional Dispatch Office in the branch of IDGC of the South PJSC – Volgogradenergo developed the volume of emergency control of the automatic system of frequency unloading for a total of 1306 MW (53.6%), while the target was 1285.8 MW (52.7%);

- Rostov Regional Dispatch Office in branch IDGC of the South PJSC – Kalmenergo developed the volume of emergency control of the automatic system of frequency unloading for a total of 81.66 MW (67.5%), while the target was 81.66MW (67.5%);
- Rostov Regional Dispatch Office in the branch IDGC of the South PJSC - Rostovenergo developed the volume of emergency control of the automatic system of frequency unloading for a total of 1954 MW (68.7%), while the target was 1919 MW (67.5%).

Total for branches in accordance with the assignment of the branch of SO UES JSC was developed volume of emergency control of automation of frequency discharge for the total amount of 3667.16 MW (57.3%), while the target was 3611.96 MW (56.8%).

In accordance with the task of the branch of SO UES JSC, Astrakhan Regional Dispatch Office, Volgograd Regional Dispatch Office, Rostov Regional Dispatch Office in the branches of IDGC of the South the volumes of emergency control of special automatic load shedding were developed.

- carrying out revision of the nomenclature and the volume of the emergency reserve of equipment and materials;

In 2016, orders for branches of IDGC of the South PJSC, within the framework of the annual inspection of the stock-list and the volume of emergency reserve of equipment and materials, the standard and lists of the emergency reserve were reconsidered, taking into account the technical condition of the equipment, statistical indicators of damage and data on outages and technological irregularities.

- readiness check for backup power supply sources (backup sources);

In total IDGC of the South PJSC branches have 238 units of mobile backup sources with a total capacity of 3516.4kW.

All backup sources are maintained in constant readiness for use as intended.

Checking and ensuring their constant readiness was carried out in accordance with the requirements of the Uniform Rules for Prevention and Elimination of the Consequences of Accidents at Power Grids of IDGC of the South PJSC as amended by the IDGC of the South PJSC Order No.73-A on 12.02.2016, moreover, additional

compulsory inspections of emergency power supply are carried out during exercises and training, as well as when entering the high alert mode (special mode of operation), depending on the situation.

- conclusion and prolongation of agreements with contractor and related electric grid organizations, as well as with the EMERCOM and Russian Federal Service for Hydrometeorology and Environmental Monitoring (Roshydromet);

Annually IDGC of the South PJSC branches prolong the following agreements:

1. Agreement on organization of information exchange for prevention and liquidation of emergencies between the Main Office of the Ministry of Emergency Situations of Russia for entities in the area of responsibility of branches and branches IDGC of the South PJSC.

2. Agreement on cooperation for prevention and elimination of the consequences of accidents at power facilities between the public company “Interregional Distribution Grid Company of the South” (in the interests of IDGC branches of the South PJSC) and the branches of the open joint stock company “Federal Grid Company of the Unified Energy System” Volga - Don, Astrakhan and Rostov enterprises of the main power networks “On interaction in preventing and eliminating the consequences of accidents at power facilities”;

3. Agreement with Astrakhan municipal budgetary institution “Emergency Rescue Center”: “On the procedure of interaction and information exchange in solving problems in the field of protecting the population and territories in the event of a threat and (or) occurrence of emergency situation between the Astrakhan municipal budgetary institution “Emergency Rescue Center” and branch IDGC of the South PJSC – “Astrakhanenergo” No.11 dated 26.06.2013.

4. Agreements with contractors on cooperation for preventing and eliminating the consequences of accidents at power facilities.

5. Annually the company concluded contract with Federal state budgetary institution “North Caucasian Territorial Administration for Hydrometeorological and Environmental Monitoring” on rendering services on provision of information on environment condition, its pollution, for 2017.

- checking and ensuring permanent readiness of mobile units for rapid response in emergency situations;

For emergency recovery works branches of IDGC of the South PJSC set up 40 mobile brigades with a readiness of no more than two hours during working hours, when the DGC is operating in high alert mode or a special mode of operation, to depart to fulfill tasks for the intended purpose, the teams are equipped with qualified personnel, means of communication, necessary devices, tools and devices, protective equipment and overalls, navigators, corporate plastic cards with a cash reserve. Checking and ensuring the permanent readiness of mobile units for rapid response in emergency situations was carried out in accordance with the requirements of the Unified Rules for Prevention and Elimination of the Consequences of Accidents at Power Grids of IDGC of the South PJSC as amended by IDGC of the South PJSC Order No. 73-A on 12.02.2016.

The maximum annual reduction in the composition of the emergency reserve (in % of the approved norms) and the actual terms of its replenishment. The total net value of emergency reserve equipment and materials (thousand rubles).

According to IDGC of the South PJSC branch – “Astrakhanenergo”, the net value of emergency reserve equipment and materials was:

- as of 01.01.2016: 14 508 thousand rubles without VAT;
- As of 30.09.2016: 29 333 thousand rubles without VAT;
- as of 31.12.2016: 28 517 thousand rubles without VAT.

According to IDGC of the South PJSC branch – “Volgogradenergo”, the net value of emergency reserve equipment and materials was:

- as of 01.01.2016: 75 695.51 thousand rubles without VAT;
- As of 30.09.2016: 73 627.65 thousand rubles without VAT;
- As of 31.12.2016: 94 439.99 thousand rubles without VAT.

According to the branch IDGC of the South PJSC – “Kalmenergo” the net value of equipment and materials of the emergency reserve was:

- as of 01.01.2016: 13 797.25 thousand rubles without VAT;
- As of 30.09.2016: 13 900.46 thousand rubles without VAT;

- as of 31.12.2016: 13 900.46 thousand rubles without VAT.

According to the branch IDGC of the South PJSC – “Rostovenergo” the net value of equipment and materials of the emergency reserve was:

- as of 01.01.2016: 35 369.50 thousand rubles without VAT;

- As of 30.09.2016: 39 331.22 thousand rubles without VAT;

- as of 31.12.2016: 38 042.18 thousand rubles without VAT.

**In total for IDGC of the South PJSC the net value of equipment and materials of the emergency reserve was:**

Branch	The cost of emergency reserve, thousand rubles.		
	01.01.2016	30.09.2016	31.12.2016
<b>Astrakhanenergo</b>	14 508	29 333	28 517
<b>Volgogradenergo</b>	75 695,51	73 627,65	94 439,99
<b>Kalmenergo</b>	13797,25	13900,46	13900,46
<b>Rostovenergo</b>	35 369,50	39 331,22	38 042,18
<b>IDGC of the South, total</b>	<b>139 370,26</b>	<b>156 192,33</b>	<b>174 899,63</b>

During the work of the commission to check the readiness of the branch to the autumn-winter period 2016-2017, the range of the emergency reserve was 100% complete in accordance with the normative values.

Replenishment of the emergency reserve to the standard in 2016 was performed promptly, in accordance with the requirements of the rules for preventing and eliminating the consequences of accidents at IDGC of the South PJSC power grid facilities, approved by the Company’s order No.73-A on 12.02.2016.

The emergency equipment and reserve in IDGC of the South PJSC branches are optimally dispersed across the region, which allows the most rapid response to the need for materials and equipment in the event of emergencies. In 2016, redeployment of the equipment was not carried out.

The use of backup sources to ensure uninterrupted power supply to consumers (including the use of backup sources for events of special importance and on the territory of adjacent SDCs).

On 09.12.2016 during the emergency recovery works due to emergence of massive outages of power grid facilities caused by a sharp deterioration of weather conditions on the territory of the Volgograd region for organization of temporary power supply

of socially significant facilities, 22 reserve sources of electricity with a total capacity of 171kW were involved.

On 19.07.2016 during the emergency recovery works due to the emergence of massive outages of power grid facilities caused by a sharp deterioration in weather conditions on the territories of Myasnikovskiy, Kuibyshevskiy, Neklinovskiy and Matveyevo-Kurganskiy districts, 5 reserve sources of electricity for the total capacity of 25 kW were involved.

In the period from 09.12.2016 to 11.12.2016 during the emergency recovery works due to emergence of massive outages of power grid facilities caused by a sharp deterioration of weather conditions in the Neklinovskiy, Aksaiskiy, Azovskiy, Myasnikovskiy and Oktyabrskiy districts, 19 reserve sources of electricity supply for the total capacity of 220kW were involved.

In total, branches of IDBC of the South PJSC in 2016 used 46 backup sources for a total capacity of 416kW to ensure uninterrupted power supply to consumers.

Mobile emergency-recovery crews in the event of accident elimination in the territory of adjacent SDCs:

To assist in eliminating the consequences of natural disasters in IDGC of Centre PJSC and MOESK PJSC, 17 teams from IDGC of the South PJSC branch “Volgogradenergo” 96 specialists and 41 units of special vehicles were involved; 13 brigades of IDGC of the South PJSC – “Rostovenergo” 67 specialists and 24 units of special vehicles were involved.

In total, 30 brigades with a total strength of 163 people, 65 units of special equipment and vehicles were sent from IDGC of the South PJSC to assist in eliminating consequences of natural disasters in IDGC of Centre PJSC and MOESK PJSC.

All brigades of the Branch successfully coped with the tasks on restoration of the disrupted power supply to consumers in difficult weather conditions.

Report on the conduct of joint exercises to improve cooperation in the elimination of accidents:

#	Company name	Number of joint exercises according to the schedule	Including participation of	Including participation of local, pcs.	Including the participation of the regional
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		Plan for 2016	Fact (on a cumulative total from the beginning of the year)	subdivisions of SO UES JSC, pcs. (Fact (cumulative from the beginning of the year))	(Fact (cumulative from the beginning of the year))	executive bodies and the local administration, pcs. (Fact (cumulative from the beginning of the year))
1	Branch of IDGC of the South PJSC - Astrakhanenergo	2	2	2	2	2
2	Branch of IDGC of the South PJSC - Volgogradenergo	3	3	1	3	3
3	Branch of IDGC of the South PJSC - Kalmenergo	4	4	0	4	0
4	Branch of IDGC of the South PJSC - Rostovenergo	4	4	1	4	4
	Branch of IDGC of the South PJSC	1	1	1	1	1
	<b>Total:</b>	<b>14</b>	<b>14</b>	<b>5</b>	<b>14</b>	<b>10</b>

Branches of IDGC of the South PJSC have concluded and prolonged for 14 years 14 agreements with contractors on interaction during emergency recovery operations in the event of liquidation of technological faults and emergency situations. In accordance with these agreements, 57 brigades, 651 people and 237 units of special equipment can be provided by counterparties to jointly to conduct emergency recovery works.

**Analysis of the results of the work done and the resulting effect on the prevention of technological violations and elimination of emergencies in the reporting year.**

In 2016, the main efforts in the work to prevent emergencies, accidents and complex technological violations at the grid facilities were aimed at implementing a set of measures to prevent (reduce) the scale of the consequences of emergencies and further increase the effectiveness of personnel and production protection.

IDGC of the South PJSC issued orders and other organizational and administrative documents on management of daily operations and work on high alert regime or on a special mode of operation, as an object functional subsystem of the unified state system for preventing and eliminating emergencies and for organization of functioning of the Headquarters of IDGC of the South, Headquarters of branches.

Scheduled meetings of the Emergency Situations and Fire Safety Commission in IDGC of the South PJSC branches were regularly held.

In accordance with the issued orders, a set of measures was constantly carried out to ensure stable operation of electric grids in the branches of IDGC of the South PJSC. In total, 14 joint exercises were conducted with representatives of local self-government bodies, territorial subdivisions of the EMERCOM and other subjects of the electric power industry (Astrakhan Regional Dispatching Office) for organization of measures to prevent and eliminate various emergency situations of natural and man-made nature, accidents and complex technological violations. In addition, 20 special tactical training exercises and 3 onsite trainings were conducted. Administrative, reference and formalized documents were prepared and are being kept updated to maintain forces and resources, management units in the management apparatus, in branches of IDGC of the South PJSC and in the distribution zones in daily operations.

Training is organized and conducted with the participation of 100% of the management staff and all other staff of IDGC of the South PJSC in the field of prevention and liquidation of emergency situations of natural and man-made nature. For successful implementation of the tasks of daily activities in the field of prevention and elimination of emergency situations, the Algorithm of Information Interaction between the operative dispatching service of Crisis Management Center and the dispatching service of branches of IDGC of the South PJSC is updated and coordinated; constant information interaction is carried out daily at levels:

- a) Public Safety Answering Point of District Administrations – operative dispatching service, operative dispatching groups of branches IDGC of the South PJSC;
- b) operative dispatching service of Crisis Management Center – Crisis Management Centers of branches IDGC of the South PJSC.

In order to arrange effective joint work during the sessions of the Commission for Emergency Situations, General Safety Regulations and other events in the videoconference mode, a web camera was installed at grid control center in control

room and data transfer channel was established between the Crisis Management Centers and branches of IDGC of the South PJSC.

To improve the stability of operation of electrical networks in emergency situations and enhance reliability of technological equipment in the branches of IDGC of the South PJSC the following was accomplished:

- nomenclature and volumes of materials included in the emergency reserve were revised upwards, the emergency reserve capacity is 100%;
- the repair programme is completed in full;
- mobile substations and complete distribution devices of external installation are maintained in constant readiness;

During the autumn-winter period of 2016-2017 the emergency recovery teams of IDGC of the South PJSC branches proved their high efficiency in carrying out emergency recovery work in difficult weather conditions when restoring the disturbed power supply to consumers that occurred as a result of massive outages of power grid facilities affected by natural phenomena on the territory of:

- Astrakhan region on March 15, and from December 9 to December 10, 2016;
- Volgograd region on January 9, January 21 and December 9, 2016;
- Rostov region on March 19, July 19 and December 9 to December 11, 2016.

In general, the work performed during the reporting year contributed to the fact that there were no natural and man-made emergencies at the facilities of the IDGC of the South PJSC branches, all emergency shutdowns were investigated and emergency response measures were developed, and all the work to restore the damaged power supply was organized without violations of the deadlines.

#### **5.5. A set of measures taken for preparation to operation of the power grids in special conditions**

When preparing IDGC of the South PJSC for work during the thunderstorm, flood, fire and autumn-winter periods in 2016, a set of measures was implemented to ensure reliable operation of the Company's grid facilities. The main ones are:

Preparation for work during the thunderstorm period:

- engineering inspections of all substations, fuel depots, oil facilities and antenna-mast constructions (special attention was paid to the condition of grounding devices, insulation, presence of dry vegetation);
- connection of valve-type arrester and surge arresters, that were disconnected for the period of autumn-winter period, were made;
- measurements of conduction current of overvoltage arresters and thermal imaging equipment monitoring were carried out;
- emergency recorders, fixing devices, oscilloscopes and other devices for locating faults on transmission lines installed at the substation were prepared for operation;
- on the overhead line with the melting scheme of ice, the grounding schemes of the lightning-protection cables uneven before the autumn-winter period were restored;
- selective engineering inspections of sections of overhead lines were performed;
- sufficiency of the emergency reserve of arresters, arresters was checked;
- settings of the arc suppression reactors in networks with insulated neutral were checked.

#### Preparation for work in a fire hazardous period:

- fire clearances were created around 35-110 kV substations located in the zone of increased risk of damage from natural fires (total 870 substations);
- fire-prevention clearance around the equipment from vegetation, garbage;
- updated lists of fire hazardous areas of the overhead line, fire protection measures were implemented to protect wooden poles located in zones of fire hazardous areas of overhead lines;
- the gravel was replaced (cleaned) within the onboard fences of oil receiving devices at substations, the efficiency of oil outlets and the state of emergency tanks for oil intake from transformers and oil-filled equipment of the substations were checked;
- tests have been carried out on operation of the networks of internal and external fire water supply pipes on the pressure and flow of water with the registration of relevant acts;

- joint firefighting training sessions with firefighting units of the Ministry of Emergency Situations (102 trainings);
- dry grass and combustible materials were cleaned at the territories of the facilities, in the security zones of 35-110 kV substations, 6-10/0.4 kV transformer units and distribution stations;
- buildings, structures, premises, territories of power facilities and motor vehicles were equipped with primary fire extinguishing means;
- the status of emergency exits and passages was checked;
- extraordinary briefings were given to personnel on the procedure for conducting fire operations, actions in case of fire, procedures of evacuation from buildings, rules for use of primary fire extinguishing means (6319 people were trained).

Implementation of this set of measures made it possible not to allow fires at the Company's energy facilities during the fire-hazardous period of 2016. Special operating modes, high availability modes associated with the risks of ensuring reliable operation of power grid facilities, caused by fire danger, were not introduced.

#### Preparation for work during the flood period:

In order to ensure reliable operation of power grid facilities of IDGC of the South PJSC during the spring floods in 2016, IDGC of the South PJSC issued the Order No.853 on 30.12.2015 "On preparation for the of the flood period", which:

approved the composition of the Central Flood Commission of IDGC of the South PJSC;

insured the issuance of relevant orders in the Company's branches and establishment of flood commissions;

approved a plan of mandatory measures to ensure reliable operation of power grid facilities during the flood period;

defined the list of electric grid facilities, buildings and structures located in high-risk areas in the flood period of 2016;

arranged interaction and information exchange with the territorial divisions of the Ministry of Emergency Situations of Russia and hydro-meteorological services during the flood period.

The plan of mandatory measures, approved by the above-mentioned order, included the following sets of measures:

- 22 activities carried out in the period of preparation for the floods;
- 5 measures taken during the flooding period;
- 1 event carried out at the end of the flood period.

All the activities, in accordance with the approved plan of measures, have been fully implemented.

In order to minimize the risks of emergencies at power grid facilities of IDGC of the South PJSC during the flood period, the Company's branches regularly monitored the level of groundwater.

In its operational area of responsibility IDGC of the South PJSC did not observe exceedance of long-time average annual water level during the passage of flood period.

Underground flooding of power grid facilities is also did not occur.

The risks that could have a significant impact on the reliability of the equipment did not occur.

The high alert and special operation modes caused by floods in the zone of operational responsibility of IDGC of the South PJSC branches were not introduced. Flooding of equipment, buildings and structures of substations, sections of high-voltage lines did nor occur.

Emergency outages of power grid equipment as a result of flooding, including with the power supply to consumers, did not occur.

#### [Preparation for work in the autumn-winter period:](#)

- reconstruction facilities have been put into operation that affect the passage of autumn-winter season (reconstruction of emergency automatics, construction of HF communication channels at 110 kV substation "Central Distribution Substation" ("TsRP") of the branch "Astrakhanenergo", reconstruction of the automatic

emergency response system “ALAR” at substation “Martynovskaya” of the branch “Rostovenergo”);

- the repair programme is fully implemented;
- work has been completed to ensure the need for backup sources of electricity (with equipment totaling 309 units with a total capacity of 5.47 MW, which allows providing electricity to consumers during the emergency recovery period);
- the emergency reserve of equipment and the necessary materials for emergency recovery operations is completed in full;
- a plan for technical inspection of equipment, buildings and structures was carried out. There are no facilities that are not allowed for further operation;
- emergency drills were conducted with emergency personnel on the subjects of personnel actions in the difficult conditions of the autumn-winter period (192 trainings – 100% of the annual plan);
- technical availability of ice melting schemes for overhead lines is provided. In accordance with the approved and coordinated with the branches of “SO UES” JSC-RDU, 40 tests melting of ice on the 110 kV overhead line were carried out.

The basic and additional conditions of readiness defined by the “Regulation on checking the readiness of electric power industry entities for work in the autumn-winter period” were fulfilled.

On 30 September 2016 IDGC of the South PJSC received a passport of readiness for work in the autumn-winter period 2016-2017 (the act of verification of readiness was signed by all members of the commission without any comments or special opinions).

## **5.6. Public relations, interaction with authorities, mass media and participations in exhibitions**

### **Mass media relations**

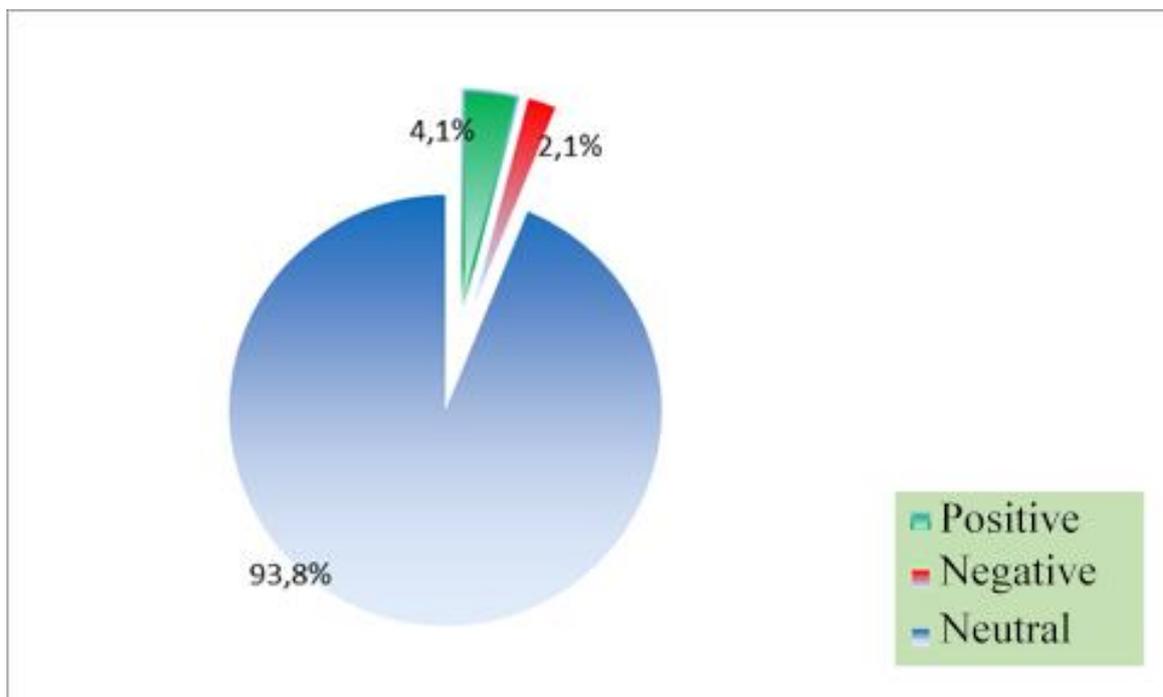
In 2016, the company published **615 official releases**, about 20 original materials appeared in the mass media: articles, interviews, news. During the year, **7076**

**references**<sup>1</sup> were made to the activities of the Company and its branches (it does not include announcements, notices, advertising of services). This is **5.5% lower** than in 2015.

Highly cited were such the materials as interviews with the CEO and top managers of the Company, a press conference on problematic settlement of receivables and company performance, popularization of online services, participation in the Russian festival #BrighterTogether, measures to prevent electrical injuries among children.

### **General mood of the news**

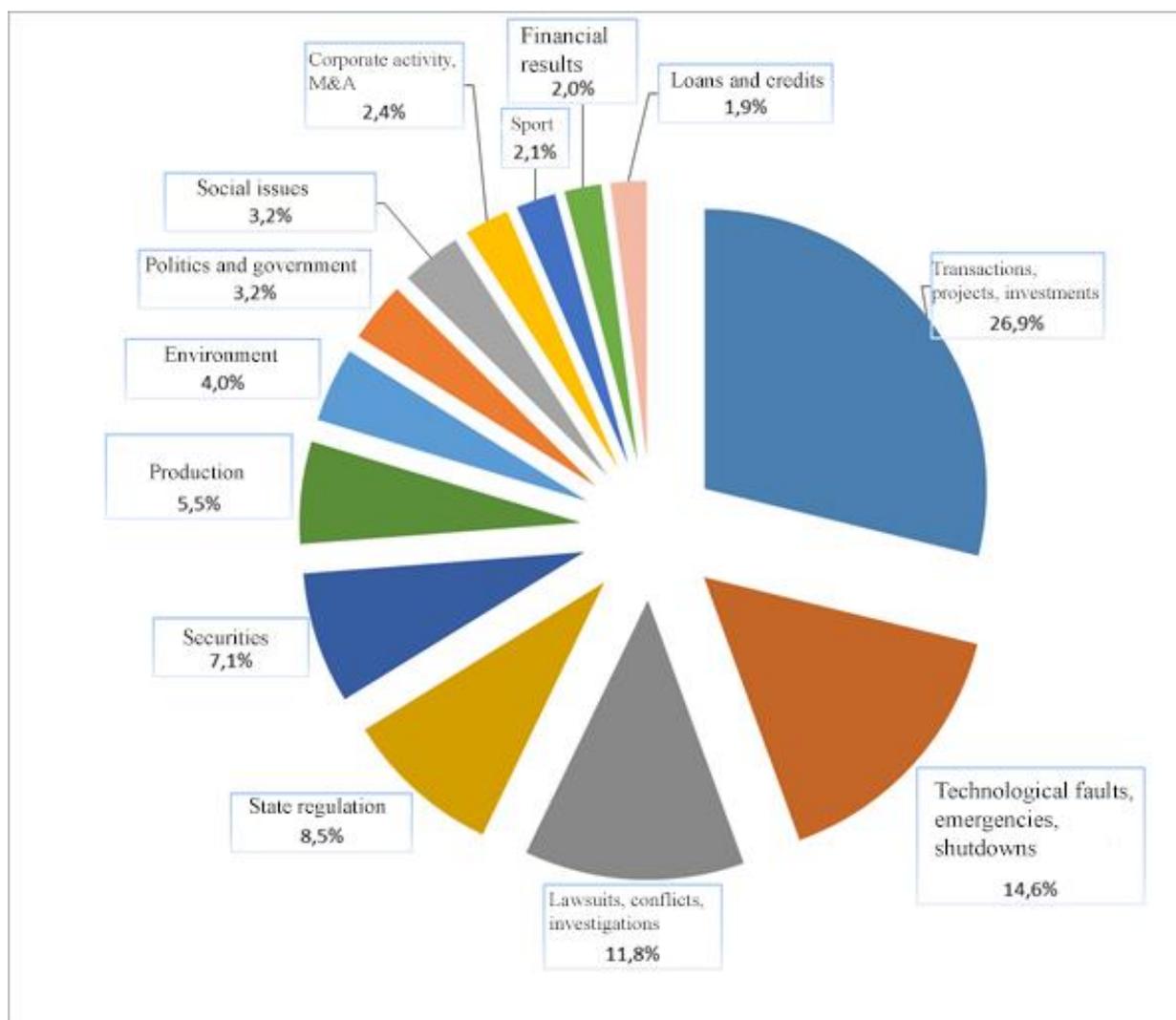
Thanks to the change of emphasis in information policy, it was possible to reduce the share of negative messages by 3%. The share of neutral news has increased by almost 14%. The share of positive reports decreased by 11%, partially this is due to increased information on problems of receivables and claims and lawsuits in the fuel and energy sector.



### **Themes of the news**

<sup>1</sup> According to the data of the SCAN-Interfax monitoring system. The analysis of the data does not take into account the subject matter of the litigation in the case of Energia.

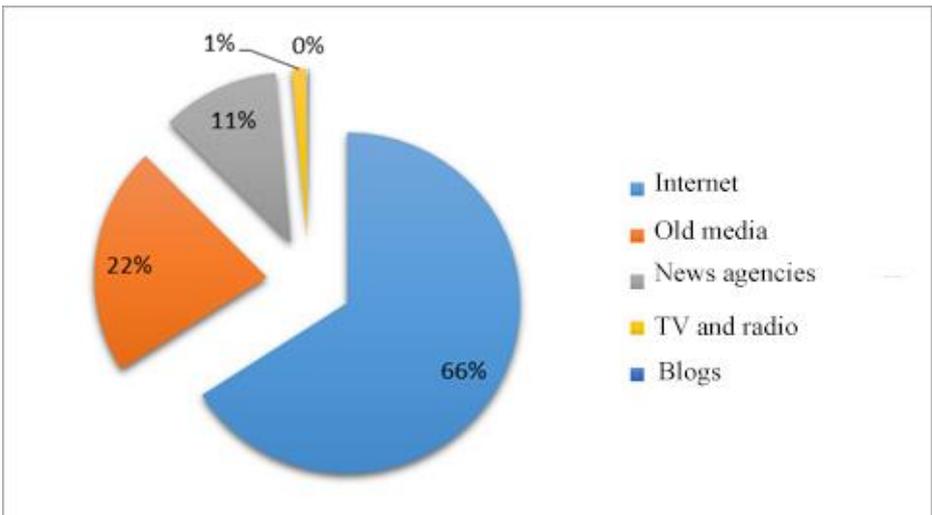
Such topics as investment programmes and construction of facilities, major transactions, technological faults related to supply disruptions, claims and lawsuits, production topics – technological connection, repair programme, commissioning capacity, consumption of electricity, reducing network losses attacks the most interest of mass media and target audience.



**Categories of sources**

Among different sources, traditionally the leadership is held by the Internet, including information agencies. At the regional level, the share of printed newspapers is still noticeable. The weight of Internet sources is growing in the broadcasting of information, while at the regional level the influence of blogs on the formation of public opinion<sup>2</sup> is only beginning to grow – its share is less than 1%.

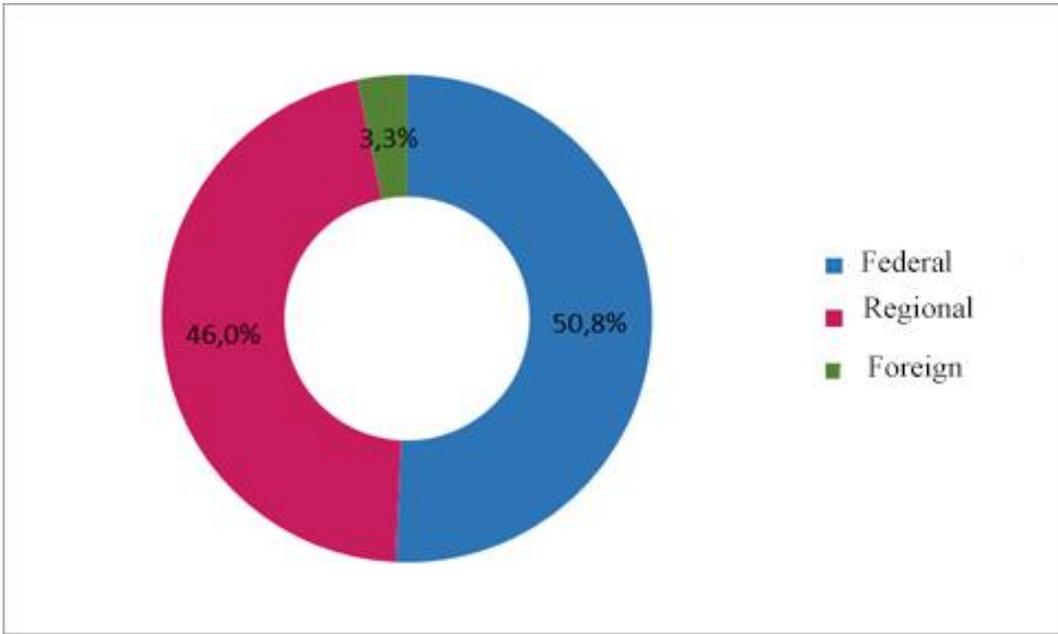
<sup>2</sup> We are talking about specialized professional blogs in the fuel and energy complex



This trend is taken into account when developing plans for information campaigns, as opinions expressed in social networks become more significant, the possibilities for disseminating information are becoming quicker and massive.

**Sources**

By level of the sources, the information is distributed as follows: 50.8% - federal level, 46% - regional level, 3.3% - foreign level.



Corporate website

The corporate website is an effective tool for communication with external audience, an important information resource and means of interacting with customers and partners. The site operates on the 1C:Bitrix operational management system, which allows to successfully implement an unlimited number of interactive client and

corporate services, also the site is provided with a system of increased security and protection from viruses.

Adaptive layout for mobile devices, in which the site is automatically rebuilt for any screen resolution was developed. Work continues on development and implementation of a mobile version of the site with a simplified menu structure.

The site has an interchangeable slider with interactive slides-banners, which provides a direct, fast and convenient transition to current pages of the site: “Consumer Day”, “IDGC of the South in numbers”, “Electrical safety”, “World Cup 2018”, “Technological connection”, “Reception of applications for technological connection in the offices of multiservice centers in Rostov region”, etc.

Thanks to the convenient operating system 1C:Bitrix, the company implemented a service to inform consumers about planned outages of electricity during the period of preventive maintenance. It is only required to sign in with the corporate site and select the area and address. All notifications are sent by e-mail: the letter includes the reason of the shutdown and time of restriction and restoration of power supply.

Also, a separate multi-functional section “Electrical safety” has been implemented; it has a simplified structure of an independent portal. The design and content of the section were implemented in accordance with the requirements and recommendations of Rosseti PJSC. The section allows to apply for an electrical safety lesson with the possibility to leave a feedback.

IDGC of the South PJSC site is modern, convenient and meets the requirements of new web-graphics. The structure of the main menu of the site was made in accordance with the requirements of the Quality of Service for IDGC of the South PJSC consumers, approved by the decision of the Board of Directors of IDGC of the South, JSC (Minutes No.161/2015 of 19.06.2015).

The advanced “Video” module has been transformed into a dynamic removable video feed with a modern simple design.

[Prevention of injuries from electric shock among children](#)

In 2016, the Company conducted almost 2 thousand electrical safety lessons at schools within the company’s service area – Rostov, Volgograd, Astrakhan and Kalmykia. In total, more than 124 800 schoolchildren took part in these classes.

The Department of Public Relations is looking for new interesting forms of delivering information on the rules of electrical safety. On the pages of popular printed publications and social networks IDGC of the South announced the contest “Entertaining electrical safety!”. Participants did the crossword puzzle, and the winners received gifts illustrating the rules of electrical safety for playing and studying, as well as certificates of inclusion in the ranks of the movement “Safe electricity”.

#### **Number of lessons conducted by branches:**

<b>Branch</b>	<b>Number of lessons</b>	<b>Number of people</b>
Astrakhan	244	14 128
Klamykia	1040	57783
Volgograd	178	5000
Rostov	468	47894
<b>Total</b>	<b>1930</b>	<b>124 805</b>

During the school holidays our employees conducted classes in school camps and children’s summer camps.

To make children don’t forget the safety rules, the lectors gave them stationery kits with illustrations of the basic rules. 16.6 thousand stationery kits were manufactured and distributed in 2016.

Also, 13 thousand posters and leaflets with rules of conduct near the power facilities for various target groups were made and placed: horticultural associations and summer residents, fishermen, scrap reception points, residents of apartment buildings, etc.

In 2016, 64 original materials (releases and articles) were published on the topic of preventing third-party injuries, children’s electrical safety, harmful consequences of unauthorized access to power networks, attempts of theft of electrical equipment, as

well as non-compliance with the rules of conduct in the protected areas of overhead lines, which were cited 245 times by district, regional and Internet media. Preference is given to publications with a large circulation (coverage of the population) and popular in the regions.

In each region of the company's presence several mass actions devoted to promotion of the topic of electrical safety were organized and held within at holiday events and festivals aimed at different audiences: children, teenagers, parents, fishermen, etc. Such events cover a wide audience and have a great resonance in the media.

In 2016 IDGC of the South took an active part in the Russian festival #BrighterTogether in Rostov, Volgograd and Kalmykia regions with thematic events on the topic of electrical safety, which in general covered more than 500 children and parents.

Weekly, on the eve of weekends and holidays, a memo on the rules of conduct near power facilities is posted and sent to the regional media on the corporate website, as well as instructions for applying for an electrical safety lesson through the corporate site of IDGC of the South.

In addition, preventive videos are broadcast daily on the monitors of the "Oxyon" (EMERCOM) system in Rostov, Volgograd and Astrakhan.

The ministries of general and vocational education of the regions have agreements on cooperation in the conduct of activities that contribute to prevention of child injuries as a result of electric shock and education of children and young people on basic electrical safety.

Constant work is carried out with authorities, supervisory and control bodies, law enforcement and security agencies, as well as interaction with the general public (including summer residents, gardeners and fishermen).

### **Congress and Exhibition Activity**

Annually IDGC of the South takes part in the events according to the "Congress-exhibition events plan" for the enterprises of the group of companies Rosseti. The largest venues in 2016 were: the St. Petersburg International Economic Forum, the International Economic Forum Sochi-2016, the International Energy Forum

RuGrids-Electro, the regional stage of the Russian Startup Tour. The structural divisions of the Company participated in thematic events in their areas of activity.

### **Anticorruption policy**

The fundamental normative legal act in the sphere of combating corruption is the Federal [Law](#) No.273-FZ taken on 25 December 2008 “On Anti-Corruption” (hereinafter – the Anti-Corruption Law).

The Anticorruption policy of the Company is a set of interrelated principles, procedures and specific measures aimed at prevention and suppression of corruption offenses in the activities of this organization.

The purpose of the Anti-Corruption Policy is formation of a unified approach to implementation of the requirements of Article 13.3 of the Anti-Corruption Law, concerning the obligation of Rosseti PJSC and subsidiary and dependent companies of Rosseti PJSC to develop and implement measures to prevent and combat corruption: identification and subsequent elimination of the causes of corruption (prevention of corruption); detection, prevention and suppression of corruption and other offenses; minimization and (or) liquidation of consequences of corruption and other offenses, including those stipulated by Article 19.28 of the Code of Administrative Offenses of the Russian Federation. The main circle of persons covered by the Anti-Corruption Policy is the Company’s employees, irrespective of their position and functions, as well as partners and counterparties of Rosseti PJSC and SDCs of Rosseti PJSC, other persons due to mutual obligations between them and the Company, including, Anticorruption obligations and other anti-corruption agreements.

#### **The main areas of the Anti-Corruption Policy are:**

1. Definition of units or officials responsible for prevention of corruption offenses and combating corruption.
2. Assessment of corruption risks (fraudulent and other illegal actions of the Company's employees or third-party persons).
3. Identifying and resolving conflicts of interests (Declaring conflicts of interests and income information, checking job applicants when hiring, etc.).

4. Development and implementation of standards and procedures aimed at ensuring good practice (Code of Corporate Ethics and Gift Exchange Rules).
  5. Consideration and resolution of information on possible facts of corruption and other abuses (Work with complaints, hotline phone, etc.).
  6. Legal education and formation of the basis for law-abiding behavior of employees, counseling and training of employees (employees are asked to study organization and executive documentation and local regulatory acts on combating corruption and sign them that they have read and understood the documents in full, additional agreement to the employment contract on anti-corruption policy, posting information on the site, training events, etc.).
  7. Internal control and audit (Control of documentation of operations of economic activities, control of economic feasibility of expenditures in areas with high corruption risk, verification of implementation of organizational procedures and rules, external audit, etc.).
  8. Taking measures to prevent corruption when interacting with partners and counterparts (checking participants of purchases and counterparts, checking for absence of personal contacts between management and owners for affiliation, checking the supporting documents of procurement participants, implementing the Anti-Corruption Standard, introducing a single automated system for analyzing and collecting information on Beneficiaries of counterparties (AS “ASIB”), etc.).
  9. Interaction with state bodies exercising control and supervisory functions, cooperation with law enforcement agencies in the field of combating corruption.
  10. Participation in collective initiatives to counteract and prevent corruption (accession to the Anti-Corruption Charter, use of standard anti-corruption clause in contracts, transparent and open procurement procedures, etc.).
  11. Counteraction to bribery of foreign public officials and officials of public international organizations.
  12. Adoption, analysis of application and revision of the Anti-Corruption Policy.
- Anticorruption policy of IDGC of the South PJSC established for their duties within the anti-corruption activity:

- refrain from committing and/or participating in the commission of corruption and other offenses in their own interests or on behalf of the Company;
- refrain from behavior that may be interpreted by others as a willingness to commit or participate in the commission of corrupt and other offenses in their own interests or on behalf of the Company;

In pursuance of the Anti-Corruption Policy, IDGC of the South PJSC adopted the following Regulations and Polices:

- Code of Corporate Ethics of IDGC of the South PJSC;
- Regulation on contractual work and the Uniform standard of purchases;
- Procedure for receiving, reviewing and resolving applications from applicants about possible facts of corruption;
- Regulation the settlement of the conflict of interests in IDGC of the South PJSC;
- Regulations on the Commission for the settlement of a conflict of interest;
- Procedure for employees informing the Company on receipt of a gift in connection with their official position or the performance of their official duties.

Anticorruption policy provides for responsibility of officials for commission of corruption offenses and other abuses.

Responsibilities for corruption and other offenses in IDGC of the South PJSC include: disciplinary, administrative and criminal liability measures in accordance with the legislation of the Russian Federation, and corporate impact measures in accordance with local regulatory acts of the Company.

IDGC of the South PJSC conducts checks for every reasonable suspicion or established fact of corruption within the limits permitted by the legislation of the Russian Federation.

On 2 April 2015, IDGC of the South PJSC joined the Anti-Corruption Charter of Russian Business (Certificate of Accession No.1517 dated April 2, 2015).

The Company has defined and is performing measures to implement the provisions of the Anti-corruption Charter of Russian Business in the Programme for Implementing Corruption Prevention Measures in IDGC of the South PJSC.

Local regulatory acts adopted in the reporting period in the framework of the implementation of the requirements of the federal anti-corruption legislation.

In 2016 IDGC of the South PJSC developed and updated internal documents on compliance with the norms of corporate ethics in the Company; documents establishing the procedure for identifying and resolving situations of pre-conflict of interests arising among IDGC of the South PJSC employees, subsidiary and dependent companies of IDGC of the South PJSC, subsidiaries and affiliates of branches of IDGC of the South PJSC, the company also approve documents for Private Centre of Supplementary Vocational Education “Astrakhan Educational Centre”, Private Centre of Supplementary Vocational Education “Educational center “Energetik”:

- Regulation on settlement of the conflict of interests in IDGC of the South PJSC, approved by the order of IDGC of the South PJSC No.894 of 28.12.2016;
- Regulations on the IDGC of the South PJSC Commission on Compliance with the Standards of Corporate Ethics and Conflict of Interest Resolution, approved by IDGC of the South PJSC Order No.893 of 28.12.2016;
- Regulations on procedure for formation and use of the IDGC of the South PJSC sponsorship and charity fund approved by the decision of the IDGC of the South PJSC Board of Directors dated 06.05.2016 (Minutes No.188/2016; 10.05.2016), by IDGC of the South PJSC from 10.06.2016 № 352;
- Regulation on settlement of conflict of interests in Private Centre of Supplementary Vocational Education “Astrakhan Educational Centre”;
- Regulations on settlement of conflict of interests in Private Centre of Supplementary Vocational Education “Educational center “Energetik”;
- Regulations on the commission of Private Centre of Supplementary Vocational Education “Educational center “Energetik” on observance of norms of corporate ethics and conflict of interest settlement;
- Regulations on the commission of Private Centre of Supplementary Vocational Education “Astrakhan Educational Centre” on observance of norms of corporate ethics and conflict of interest settlement.

In Private Centre of Supplementary Vocational Education “Educational center “Energetik the above-mentioned documents are approved by the order No.208 of 23.05.2016.

In Private Centre of Supplementary Vocational Education “Astrakhan Educational Centre the above-mentioned documents are approved by the orders No.36 dated 15.06.2016 and No.37 dated 15.06.2016.

**Information on possible facts of corruption and other abuses in the Company (results of activities, presentation of statistical data).**

In accordance with “The Procedure for Accepting, Considering and Approving Applications of Applicants (employees, Contractors of IDGC of the South PJSC and other individuals and legal entities) on Possible Corruption Facts”, approved the Order of by IDGC of the South PJSC No.122 on 02.03.2015, in 2016 the company carried out monitoring of receipt of information about appeals and complaints about possible facts of corruption.

In 2016 the applications submitted for consideration to IDGC of the South PJSC were registered in the record book. On the facts of the appeals received in 2016, service checks were carried out. Based on the results of the inspections, the circumstances described in the appeals were not confirmed, the facts of the conflict of interests were not established.

**Activities aimed to identify and resolve conflicts of interest (measures taken, submission of statistical data).**

In 2016 an annual declaration of the conflict of interests of the Company’s employees for 2015 was held. The results of the declaration of the Company’s managers and employees are presented in the table:

Name	Total number of people as of 31.12.15	Declarations submitted	Absent	Among them		
				Maternity leave	Dismissed at the time of the declaration	Internal part-time jobs
Employees of the executive office and branches of IDGC of the South PJSC	3 260	3 215	45	34	2	9
В процентах, %	100	98,62	1,38	75,56	4,44	20

Based on the results of inspection of the Statement on presence of Conflicts of Interests among the Company's Employees, facts were revealed that require an additional check on 89 employees (32 employees in the Executive Office, 17 employees in Astrakhanenergo branch, 11 employees in Volgogradenergo branch, employees Kalmenergo branch and 24 employees in Rostovenergo branch).

According to these facts, work was carried out to demand explanations from the Company's employees on the information received in order to identify pre-conflict situations.

The results were submitted to the Commission for Compliance with the Standards of Corporate Ethics and Conflict of Interest of IDGC of the South PJSC (hereinafter – the Commission). In 2016, the Commission conducted three meetings in joint presence and one absentee voting meeting. By the end of 2016, all identified cases of pre-conflict situations in the Company have been resolved.

Annual declaration of information of the Company's top managers and their relatives about property, income and liabilities of property nature for 2015 were carried out. In 2016, the company carried out an inspection of the information of 14 top managers and their relatives (when receiving or transferring to a management position) about property, income and liabilities of property.

Checking of the information did not reveal any facts of non-submission of information, facts of conflict of interests, pre-conflict situations, signs of affiliation and other abuses from the part of the Company's leaders and their families.

[Counteraction and prevention of corruption in cooperation with partners and counteragents \(anti-corruption measures, with presentation of statistical data\).](#)

In 2016 IDGC of the South PJSC built relationships with partners, counterparties and third parties in accordance with anti-corruption principles and standards, carried out competitive procurement, guided by objective criteria in the selection of suppliers, conducted awareness-raising activities.

The Company carries out awareness-raising activities with counterparties in case of refusal of counterparties to provide information about owners and to sign the Consent to processing personal data.

In the reporting period IDGC of the South PJSC carried out competitive purchases, guided by objective criteria when selecting suppliers, paying great attention to the formation of transparent business standards in the energy sector. All technical specifications and all documentation on participants of procurement procedures undergo inspection and anti-corruption expertize.

During 2016 the Company checked at least 1903 procurement procedures and not less than 1376 technical specifications as well as at least 5900 participants of procurement procedures.

In order to follow the anti-corruption legislation of the Russian Federation and improve anti-corruption activities, the Anti-corruption clause was approved, which is included in all concluded contracts. By signing it, the counterparty confirms **that he/she has read** the Anti-Corruption Charter of Russian Business and the Anti-Corruption Policy presented in the section “Anticorruption Policy” on the official website of IDGC of the South PJSC at <http://mrsk-yuga.ru/>, certifying that he/she fully adopts the provisions of the Anti-Corruption Policy, and undertakes to ensure compliance with the requirements of the Anti-Corruption Policy, both on its part and on the part of individuals and legal entities affiliated with it, acting under this Agreement, including without limitation owner, officers, employees or agents.

[Participation in working groups and collective initiatives to counteract and prevent corruption \(interaction with government bodies, civil society institutions in the course of implementation of the Anti-Corruption Policy\).](#)

In accordance with the Decree of the President of the Russian Federation dd 01.04.2016 No.147 “On National Anti-Corruption Plan 2016-2017”, pp. 3.6., 3.12.2 of Anticorruption policy of Rosseti PJSC and SDCs of Rosseti PJSC, during 2016 the Company conducted training activities to counteract corruption in the executive apparatus, branches, the Company’s production units and power distribution zones. The employees of the Company were acquainted with international legal acts in the sphere of combating corruption, RF normative documents on combating corruption, with the local regulations of the Company, particular attention was paid to studying the Anti-Corruption Policy.

In accordance with the Decree of the President of the Russian Federation dd 01.04.2016 No.147 “On National Anti-Corruption Plan 2016-2017”, the Company’s employees underwent further training on the theme “Counteraction to Corruption in the Rosseti PJSC and its SDCs” within the framework of the meeting at the Russian Academy of National Economy and Public Administration under the President of the Russian Federation, Moscow. Also representatives of IDGC of the South PJSC took part in seminars “Anticorruption policy in company”, “Compliance risk management. Establishment of a compliance-control system”, “Compliance with the requirements of legislation to counteract corruption in company”.

In 2016, employees of the Company as part of the Working Group conducted inspections to identify signs of corruption violations in IDGC branches of the South PJSC. As a result of the audit, it was revealed that the facts stated in the complaints did not find their confirmation.

To ensure the reliability and trustworthiness of financial (accounting) reporting, ensuring compliance with the requirements of regulatory documents, prevention and detection of corruption violations, IDGC of the South PJSC audited financial and economic activities of subsidiary and dependent companies of IDGC of the South PJSC and audited the branches.

The audit programmes included, among other things, the following issues:

- Checking the implementation of procurement activities and contract work;
- Verification of compliance with the requirements of anti-corruption policy, implementation of measures to identify conflicts of interest.

Information on activities of IDGC of the South PJSC in the field of corruption control and prevention is posted on the Internet, and a new section “Anti-Corruption” on the official website of the Company: <http://mrsk-yuga.ru/pages/show/protivodeystvie-korruptcii>.

### Glossary

<b>Terms and abbreviations</b>	<b>Definition</b>
ASTU	Automated technological management system

OL	Overhead power line
HV	High voltage (from 110 kV)
HF channels	High-frequency channels
AIPP	Annual integrated purchasing programme
UNPG	United National (All-Russia) Power Grid
IT	Information technologies
ITT	Information technologies and telecommunications
CL	Cable line
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, the Company	IDGC of the South PJSC
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
AWP	Autumn-winter period
AR	Accounting regulations
DSW	Design and survey work
Losses of energy	Difference between output to grids and useful power output
SSt	Substation
PD	Production division
Last mile	Connection channel between a communication provider and a subscriber
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 centre
CSC	Client servicing centre
GCC	Grids control centre
ES	Emergency situation
Energy selling 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

**Appendix No.1 – Auditor’s report on accounting (financial) statements and accounting statements for 2016**

Auditor’s report

on accounting (financial) statements for 2016

To the shareholders of Public joint stock company Interregional distribution grid company of the South.

**Audited entity:**

**Public joint stock company Interregional distribution grid company of the South** (short title “**IDGC of the South**” PJSC).

Location: 49, Bolshaya sadovaya street, Rostov-on-Don, Russia 344002

PSRN: 1076164009096

**Auditor:**

**Limited liability company “RSM RUS”.**

Location: 4, Pudovkin street, Moscow 119285

Tel.: (495) 363-28-48; Fax: (495) 981-41-21

PSRN: 1027700257540

Limited Liability Company RSM RUS is a member of the Self-Regulatory Organization of Auditors Non-Commercial Partnership “Audit Association Sodruzhestvo”” (membership certificate No. 6938, Principal Number of Registration Entry 11306030308), address: 21, bldg. 4, Michurinsky prospect, Moscow, 119192.

“RSM Rus” LLC is a member of RSM network and operates as RSM. RSM is a trademark that is used by the network members. All members of RSM network are independent accounting and consulting companies, each of them operates independently. The RSM network is not a separate legal entity in any jurisdiction.

We have completed an audit of the attached hereto accounting (financial) statements of Open joint stock company Interregional distribution grid company of the South, which includes the following documents: balance sheet as of 31 December 2016, notes to the balance sheet, appendixes.

**Responsibility of the audited entity for the accounting (financial) report.**

Management of “IDGC of the South” PJSC bears responsibility for preparation and credibility of the accounting (financial) statements drawn up in accordance with rules of Russian Federation for preparation of the accounting (financial) report and for the internal control system necessary for preparation of accounting (financial) report that do not contain material misstatements caused by fraud or faults.

**Responsibility of the auditor.**

Our responsibility is to express opinion on the credibility of the consolidated financial statements on the basis of the carried out audit. We have carried out the audit in accordance with the federal standards of audit activities applied in the Russian Federation. The standards require the observance of code of ethics as well

as planning and performing the audit so that to make sure that the accounting (financial) statements do not content material misstatements.

An audit contains the audit procedures aimed to find the audit evidences proving the figures in accounting statements and the disclosed information. The choice of the procedures is the subject-matter of our estimations that are based on the risk assessment of the material misstatements caused by fraud or faults. During the risk assessment the auditor checks the system of internal control, which provides preparation and credibility of accounting (financial) statements, in order to choose the appropriate audit procedures, but not with the purpose to evaluate the efficiency of internal control system.

An audit also includes the appraisal of the accounting policy and validity of estimated figures, as well as the appraisal of performance of accounting report in general.

We consider that the audit evidence we have obtained is sufficient and appropriate to express qualified opinion.

### **Opinion**

We believe that accounting statements truly depict in all material respects the financial state of “IDGC of the South” PJSC as of 31 December 2016, results of its business activity and cash flow in 2016 in accordance with Russian standards of preparing accounting statements.

#### **Chairperson of the Management Board**

**Dantser N.A.**

Auditor qualification certificate No. 05-000015 issued based on resolution No. 24 of the Self-Regulatory Organization of Auditors Non-Commercial Partnership “Russian Collegium of Auditors” (dated 15.11.2011) for an indefinite period of time.

PREN in the Register of auditors and audit organizations - 29605011647.

#### **Audit Leader**

**Mikhailyk R.F.**

Auditor qualification certificate No. 03-000591 issued based on the resolution of the Self-Regulatory Organization of Auditors Non-Commercial Partnership “Moscow Audit Chamber” (dated 13.02.2013 No. 188, Minutes No. 25) for an indefinite period of time.

PREN in the Register of auditors and audit organizations – 20103037931.

## Balance sheet 31 December 2016

	Codes
<b>Form No. 1 OKUD</b> [Russian National Classifier of Management Documentation]	<b>0710001</b>
Organization: <b>IDGC of the South, PJSC</b>	Date <b>31.12.2016</b>
Taxpayer Identification Number	OKPO [Russian National Classifier of Businesses and Organizations] <b>80380011</b>
Type of activity <b>electricity transmission</b>	TIN <b>6164266561</b>
Organizational legal form/ownership form <b>Open-End Joint-Stock Company / private property</b>	OKVED [Russian National Classifier of Types of Economic Activity] <b>40.10.2</b>
Unit: <b>thousand RUR</b>	OKOPF [Russian National Classifier of Organizational Legal Forms]/OKFS [Russian National Classifier of Forms of Ownership] <b>1 22 47 / 16</b>
Location (address) <b>49, Bolshaya sadovaya street, Rostov-on-Don 344002</b>	OKEI [Russian National Classifier of Measurement Units] <b>384</b>

notes	Indicator	Line code	as of 31.12.2016 (1)	as of 31.12.2015 (2)	as of 31.12.2014 (3)
	<b>ASSETS</b>				
	<b>I. NON-CURRENT ASSETS</b>				
5.1.1.- 5.2.2.	Intangible assets	1110	1 689	6	9
5.2.2.	Including purchase of intangible assets in progress	1111	-	-	-
5.2.1.- 5.2.2	Results of researches and developments	1120	17 040	18 190	26 438
5.2.2.	Including expenditures on researches in progress	1121	9 700	820	-
	Intangible development assets	1130			
	Tangible development assets	1140			
5.3.1.- 5.3.6.	Fixed assets	1150	28 564 113	28 897 473	29 986 795
	Land plots and environmental facilities	1151	30 511	22 373	22 035
	Buildings, vehicles, equipment, constructions	1152	25 030 267	26 190 347	27 434 158
	Other fixed assets	1153	196 043	233 066	295 324
5.3.5.	Construction in progress	1154	3 070 922	2 197 090	2 003 822
5.3.6.	Advances paid for capital construction and purchase of fixed assets	1155	424	1 391	8913
	Raw materials and materials for production of fixed assets*	1156	235 946	253 206	222 543
5.3.1.	Income-bearing investments in tangible valuables	1160			

	Property for leasing	1161			
	Property provided under rent contract	1162			
5.4.1.- 5.4.3.	Financial investments	1170	147 910	144 929	155 011
	Investments in affiliates	1171	141 080	140 710	151 711
	Investments in dependent companies	1172	-	-	-
	Investments in outside companies	1173	6 830	4 219	3 300
	Loans to organizations for more than 12 months	1174	-	-	.
	Financial investments	1175	-	-	.
5.7.2.	Deferred tax assets	1180	433 756	369 907	356 989
	Other non-current assets	1190	103 546	125 059	165 062
	TOTAL Section I	1100	29 268 054	29 555 564	30 690 304
	<b>II. CURRENT ASSETS</b>				
5.5.1.- 5.5.2.	Stock	1210	813 275	720 902	649 191
	Raw materials, supplies and other similar assets	1211	741 784	718 504	637 593
	Expenses on construction-in-progress	1212	-	-	-
	Finished products and goods for resale	1213	39	2 398	9 809
	Goods delivered	1214	71 452	-	1 789
	Other stock and expenses	1215	-	-	.
	Value added tax on valuables acquired	1220	2 983	13 207	62 366
5.6.1- 5.6.4.	Accounts receivable	1230	12 992 602	10 407 250	9161 712
	Payments that are due beyond 12 months after reporting date	1231	4 644	22 053	102 499
	Buyers and customers	123101	2 694	2 112	5 916
	Bills receivable	123102	-	-	-
	Advances paid	123103	1 912	7 290	2 364
	Other accounts receivable	123104	38	12 651	94 219
	Payments that are due in the next 12 months after reporting date	1232	12 987 958	10 385 197	9 059 213
	Buyers and customers	123201	11 405 048	9 053 476	7 855 569
	Bills receivable	123202	-	-	-
	Debts of affiliated and depended companies on interest	123203	-	-	.
	Debts of participants (founders) on share capital payment	123204	-	-	-
	Advances paid	123205	26 651	63 245	240 487
	Other accounts receivable	123206	1 556 259	1 268 476	963 157
5.4.1.- 5.4.3.	Financial investments (excluding monetary equivalent)	1240	779 257	403 000	.
	Loans granted to companies for a period of less 12 months	1241	-	-	-
	Other short-term financial investments	1242	779 257	403 000	.
f.4	Cash and equivalents	1250	690 528	1 581 168	716 955

	Cash bank	1251	-	6	181
	Operating account	1252	682 485	1 576 092	711 240
	Currency account	1253	-	-	-
	Other funds	1254	8 043	5 070	5 534
	Other current assets	1260	271 034	218 042	200 545
	TOTAL Section II	1200	15 549 679	13 343 569	10 790 769
	BALANCE	1600	44 817 733	42 899 133	41 481 073

	<b>LIABILITIES</b>	Line	as of 31.12.2016 (1)	as of 31.12.2015 (2)	as of 31.12.2014 (3)
1	2	3		4	5
	<b>III. CAPITAL AND RESERVES</b>				
3.1.	Authorized capital (reserve capital, statutory fund and partners' contributions)	1310	4 981 110	4 981 110	4 981 110
3.1.	Capital (before the registration of changes)	1311	143 909	-	-
3.1.	Treasury stock bought out at from the shareholders	1320	-	-	-
5.3.1., 5.1.1.	Revaluation of non-current assets	1340	14 652 936	14 691 709	14 710 817
3.1.	Additional capital (without revaluation)	1350	-	-	-
3.1.	Reserve capital	1360	157 574	150 095	150 095
3.1.	Unallocated profit (uncovered loss)	1370	(16 010 534)	(14 888 464)	(14 719 067)
	Past years	1371	(14 999 266)	(14 888 464)	(14 719 067)
	Reported period	1372	(1 011 268)	-	-
	TOTAL Section III	1300	3 924 995	4 934 450	5 122 955
	<b>IV. LONG-TERM LIABILITIES</b>				
5.6.7- 5.6.8	Borrowed funds	1410	17 232 022	13 403 378	19 744 299
	Bank credits that should be repaid more than 12 months after reporting date	1411	12 232 022	8 403 378	19 744 299
	Credits that should be paid more than 12 months after reporting date	1412	5 000 000	5 000 000	-
5.7.2.	Deferred tax liabilities	1420	776 603	362 562	318 893
5.7.1.	Estimated liabilities	1430	-	-	-
5.6.5- 5.6.6.	Other liabilities	1450	118 948	118 914	81 249
	TOTAL Section IV	1400	18 127 573	13 884 854	20 144 441
	<b>V. SHORT-TERM LIABILITIES</b>				
5.6.5.- 5.6.6.	Borrowed funds	1510	7 223 561	11 630 194	5 123 128
	Bank credits that should be repaid more than 12 months after reporting date	1511	7 188 421	11 598 753	4 810 228
	Credits that should be paid more than 12 months after reporting date	1512	35 140	31 441	312 900
5.6.5- 5.6.6.	Payables	1520	13 572 980	9 672 852	8 545 973
	Suppliers and contractors	1521	10 411 233	7 535 500	6 256 387
	Bills payable	1522	-	-	-

	Salaries payable	1523	293 457	248 132	229 592
	Debt to state extra-budgetary funds	1524	168 318	137 076	122 268
	Taxes payable	1525	377 952	452 453	648 039
	Advances received	1526	1 002 756	956 524	1 025 367
	Payable to the participants (founders) on income payment	1527	1 812	94	88
	Other accounts payable	1528	1 317 452	343 073	264 232
	Income of future periods	1530	35 632	59 123	78 296
5.7.1.	Estimated liability	1540	1 931 821	2 709 437	2 458 025
	Miscellaneous liabilities	1550	1 171	8 223	8 255
	TOTAL Section V	1500	22 765 165	24 079 829	16 213 677
	BALANCE (assets)	1700	44 817 733	42 899 133	41 481 073

Director \_\_\_\_\_ Ebzeev B.B.

(signature)

22 February 2017

(seal)

Chief accountant \_\_\_\_\_ Savin G.G.

(signature)

### Profit and loss statement for 12 months of 2016

Form OKUD [Russian National Classifier of Management Documentation]

Date

Organization: **IDGC of the South, PJSC**

OKPO [Russian Classifier of Businesses and Organizations]

Taxpayer Identification Number

INN [Taxpayer Identification Number]

Type of activity: electricity transmission

OKVED [Russian Classifier of Economic Activities]

Organizational legal form/ownership form **Public Joint-Stock Company**

OKOPF [Russian Classifier of Organizational Legal Forms]/OKFS [Russian Classifier of Forms of Ownership]

Unit: **thousand rubles**

OKEI [Russian Classifier of Measurement Units]

Codes

**0710002**

**31.12.2016**

**80380011**

**6164266561**

**40.10.2**

**122 47 / 16**

**384**

	Indicator	Line	For 12 months of 2016 (1)	For 12 months of 2015 (2)
1	2	3	4	5
	Proceeds	2110	31 414 140	30 097 934
	Including			
	Income from electric energy transmission	2111	30 768 277	29 407 952
	Income from technical connection	2112	469 889	499 600
	Income from organization and development of UES of Russia in connection with distributional power grid	2113		
	Income from reselling of electric energy and capacity	2114	-	-
	Income from participating in other organizations	2115	-	-
	Income from lease	2116	48 767	53 569
	Income from selling other products, goods, works, services of industrial type	2117	115 208	119 754

	Income from selling other products, goods, works, services of non-industrial type	2118	11 999	17 059
2.1.	Cost of sales	2120	(27 112 017)	(25 732 094)
	Including			
	Self-cost of energy transmission	2121	(26 834 896)	(25 459 091)
	Self-cost of technical connection	2122	(124 121)	(121 294)
	Self-cost of organization and development of UES of Russia in connection with distributional power grid	2123	-	-
	Self-cost of reselling of electric energy and capacity	2124	-	-
	Self-cost of participation in other organization	2125	-	-
	Self-cost of rent	2126	(32 287)	(39 256)
	Self-cost of other products, goods, works, services of industrial type	2127	(93 466)	(81 686)
	Self-cost of other products, goods, works, services of non-industrial type	2128	(27 247)	(30 767)
	Gross profit (loss)	2100	4 302 123	4 365 840
2.1.	Commercial expenses	2210	-	-
2.1.	Administrative expenses	2220	(705 719)	(644 233)
	Sales profit (loss)	2200	3 596 404	3 721 607
	Participation incomes	2310	3 298	12 497
	Interest receivable	2320	95 461	62 232
	Interest payable	2330	(2 768 578)	(2 558 783)
5.11.	Other incomes	2340	5 110 867	3 460 626
5.11.	Other expenses	2350	(6 979 247)	(4 743 217)
	Profit (loss) before tax	2300	(941 795)	(45 038)
2.3.	Current profit tax	2410	(41 080)	(164 455)
2.3.	Including constant tax liabilities (assets)	2421	250 003	190 724
2.3.	Changes in deferred tax liabilities	2430	(93 118)	(43 970)
2.3.	Changes in deferred tax assets	2450	72 554	26 709
2.3.	Other	2460	(7 829)	38 249
	Net profit (loss)	2400	(1 011 268)	(188 505)
	<b>FOR REFERENCE:</b>	Line	For 2016 (1)	For 2015 (2)
5.1.1. 5.3.1.	Results of revaluation of non-current assets not included into net profit (loss) of the period	2510	-	-
3.2	Results of other operations not included into net profit (loss) of the period	2520	-	-
	Aggregate financial result of the period	2500	(1 011 268)	(188 505)
2.2	Basis profit (loss) per share	2900	-0.02030	-0.00378
2.2.	Diluted profit (loss) per share	2910	-0.02030	-0.00378

Director \_\_\_\_\_ Ebzeev B.B.

(signature)

22 February 2017

(seal)

Chief accountant \_\_\_\_\_ Savin G.G.

(signature)

### 2.1. Cost of goods, services and works sold

Indicator	Code	For 2016	For 2015
1	2		3
Production costs	6510	27 112 017	25 732 094

including direct materials costs	6511	16 432 716	15 685 633
labour costs	6512	5 309 996	4 757 020
fringe benefit expenses	6513	1 594 051	1 423 900
depreciation	6514	2 580 409	2 699 045
miscellaneous expenditures	6515	1 194 845	1 166 496
For reference: changes in inventory and provision (augmentation [+], reduction [-]):	6520	69 093	(9 200)
including production-in-progress	6521		
products for sale	6522	-	-
purchased products	6523	(2 359)	(7 411)
products shipped	6524	71 452	(1 789)
auxiliary material	6525	-	-
Total cost of sold products (goods, services, works)	6500	27 112 017	25 732 094
including			
cost of goods sold	6530	-	-
management services for third parties	6540	-	-
Business expenses	6550	-	-
including			
materials costs	6551	-	-
labour costs	6552	-	-
fringe benefit expenses	6553	-	-
depreciation	6554	-	-
miscellaneous expenses	6555	-	-
Administrative expenses	6560	705 719	644 233
including			
materials costs	6561	39 991	29 380
labour costs	6562	444 392	409 116
fringe benefit expenses	6563	113 555	102 907
depreciation	6564	10 463	11 930
miscellaneous expenses	6565	97 318	90 900

Director \_\_\_\_\_ Ebzeev B.B.  
(signature)

Chief accountant \_\_\_\_\_ Savin G.G.  
(signature)

22 February 2017

## 2.2 Profit per share, diluted profit per share

Indicator	Code	For 2016	For 2015
1	2	3	4
Net profit (uncovered loss) of the reporting period	6610	(1 011 268)	(188 505)
Dividends on preferred shares <sup>3</sup>	6611	-	
Base earnings (loss) of the reporting period	6612	(1 011 268)	(188 505)
Average amount of ordinary shares in circulation within the reporting period	6613	49 811 096	49 811 096
Base earnings (loss) per share	6620	-0,020302	-0,003784

Average market cost of one ordinary share	6621		
Possible growth of profit and average amount of shares in circulation	6630	X	X
Result of conversion of preferred shares into ordinary	6631	X	X
possible growth of profit	66311	-	-
additional amount of shares	66312	-	-
Result of conversion of obligations into ordinary shares	6632	X	X
possible growth of profit	66321	-	-
additional amount of shares	66322	-	-
Result of contract on purchase-sale of shares at price lower than the market price	6633	X	X
contract price	66331	-	-
possible growth of profit	66332	-	-
additional amount of shares	66333	-	-
Diluted profit per share	6640	-0,0203	-0,0038
adjusted base earning	6641	(0)	(0)
adjusted amount of average amount of ordinary shares in circulation	6642	-	-

Director \_\_\_\_\_ Ebzeev B.B.

Chief accountant \_\_\_\_\_ Savin G.G.

(signature)

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22 February 2017

### 2.3. Profit taxation

Indicator	Code	For 2016	For 2015
1	2	3	4
Profit (loss) before the taxation	6710	(941 795)	(45 038)
including 20% rate	67101	(941 795)	(45 038)
other rates	67102	-	-
non-taxable	67103	-	-
Permanent difference	6711	1 250 017	1 407 349
For reference only: permanent differences, corresponding with temporary difference	67111	-	-
Change of deductible temporary differences	6712	362 768	133 544
Change of taxable temporary differences	6713	(465 592)	(219 852)
Tax base	6714	205 398	1 276 003
Expenditure (revenue) on profit tax	6720	(188 359)	(9 008)
Conventional expenditure (revenue) on profit tax	6721	(188 359)	(9 008)
Permanent tax liability (asset)	6722	250 003	190 724
For reference only: change of deferred taxes, posted to profits and losses	67221	-	-
Expenditure (revenue) on deferred taxes	6723	(20 564)	(17261)
including:			
change of deferred tax asset	67231	72 554	26 709
change of deferred tax liability	67232	(93 118)	(43 970)
Current profit tax	6724	(41 080)	(164 455)
Sums specification of profit tax for past tax periods	6725	-	-
Other tax payments and sanctions from profit	6730	(7 829)	38 249

including those on essential items	6731	%	-
Profit (loss) from ordinary activities	6740	(1 011 268)	(188 505)

Director \_\_\_\_\_ Ebzeev B.B.  
(signature)

Chief accountant \_\_\_\_\_ Savin G.G.  
(signature)

## Report on changes in equity 2016

Form No. 3 OKUD [Russian National Classifier of Management Documentation]

Codes

**0710003**

Date

**31.12.2016**

Organization: **IDGC of the South, PJSC**

OKPO [Russian Classifier of Businesses and Organizations]

**80380011**

Taxpayer Identification Number

INN [Taxpayer Identification Number]

**6164266561**

Type of activity: **transmission of electricity**

OKVED [Russian Classifier of Economic Activities]

**40.10.2**

Organizational legal form/ownership form:

OKOPF [Russian Classifier of Organizational Legal Forms]/OKFS [Russian Classifier of Forms of Ownership]

**122 /47 / 16**

**Public Joint-Stock Company**

Unit: **thousand rubles**

OKEI [Russian Classifier of Measurement Units]

**384**

### 3.1. Cash flow

Indicator description	Line code	Authorized capital	Capital (before registration of changes)	Treasury stock	Additional capital	Reserve capital	Unallocated profit (uncovered loss)	Total
Balance as of December 31 2014 (1)	3100	4 981 110	-	-	14 710 817	150 095	(14 719 067)	5 122 955
<u>2015 (2)</u>								
Increase of capital - total:	3210	-	-	-	-	-	(188 505)	(188 505)
including:								
Net profit	3211	X	X	X	X	X	(188 505)	(188 505)
Revaluation of property	3212	X	X	X	-	X	-	-
Incomes directly related to increase of capital	3213	X	X	X	-	X	-	-
additional share issue	3214	-	-	-	-	X	X	-
increase of share nominal value	3215	-	-	X	X	X	-	X
legal entity reorganization	3216	-	-	-	-	-	-	-
Capital amount reduction – total:	3220	-	-	-	-	-	-	-
including: loss	3221	X	X	X	X	X	-	-
Revaluation of property	3222	X	X	X	-	X	-	-
expenditures directly related to	3223	X	X	X	-	X	-	-

decrease of capital								
reduction of share nominal value	3224	-	-	-	X	X	-	-
reduction of number of shares	3225	-	-	-	X	X	-	-
legal entity reorganization	3226	-	-	-	-	-	-	-
dividends	3227	X	X	X	X	X	-	-
Additional fund changing	3230	X	X	X	(19 108)	X	19 108	X
Reserve fund changing	3240	X	X	X	X	-	-	X
Capital as of 31 December 2015 (2)	3200	4 981 110	-	-	14 691 709	150 095	(14 888 464)	4 934 450
<del>2016</del> (3)								
Increase of capital - total:	3310	-	143 909	-	-	-	-	143 909
including:								
Net profit	3311	X	X	X	X	X	-	-
Revaluation of property	3312	X	X	X	-	X	-	-
Incomes directly related to increase of capital	3313	X	X	X	-	X	-	-
additional share issue	3314	-	143 909	-	-	X	X	143 909
increase of share nominal value	3315	-	-	X	X	X	-	X
legal entity reorganization	3316	-	-	-	-	-	-	-
Capital amount reduction – total:	3320	-	-	-	-	-	(1 153 364)	(1 153 364)
including:								
loss	3321	X	X	X	X	X	(1 011 268)	(1 011 268)
Revaluation of property	3322	X	X	X	-	X	-	-
expenditures directly related to decrease of capital	3323	X	X	X	-	X	-	-
reduction of share nominal value	3324	-	-	X	X	X	-	-
reduction of number of shares	3325	-	-	-	X	X	-	-
legal entity reorganization	3326	-	-	-	-	-	-	-
dividends	3327	X	X	X	X	X	(142 096)	(142 096)

Additional fund changing	3330	X	X	X	(38 773)	X	38 773	X
Reserve fund changing	3340	X	X	X	X	7 479	(7 479)	X
Capital as of 31 December 2016 (3)	3300	4 981 110	143 909	-	14 652 936	157 574	(16 010 534)	3 924 995

### 3.2. Amendments with regard of changes in accounting policy and correction of mistakes.

Indicator description	Line code	As of 31.12.2014	Capital changing in 2015		As of 31.12.2015
			At the expense of net profit	Due to other factors	
Capital – total Before correcting	3400	6 356 758	149 575	-	6 506 333
Correcting due to the fact of: Accounting policy changing	3410	-	-	-	-
Correction of mistakes	3420	(1 233 803)	(338 080)	-	(1 571 883)
After correcting	3500	5 122 955	(188 505)	-	4 934 450
Correcting due to the fact of: Accounting policy changing					
Including: Undistributed profit (unrecovered loss):	3401	(13 485 264)	149 575	19 108	(13 316 581)
Before correcting					
Correcting due to the fact of: Accounting policy changing	3411	-	-	-	-
Correction of mistakes	3421	(1 233 803)	(338 080)	-	(1 571 883)
After correcting	3501	(14 719 067)	(188 505)	19 108	(14 888 464)
Other corrected capital articles:					
Before correcting	3402	19 842 022	-	(19 108)	19 822 914
Chartered capital	34021	4 981 110	-	-	4 981 110
Capital (before registration of changes)	340211	-	-	-	-
Treasury stock	34022	-	-	-	-
Additional capital	34023	14 710 817	-	(19 108)	14 691 709
Reserve capital	34024	150 095	-	-	150 095
Correcting due to the fact of: Accounting policy changing	3412	-	-	-	-
Correction of mistakes	3422	-	-	-	-
After correcting	3502	19 842 022	-	(19 108)	19 822 914

### 3.3 Net assets

Indicator description	Line code	as of 31.12.2016	as of 31.12.2015	as of 31.12.2014
Net assets	3600	3 960 627	4 993 573	5 201 251

Director \_\_\_\_\_ Ebzeev B.B.  
(signature)

Chief accountant \_\_\_\_\_ Savin G.G.  
(signature)

22 February 2017

### 3.4. Accounting of estimated value of net assets

Indicator		Line	as of 31 December 2016	as of 31 December 2015	as of 31 December 2014
1		2		3	4
<b>I.</b>	<b>Assets</b>				
1.	Intangible assets	1110	1 689	6	9
2.	Results of researches and developments	1120	17 040	18 190	26 438
3.	Intangible development assets	1130	-	-	-
4.	Tangible development assets	1140	-	-	-
5.	Fixed assets	1150	28 564 113	28 897 473	29 986 795
6.	Income-bearing investments in tangible valuables	1160	-	-	-
7.	Long-and short-term financial investments	1170 + 1240	927 167	547 929	155 011
8.	Miscellaneous intangible assets <sup>2</sup>	1180+1190	537 302	494 966	522 051
9.	Stock	1210	813 275	720 902	649 191
10.	Value added tax on valuables acquired	1220	2 983	13 207	62 366
11.	Accounts receivable <sup>3</sup>	1230	12 992 602	10 407 250	9 161 712
12.	Cash and equivalents	1250	690 528	1 581 168	716 955
13.	Miscellaneous current assets <sup>1</sup>	1260	271 034	218 042	200 545
14.	Total assets taken for accounting, (sum of paragraphs 1-13)		44 817 733	42 899 133	41 481 073
<b>II.</b>	<b>Liabilities</b>				
15.	Long-term borrowed funds	1410	17 232 022	13 403 378	19 744 299
16.	Deferred tax liabilities	1420	776 603	362 562	318 893
17.	Estimated liability	1430+1540	1 931 821	2 709 437	2 458 025
18.	Other long-term liabilities	1450	118 948	118 914	81 249
19.	Short-term borrowed funds	1510	7 223 561	11 630 194	5 123 128
20.	Bills payable <sup>4</sup>	1520	13 572 980	9 672 852	8 545 973
21.	Miscellaneous short-term liabilities <sup>5</sup>	1550	1 171	8 223	8 255
22.	Total for liabilities taken for accounting (sum of paragraphs 15-21)		40 857 106	37 905 560	36 279 822
23.	Cost of net assets of joint stock company (total for assets taken for accounting (page 14) minus total liabilities taken for accounting (page 22))		3 960 627	4 993 573	5 201 251

Director \_\_\_\_\_ Ebzeev B.B.  
(signature)

Chief accountant \_\_\_\_\_ Savin G.G.  
(signature)

22 February 2017

### Statement on cash flow For 12 months of 2016

Form OKUD [Russian National Classifier of Management Documentation]

Date

Codes
0710004
31.12.2016

Organization: IDGC of the South PJSC	OKPO [Russian Classifier of Businesses and Organizations]	80380011
Taxpayer Identification Number	INN [Taxpayer Identification Number]	6164256561
Type of activity <u>electricity transfer</u>	OKVED [Russian Classifier of Economic Activities]	40.10.2
Organizational legal form/ownership form Public Joint-Stock Company /	OKOPF [Russian Classifier of Organizational Legal Forms]/OKFS [Russian Classifier of Forms of Ownership]	122 47 / 16
Unit: thousand rubles	OKEI [Russian Classifier of Measurement Units]	384

Indicator	Line code	For 2016	For 2015
1	2		3
<b>Cash flow from operating activities</b>			
Income - total	4110	23 735 850	24 981 393
Including:			
From sales of products, goods, work and services	4111	22 027 875	24 405 345
Including from sales of products, goods, work and services to parent, affiliate and subsidiary companies	411101	242 774	249 865
Lease rents, license fee, royalties, commission and other payments	4112	51 910	25 766
Including from lease rents, license fee, royalties, commission and other payments from parent, affiliate and subsidiary companies	411201	35 935	5 225
From resale of financial assets	4113	-	-
including from resale of financial assets to parent, affiliate and subsidiary companies	411301	-	-
Other incomes	4119	1 656 075	550 282
Including other incomes from parent, affiliate and subsidiary companies	411901	6 724	8 004
Payments - total	4120	(22 402 500)	(22 644 110)
including:			
to suppliers (contractors) for materials, stuff, work, services	4121	(10 116 957)	(11 290 745)
Including to suppliers (contractors) for materials, stuff, work, services of parent, affiliate and subsidiary companies	412101	(5 333 708)	(5 673 892)
Due to the fact of payment for the labour of an employee	4122	(7 676 535)	(7 000 588)
Interest on debenture	4123	(2 754 556)	(2 574 941)
Including interest on debenture to parent, affiliate and subsidiary companies	412301	(673 200)	(305 787)
Tax on the profit of organizations	4124	(716 203)	(816 040)
Other payments	4129	(1 138 229)	(961 796)
Including other payments to parent, affiliate and subsidiary companies	412901	(143 101)	(132 744)
Balance of money flows from current operations	4100	1 333 360	2 337 283
<b>Cash flow of investment activity funds</b>			
Income – total	4210	72 358	24 379
Including:			
From sale of non-current assets (except financial assets)	4211	69 060	11 881
Including from sale of non-current assets (except financial assets) to parent, affiliate and subsidiary companies	421101	65 128	-
From sale of shares of other organizations (equity share)	4212	-	-

Including from sale of shares of other organizations (equity share) to parent, affiliate and subsidiary companies	421201	-	-
From returning of granted loans, from sale of debt securities (claim of monetary funds to others)	4213	-	-
Including from returning of granted loans, from sale of debt securities (claim of monetary funds to others) of parent, affiliate and subsidiary companies	421301	-	-
From dividends, percent from debt financial placements and similar incomes from share participation in other organizations	4214	3 298	1 769
Including from dividends, percent from debt financial placements and similar incomes from share participation in other organizations from parent, affiliate and subsidiary companies	421401	3 296	1 762
Other incomes	4219	-	10 729
Including other incomes from parent, affiliate and subsidiary companies	421901	-	10 729
Payments – total	4220	(1 709 180)	(1 639 118)
Including:			
Due to the fact of purchasing, creating, modernization, reconstruction and preparing for use of non-current assets	4221	(1 604 422)	(1 530 058)
Including payments to parent, affiliate and subsidiary companies due to the fact of purchasing, creating, modernization, reconstruction and preparing for use of non-current assets	422101	-	(1 926)
Due to the fact of purchasing shares of other companies (equity share)	4222	-	-
Including payments to parent, affiliate and subsidiary companies due to the fact of purchasing shares of other companies (equity share)	422201	-	-
Due to the fact of purchasing debt securities (claim of monetary funds to others), lending procuration to others	4223	-	-
Including payments to parent, affiliate and subsidiary companies due to fact of purchasing debt securities (claim of monetary funds to others), lending procuration to others	422301	-	-
Interest of debenture, included to value of investment asset	4224	-	(17 863)
Including interest of debenture, included to value of investment asset to parent, affiliate and subsidiary companies	422401	-	-
Other payments	4229	-	-
Including other payments to parent, affiliate and subsidiary companies	422901	(1 636 822)	(1 614 739)
Balance of money flows from current operations	4200	(1 636 822)	(1 614 739)
<b>Cash flows from financial operations</b>	Line	For 2016	For 2015
Income – total	4310	13 048 358	8 231 860
Including:			
Receiving the credits and loans	4311	12 902 315	8 229 885
Including receiving the credits and loans from parent, affiliate and subsidiary companies	431101	-	5 000 000
From owners' lodgment (participants)	4312	143 909	-
Including from owners' lodgment (participants) of parent, affiliate and subsidiary companies	431201	143 828	-
From shares release, increasing share of participation	4313	-	-
From shares release, increasing share of participation of parent, affiliate and subsidiary companies	431301	-	-
From issue of bonds, bills and other debt securities and other	4314	-	-
From issue of bonds, bills and other debt securities and other of parent, affiliate and subsidiary companies	431401	-	-

Other incomes	4319	2 134	1 975
Other incomes from parent, affiliate and subsidiary companies	431901	-	-
Payments - total	4320	(13 635 848)	(8 090 280)
Including:			
To owners (participants) due to the fact of their shares purchasing (equity share) or their cessation of membership	4321	-	-
Including to owners (participants) due to the fact of their shares purchasing (equity share) or their cessation of membership of parent, affiliate and subsidiary companies	432101	-	-
To dividends and other payments under appropriation of profit in favor of owners (participants)	4322	(141 533)	-
Including to dividends and other payments under appropriation of profit in favor of owners (participants) of parent, affiliate and subsidiary companies	432201	-	-
Due to the fact of payment of promissory notes (purchasing) and other debt securities, repayment of credits and loans	4323	(13 494 315)	(8 090 278)
Including due to the fact of payment of promissory notes (purchasing) and other debt securities, repayment of credits and loans to parent, affiliate and subsidiary companies	432301	-	(312 900)
Other payments	4329	-	(2)
Including other payments to parent, affiliate and subsidiary companies	432901	-	-
Balance of money flows from current operations	4300	(587 490)	141 580
Balance of money flows in the accounting period	4400	(890 952)	864 124
Cash balance and money equivalent at the beginning of reporting period	4450	1 581 079	716 955
Cash balance and money equivalent at the end of reporting period	4500	690 127	1 581 079
Effect of exchange rate changes of rubles	4490		

Director \_\_\_\_\_ Ebzeev B.B.  
(signature)

Chief accountant \_\_\_\_\_ Savin G.G.  
(signature)

22 February 2017

## 5.1. Intangible assets

### 5.1.1. Availability and flow of intangible assets

Indicator			As of year's beginning				Changes for period								As of period's end			
Name	Code	Period	Initial/c urrent market value	Accum ulated depreci ation	Impair ment losses	Resi dual value	Entered	Initial/c urrent market value	Accum ulated depreci ation	Impair ment losses	Accrue d depreci ation	Impair ment loss	Reassessment		Initial/c urrent market value	Accum ulated depreci ation	Impair ment losses	Resi dual value
													Initial/c urrent market value	Accum ulated depreci ation				
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
Intangible assets - totally	510 0	20 16	24	(18)	-	6	2 9 0 5	-	-	-	(1 222)	-	-	-	2 929	(1 240)	-	1 689
	511 0	20 15	24	(15)	-	9	-	-	-	-	(3)	-	-	-	24	(18)	-	6
Objects of intellectual property(ex clusive rights for results of intellectual property)	510 1	20 16	24	(18)	-	6	2 9 0 5	-	-	-	(1 222)	-	-	-	2 929	(1 240)	-	1 689
	511 1	20 15	24	(15)	-	9	-	-	-	-	(3)	-	-	-	24	(18)	-	6
including:																		
at a patent holder for inventions, industrial sample, useful model	510 11	20 16	-	-	-	-	2 9 0 5	-	-	-	(1 219)	-	-	-	2 905	(1 219)	-	1 689
	511 11	20 15	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
at a right holder for Computer	510 12	20 16	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	511 12	20 15	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

programs, databases																		
at a right holder for topologies of integrated microcircuits	510 13	20 16	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	511 13	20 15	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
at owner for trade mark, service mark, name of place of origin of goods	510 14	20 16	24	(18)	-	6	-	-	-	-	(3)	-	-	-	24	(21)	-	3
	511 14	20 15	24	(15)	-	9	-	-	-	-	(3)	-	-	-	24	(18)	-	6
Company's business reputation	510 2	20 16	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	511 2	20 15	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Others	510 3	20 16	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	511 3	20 15	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

## 5.2. Results of the scientific and research, design and experimental and technological works and intangible assets

### 5.2.1. Availability and flow of R&D results

Indicator name	Code	Period	As of year's beginning		Changes for period				As of period's end	
			initial cost	part of cost, written off to expenses	entered	retired		part of cost, written off to expenses for period	initial cost	part of cost, written off to expenses
						initial cost	part of cost, written off to expenses			
1	2	3	4	5	6	7	8	9	10	11
R&D, total	5140	2016	47 153	(29 783)	-	(2 905)	1 054	(8 179)	44 248	(36 908)

	5150	2015	47 153	(20 715)	-	-	-	(9 068)	47 153	(29 783)
among them:									-	-
Expenses for R&D, the results of which are used for production needs	5141	2016	-	-	-	-	-	-	-	-
	5151	2015	-	-	-	-	-	-	-	-
Patentable results of fulfilled R&D	5142	2016	-	-	-	-	-	-	-	-
	5152	2015	-	-	-	-	-	-	-	-
Expenses for R&D, made in-house	5143	2016	-	-	-	-	-	-	-	-
	5153	2015	-	-	-	-	-	-	-	-
Expenses for R&D, fulfilled by external agencies	5144	2016	47 153	(29 783)	-	(2 905)	1 054	(8 179)	44 248	(36 908)
	5154	2015	47 153	(20 715)	-	-	-	(9 068)	47 153	(29 783)

#### 5.2.2. In-progress and unregistered R&D and operations to acquire intangible assets in-progress

Indicator name	Code	Period	As of year's beginning	Changes for period			As of period's end
				expenses for period	expenses written off as those which haven't given positive result	entered in accounting records in the capacity of intangible assets or R&D	
1	2	3	4	5	6	7	8
Expenses on researches and developments in progress - total	5160	2016	820	8 880	-	-	9 700
	5170	2015	-	820	-	-	820
including:							
Scientific and research works	5161	2016	820	8 880	-	-	9 700
	5171	2015	-	820	-	-	820
Design and experimental works	5162	2016	-	-	-	-	-
	5172	2015	-	-	-	-	-
Technological works	5163	2016	-	-	-	-	-
	5173	2015	-	-	-	-	-
Others	5164	2016	-	-	-	-	-

	5174	2015	-	-	-	-	-
Operations to acquire intangible assets in-progress- total	5180	2016	-	-	-	-	-
	5190	2015	-	-	-	-	-
including:							
from a patent holder for inventions, industrial sample, useful model	5181	2016	-	-	-	-	-
	5191	2015	-	-	-	-	-
from a right holder for Computer programs, databases	5182	2016	-	-	-	-	-
	5192	2015	-	-	-	-	-
from a right holder for topologies of integrated microcircuits	5183	2016	-	-	-	-	-
	5193	2015	-	-	-	-	-
from owner, for trade mark, service mark, appellation of origin of goods	5184	2016	-	-	-	-	-
	5194	2015	-	-	-	-	-
Others	5185	2016	-	-	-	-	-
	5195	2015	-	-	-	-	-

### 5.3. Fixed assets

#### 5.3.1. Availability and flow of fixed assets

Indicator	Code	Period	As of year's beginning			Changes over the period							As of period's end		
			initial cost	accumulated depreciation	residual value	entered	accumulated depreciation on entered facilities	depreciation, accrued		reassessment		initial cost	accumulated depreciation	residual value	
								initial cost	accumulated depreciation	initial cost	accumulated depreciation				
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Fixed assets (net of income-bearing investments into tangible	5200	2016	45 187 586	(18 741 800)	26 445 786	1 647 851	(15)	(376 999)	135 092	(2 594 894)	-	-	46 458 438	(21 201 617)	25 256 821
	5210	2015	43 746 593	(15 995 076)	27 751 517	1 555 763	(65 392)	(114 770)	33 578	(2 714 910)	-	-	45 187 586	(18 741 800)	26 445 786

assets) - totally															
including:															
Depreciable fixed assets – totally:	5201	2016	45 165 213	(18 741 800)	26 423 413	1 639 362	(15)	(376 648)	135 092	(2 594 894)	-	-	46 427 927	(21 201 617)	25 226 310
	5211	2015	43 724 558	(15 995 076)	27 729 482	1 555 425	(65 392)	(114 770)	33 578	(2 714 910)	-	-	45 165 213	(18 741 800)	26 423 413
including:															
production buildings	52011	2016	4 206 316	(909 796)	3 296 520	144 899	-	(178 722)	44 470	(131 792)	-	-	4 172 493	(997 118)	3 175 375
	52111	2015	4 165 466	(780 876)	3 384 590	79 039	-	(38 189)	4 333	(133 253)	-	-	4 206 316	(909 796)	3 296 520
constructions, except power lines	52012	2016	1 354 356	(554 720)	799 636	13 028	-	(12 261)	4 932	(60 771)	-	-	1 355 123	(610 559)	744 564
	52112	2015	1 314 667	(486 260)	828 407	43 454	(24)	(3 765)	2 027	(70 463)	-	-	1 354 356	(554 720)	799 636
power transmission lines and devices	52013	2016	21 302 343	(8 211 207)	13 091 136	901 376	-	(7 561)	2 341	(1 180 658)	-	-	22 196 158	(9 389 524)	12 806 634
	52113	2015	20 920 527	(7 037 963)	13 882 564	414 888	-	(33 072)	12 681	(1 185 925)	-	-	21 302 343	(8 211 207)	13 091 136
machinery and equipment to produce electric power, substations, equipment to transform electric power production and household equipment	52014	2016	17 393 680	(8 390 625)	9 003 055	549 090	-	(172 749)	78 254	(1 153 956)	-	-	17 770 021	(9 466 327)	8 303 694
	52114	2015	16 422 676	(7 084 079)	9 338 597	995 142	(65 368)	(24 138)	11 900	(1 253 078)	-	-	17 393 680	(8 390 625)	9 003 055
	52015	2016	95 723	(82 661)	13 062	1 983	(15)	(2 161)	2 153	(3 733)	-	-	95 545	(84 256)	11 289
	52115	2015	109 547	(78 151)	31 396	638	-	(14 462)	1 491	(6 001)	-	-	95 723	(82 661)	13 062
others	52016	2016	812 795	(592 791)	220 004	28 986	-	(3 194)	2 942	(63 984)	-	-	838 587	(653 833)	184 754
	52116	2015	791 675	(527 747)	263 928	22 264	-	(1 144)	1 146	(66 190)	-	-	812 795	(592 791)	220 004
Indicator name	Code	Peri od	As of beginning of the year			Changes over the period							As of the end of period		
			initial cost	accumulated depreciation	residual value	entered	accumul ated deprecia tion on entered facilities			depreciation , accrued	reassessment		initial cost	accumulated depreciation	residual value
								initial cost	accumul ated deprecia tion		initial cost	accumulat ed depreciati on			
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
	5202	2016	22 373	-	22 373	8 489	-	(351)	-	-	-	-	30 511	-	30 511

Facilities with unrestricted useful life, not depreciable - totally	5212	2015	22 035	-	22 035	338	-	-	-	-	-	-	22 373	-	22 373
including:															
land plots	52021	2016	22 373	-	22 373	8 489	-	(351)	-	-	-	-	30 511	-	30 511
	52121	2015	22 035	-	22 035	338	-	-	-	-	-	-	22 373	-	22 373
objects of nature management	52022	2016	-	-	-	-	-	-	-	-	-	-	-	-	-
	52122	2015	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital investments for fundamental improvement of lands	5203	2016	-	-	-	-	-	-	-	-	-	-	-	-	-
	5213	2015	-	-	-	-	-	-	-	-	-	-	-	-	-
Accounted in composition of income-bearing investments into tangible assets - totally	5220	2016	-	-	-	-	-	-	-	-	-	-	-	-	-
	5230	2015	-	-	-	-	-	-	-	-	-	-	-	-	-
including:					-										
property to be transferred on lease	5221	2016	-	-	-	-	-	-	-	-	-	-	-	-	-
	5231	2015	-	-	-	-	-	-	-	-	-	-	-	-	-
property submitted under a lease contract	5222	2016	-	-	-	-	-	-	-	-	-	-	-	-	-
	5232	2015	-	-	-	-	-	-	-	-	-	-	-	-	-

### 5.3.2. Useful life and methods for depreciation accrual

Indicator name	Code	Established useful life (in months)	Methods for depreciation accrual
1	2	3	4
Production buildings	7001	84-1440	straight-line
Construction, except for power transmission lines	7002	42-1200	straight-line
Power transmission lines and devices	7003	12-1184	straight-line
Machinery and equipment to produce electric power, substations, equipment to transform electric power	7004	13-883	straight-line
Production and household equipment	7005	25-516	straight-line
Miscellaneous	7006	12-885	straight-line

### 5.3.3. Cost change of the fixed assets as a result of further construction, further equipping, reconstruction and partial liquidation

Indicator name	Code	2016	2015
1	2	3	4
Cost increase of the items of the fixed assets as a result of a further construction, further equipping, reconstruction – total	5260	142 478	400 607
including:			
production buildings	5261	938	22 162
construction, except for power transmission lines	5262	9 719	-
power transmission lines and devices	5263	94 139	141 041
machinery and equipment to produce electric power, substations, equipment to transform electric power	5264	37 682	237 404
production and household equipment	5265	-	-
miscellaneous	5266	-	-
Cost decrease of the items of the fixed assets as a result of a partial liquidation – total	5270	(23 084)	(32 688)
including:			
production buildings	5271	(59)	(139)
construction, except for power transmission lines	5272	(151)	(177)
power transmission lines and devices	5273	(6 552)	(31 178)
machinery and equipment to produce electric power, substations, equipment to transform electric power	5274	(16 332)	(1 197)
production and household equipment	5275	-	-
miscellaneous	5276	-	-

### 5.3.4. Other use of the fixed assets

Indicator name	Code	As of 31 December 2016	As of 31 December 2015	As of 31 December 2014
1	2	3	4	5
Leased out fixed assets, being on the books	5280	123 280	223 373	229 491
Leased out fixed assets, being off the books	5281	68 159	68 203	39 103
Taken on lease fixed assets, being on the books	5282	0	0	0
Taken on lease fixed assets, being off the books	5283	3 678 766	3 726 702	5 303 017
Items of immovable property, accepted for operation and used actually, being in the state registration process	5284	917 063	961 745	892 618
Fixed assets transferred to standby	5285	492 363	494 647	786 207
Other use of fixed assets (pledge etc.)	5286	0	0	0



### 5.3.5. Capital investments in progress

Indicator name	Code	Period	As of year's beginning	Changes for period			As of period's end
				expenditures for period	written off	entered in accounting records as fixed assets or cost is increased	
1	2	3	4	5	6	7	8
Construction-in-process and unaccomplished operations in respect to acquisition, renovation etc. of the fixed assets - total	5240	2016	2 450 296	2 620 080	(179 353)	(1 584 155)	3 306 868
	5250	2015	2 226 365	2 159 496	(465 961)	(1 469 604)	2 450 296
including:							
of industrial purpose	5241	2016	2 450 296	2 620 080	(179 353)	(1 584 155)	3 306 868
	5251	2015	2 226 143	2 159 168	(465 411)	(1 469 604)	2 450 296
construction-in-process	52411	2016	1 937 055	1 279 079	(65 918)	(1 107 331)	2 042 885
	52511	2015	1 769 271	1 616 812	(26 637)	(1 422 391)	1 937 055
fixed assets acquisition	52412	2016	276	478 698	(205)	(468 333)	10 436
	52512	2015	272	46 880	-	(46 876)	276
equipment to be installed	52413	2016	259 666	711 581	46 342	-	1 017 589
	52513	2015	233 817	275 454	(249 605)	-	259 666
miscellaneous	52414	2016	253 299	150 722	(159 572)	(8 491)	235 958
	52514	2015	222 783	220 022	(189 169)	(337)	253 299
of non-industrial purpose	5242	2016	-	-	-	-	-
	5252	2015	222	328	(550)	-	-
construction-in-process	52421	2016	-	-	-	-	-
	52521	2015	222	328	(550)	-	-
fixed assets acquisition	52422	2016	-	-	-	-	-
	52522	2015	-	-	-	-	-
equipment to be installed	52423	2016	-	-	-	-	-
	52523	2015	-	-	-	-	-
miscellaneous	52424	2016	-	-	-	-	-

	52524	2015	-	-	-	-
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### 5.3.6. Advances paid for capital construction and fixed assets acquisition

Indicator name	Code	Period	As of the beginning of the year		Changes within the period							As of the end of the period	
			accounted under contract's clauses	amount of provision for doubtful debts	entrance			retirement				accounted under contract's clauses	amount of provision for doubtful debts
					as a result of economic operations (debt sum on a transaction)	other accruals	accrual of a reserve	repayment	writing off owing to reserve, accrued earlier	writing off to financial result	recovery of a reserve		
1	2	3	4	5	6	7	8	9	10	11	12	13	14
Advances paid for capital construction	5291	2016	1 391	-	7 790	-	-	(8 757)	-	-	-	424	-
	5292	2015	19 672	(10 759)	342	-	-	(7 864)	(10 759)	-	-	1 391	-
including:													
capital construction	52911	2016	1 344	-	6 487	-	-	(7 407)	-	-	-	424	-
	52921	2015	19 517	(10 759)	257	-	-	(7 671)	(10 759)	-	-	1 344	-
fixed assets acquisition	52912	2016	47	-	1 303	-	-	(1 350)	-	-	-	-	-
	52922	2015	155	-	85	-	-	(193)	-	-	-	47	-
miscellaneous	52913	2016	-	-	-	-	-	-	-	-	-	-	-
	52923	2015	-	-	-	-	-	-	-	-	-	-	-

### 5.4. Financial investments

#### 5.4.1. Availability and flow of financial investments

Indicator	Code	Period	As of the beginning of the year		Changes for period				As of the end of the period	
						retired (repaid)				

			initial cost	accumulated adjustment	entered	initial cost	accrued adjustment	interest accrual (including the initial cost bringing to nominal cost)	current market value (impairment losses)	initial cost	accumulated adjustment
1	2	3	4	5	6	7	8	9	10	11	12
Long-term FI - total	5301	2016	380 221	(235 292)	-	-	-	-	2 981	380 221	(232 311)
	5311	2015	395 123	(240 112)	-	(14 902)	4 170	-	650	380 221	(235 292)
Contributions in other entities' charter (joint-stock) capitals – totally	53021	2016	331 958	(187 029)	-	-	-	-	2 981	331 958	(184 048)
	53121	2015	346 860	(191 849)	-	(14 902)	4 170	-	650	331 958	(187 029)
including:											
of subsidiary economic entities	530211	2016	326 530	(185 820)	-	-	-	-	370	326 530	(185 450)
	531211	2015	341 432	(189 721)	.	(14 902)	4 170	-	(269)	326 530	(185 820)
of dependent economic entities	530212	2016	-	-	.	-	-	-	-	-	-
	531212	2015	-	-	-	-	-	-	-	-	-
Miscellaneous	530213	2016	5 428	(1 209)	-	-	-	-	2 611	5 428	1 402
	531213	2015	5 428	(2 128)	-	-	-	-	919	5 428	(1 209)
State and municipal securities	53022	2016	-	-	-	-	-	-	-	-	-
	53122	2015	-	-	-	-	-	-	-	-	-
Other entities' securities - totally	53023	2016	-	-	-	-	-	-	-	-	-
	53123	2015	-	-	-	-	-	-	-	-	-
including:											
debt securities (bonds, bills)	530231	2016	-	-	-	-	-	-	-	-	-
	531231	2015	-	-	-	-	-	-	-	-	-
Loans granted	53024	2016	-	-	-	-	-	-	-	-	-
	53124	2015	-	-	-	-	-	-	-	-	-
Deposits	53025	2016	-	-	-	-	-	-	-	-	-

	53125	2015	-	-	-	-	-	-	-	-	-
Miscellaneous	53026	2016	48 263	(48 263)	-	-	-	-	-	48 263	(48 263)
	53126	2015	48 263	(48 263)	-	-	-	-	-	48 263	(48 263)
Long-term FI having current market value-totally	5302	2016	3 749	(1 209)	*	-	-	-	2611	3 749	1 402
	5312	2015	3 749	(2 128)	-	-	-	-	919	3 749	(1 209)
Contributions in other entities' charter (joint-stock) capitals – totally	53031	2016	3 749	(1 209)	-	-	-	-	2611	3 749	1 402
	53131	2015	3 749	(2 128)	-	-	-	-	919	3 749	(1 209)
including:											
of subsidiary economic entities	530311	2016	-	-	-	-	-	-	-	-	-
	531311	2015	-	-	-	-	-	-	-	-	-
of dependent economic entities	530312	2016	-	-	-	-	-	-	-	-	-
	531312	2015	-	-	-	-	-	-	-	-	-
Miscellaneous	530313	2016	3 749	(1 209)	-	-	-	-	2611	3 749	1 402
	531313	2015	3 749	(2 128)	-	-	-	-	919	3 749	(1 209)
State and municipal securities	53032	2016	-	-	-	-	-	-	-	-	-
	53132	2015	-	-	-	-	-	-	-	-	-
Other entities' securities - totally	53033	2016	-	-	-	-	-	-	-	-	-
	53133	2015	-	-	-	-	-	-	-	-	-
including:											-
debt securities (bonds, bills)	530331	2016	-	-	-	-	-	-	-	-	-
	531331	2015	-	-	-	-	-	-	-	-	-
Miscellaneous	53034	2016	-	-	-	-	-	-	-	-	-
	53134	2015	-	-	-	-	-	-	-	-	-
Long-term FI on which no current market value is determined - totally	5303	2016	376 472	(234 083)	-	-	-	-	370	376 472	(233 713)
	5313	2015	391 374	(237 984)	-	(14 902)	4 170	-	(269)	376 472	(234 083)

#### 5.4.1. Availability and flow of financial investments (continued)

Indicator	Code	Period	As of the beginning of the year		Changes for period					As of the end of the period	
			initial cost	accumulated adjustment	entered	retired (repaid)		interest accrual (including the initial cost bringing to nominal cost)	current market value (impairment losses)	initial cost	accumulated adjustment
						initial cost	accrued adjustment				
1	2	3	4	5	6	7	8	9	10	11	12
Short-term FI - total	5305	2016	403 000	-	377 257	(1 000)	-	-	-	779 257	-
	5315	2015	-	-	420 000	(17 000)	-	-	-	403 000	-
Contributions in other entities' charter (joint-stock) capitals – total	53061	2016	-	-	-	-	-	-	-	-	-
	53161	2015	-	-	-	-	-	-	-	-	-
State and municipal securities	53062	2016	-	-	-	-	-	-	-	-	-
	53162	2015	-	-	-	-	-	-	-	-	-
Other entities' securities - total	53063	2016	403 000	-	377 257	(1 000)	-	-	-	779 257	-
	53163	2015	-	-	420 000	(17 000)	-	-	-	403 000	-
including:											
debt securities (bonds, bills)	530631	2016	403 000	-	377 257	(1 000)	-	-	-	779 257	-
	531631	2015	-	-	420 000	(17 000)	-	-	-	403 000	-
Loans granted	53064	2016	-	-	-	-	-	-	-	-	-
	53164	2015	-	-	-	-	-	-	-	-	-
Deposits	53065	2016	-	-	-	-	-	-	-	-	-
	53165	2015	-	-	-	-	-	-	-	-	-
Miscellaneous	53066	2016	-	-	-	-	-	-	-	-	-
	53166	2015	-	-	-	-	-	-	-	-	-
Short-term FI having current market value- total	5306	2016	-	-	-	-	-	-	-	-	-
	5316	2015	-	-	-	-	-	-	-	-	-

Contributions in other entities' charter (joint-stock) capitals – total	53071	2016	-	-	-	-	-	-	-	-	-
	53171	2015	-	-	-	-	-	-	-	-	-
State and municipal securities	53072	2016	-	-	-	-	-	-	-	-	-
	53172	2015	-	-	-	-	-	-	-	-	-
Other entities' securities - total	53073	2016	-	-	-	-	-	-	-	-	-
	53173	2015	-	-	-	-	-	-	-	-	-
including:											
debt securities (bonds, bills)	530731	2016	-	-	-	-	-	-	-	-	-
	531731	2015	-	-	-	-	-	-	-	-	-
Miscellaneous	53074	2016	-	-	-	-	-	-	-	-	-
	53174	2015	-	-	-	-	-	-	-	-	-
Short-term FI on which no current market value is determined - total	5307	2016	403 000	-	377 257	(1 000)	-	-	-	779 257	-
	5317	2015	-	-	420 000	(17 000)	-	-	-	403 000	-
Financial investments - total	5300	2016	783 221	(235 292)	377 257	(1 000)	-	-	2 981	1 159 478	(232 311)
	5310	2015	395 123	(240 112)	420 000	(31 902)	4 170	-	650	783 221	(235 292)

#### 5.4.2. Adjustments of financial investments' assessments

Indicator	Code	As of the beginning of the year	Changes for period			As of the end of the period
			Increase	Decrease	Retirement under writing off of FI (financial investments)	
1	2	3	4	5	6	7
Long-term financial investments	7100	(235 292)	5 354	(2 373)	-	(232 311)
Difference between the current market value of the financial investments and their previous assessment	7110	(1 209)	3 079	(468)	-	1 402

including:						
Contributions in other entities' charter (joint-stock) capitals – total	7111	(1 209)	3 079	(468)	-	1 402
including:						
of subsidiary economic companies	71111	-	-	-	-	-
of dependent economic entities	71112	-	-	-	-	-
miscellaneous	71113	(1 209)	3 079	(468)	-	1 402
State and municipal securities	7112	-	-	-	-	-
Other entities' securities - total	7113	-	-	-	-	-
including:						
debt securities (bonds, bills)	71131	-	-	-	-	-
Miscellaneous	7114	-	-	.	-	-
Difference between the current cost of the debt securities and their initial cost	7120	-	-	-	-	-
including:						
Other entities' securities - total	7121	-	-	-	-	-
including:						
debt securities (bonds, bills)	71211	-	-	-	-	-
Miscellaneous	7122	-	-	-	-	-
Provision for impairment of financial investments, on which no market value is determined	7130	(234 083)	2 275	(1 905)	-	(233 713)
including:						
Contributions in other entities' charter (joint-stock) capitals – total	7131	(185 820)	2 275	(1 905)	-	(185 450)
including:						
of subsidiary economic companies	71311	(185 820)	2 275	(1 905)	-	(185 450)
of dependent economic entities	71312	-	-	-	-	-
miscellaneous	71313	-	-	-	-	-
State and municipal securities	7132	-	-	-	-	-
Other entities' securities – total	7133	-	-	-	-	-

<i>including:</i>						
debt securities (bonds, bills)	71331	-	-	-	-	-
Loans granted	7134	-	-	-	-	-
Deposits	7135	-	-	-	-	-
Miscellaneous	7136	(48 263)	-	-	-	(48 263)
		As of the	Changes for period			As of the end of
Indicator	Code	beginning of the year	Increase	Decrease	Retirement under writing off of FI (financial investments)	the period
1	2	3	4	5	6	7
Short-term financial investments	7200	-	-	-	-	-
Difference between the current market value of the financial investments and their previous assessment, on which it was determined	7210	-	-	-	-	-
<i>including:</i>						
Contributions in other entities' charter (joint-stock) capitals – total	7211	-	-	-	-	-
<i>including:</i>						
of subsidiary economic companies	72111	-	-	-	-	-
of dependent economic entities	72112	-	-	-	-	-
Miscellaneous	72113	-	-	-	-	-
Other entities' securities – total	7212	-	-	-	-	-
<i>including:</i>						
debt securities (bonds, bills)	72121	-	-	-	-	-
Miscellaneous	7213	-	-	-	-	-
Difference between the current value of the debt securities and their initial value	7220	-	-	-	-	-
<i>including:</i>						
Other entities' securities – total	7221	-	-	-	-	-

including:						
debt securities (bonds, bills)	72211	-	-	-	-	-
Miscellaneous	7222	-	-	-	-	-
Provision for impairment of financial investments, not having a market value	7230	-	-	-	-	-
including:						
Contributions in other entities' charter (joint-stock) capitals – total	7231	-	-	-	-	-
including:						
of subsidiary economic companies	72311	-	-	-	-	-
of dependent economic entities	72312	-	-	-	-	-
Miscellaneous	72313	-	-	-	-	-
State and municipal securities	7232	-	-	-	-	-
Other entities' securities – total	7233	-	-	-	-	-
including:						
debt securities (bonds, bills)	72331	-	-	-	-	-
Loans granted	7234	-	-	-	-	-
Deposits	7235	-	-	-	-	-
Miscellaneous	7236	-	-	-	-	-

### 5.4.3. Other use of financial investments

Indicator	Code	As of 31 December 2016	As of 31 December 2015	As of 31 December 2014
Pledged financial investments – total	5320	0	0	0
including		0	0	0
bonds	5321	0	0	0
bills	5322	0	0	0
shares	5323	0	0	0
Financial investments transferred to third party (except selling) – total	5325	0	0	0
including		0	0	0
bonds	5326	0	0	0
bills	5327	0	0	0
shares	5328	0	0	0
Other use of financial investments	5329	0	0	0

5.5. Business inventories  
5.5.1. Availability and flow of inventories

Indicator	Code	Period	As of the beginning of the year		Changes for period					As of the end of the period	
			prime cost	reserve amount for cost reduction	receipts and expenditures	retired		losses from cost reduction	inventory turnover within groups (types)	prime cost	reserve for cost reduction
						prime cost	reserve for cost reduction				
1	2	3	4	5	6	7	8	9	10	11	12
Inventories - total	5400	2016	720 902	-	1 117 053	(1 019 817)	-	(4 863)	X	818 138	(4 863)
	5420	2015	649 191	-	1 079 865	(1 008 154)	-	-	X	720 902	-
raw material and materials	5401	2016	718 504	-	1 044 326	(1 016 183)	-	(4 863)	-	746 647	(4 863)
	5421	2015	637 593	-	1 078 747	(997 836)	-	-	-	718 504	-
production-in-process	5402	2016	-	-	-	-	-	-	-	-	-
	5422	2015	-	-	-	-	-	-	-	-	-
goods delivered	5403	2016	-	-	71 452	-	-	-	-	71 452	-
	5423	2015	1 789	-	-	(1 789)	-	-	-	-	-
finished products and goods	5404	2016	2 398	-	1 275	(3 634)	-	-	-	39	-
	5424	2015	9 809	-	1 118	(8 529)	-	-	-	2 398	-
miscellaneous inventories and expenditures	5405	2016	-	-	-	-	-	-	-	-	-
	5425	2015	-	-	-	-	-	-	-	-	-

### 5.5.2. Pledged inventory

Indicator	Code	As of 31 December 2016	As of 31 December 2015	As of 31 December 2014
Inventory unpaid as of the reporting date - total	5440	271 239	327 851	401 241
including raw materials	5441	271 239	327 851	401 190
construction in-progress	5442	-	-	-
goods dispatched	5443	-	-	-
finished products and goods	54441	-	-	51
miscellaneous goods and expenses	54442	-	-	-
Pledged inventory under the contract – total	5445	-	-	-
including raw materials	5446	-	-	-
goods dispatched	5447	-	-	-
finished products and goods	5448	-	-	-
miscellaneous goods and expenses	5449	-	-	-

5.6. Accounts receivable and accounts payable  
5.6.1. Availability and flow of accounts receivable

Indicator name	Code	Period	As of year's beginning		Changes for period								As of period's end	
			accounted under contract's clauses	amount of provision for doubtful debts	entrance							transfer from long-term into short-term indebtedness	accounted under contract's clauses	amount of provision for doubtful debts
					as a result of economic operations (debt amount on a transaction of operation)	due interest, penalties and other accruals	accrual of reserve	repayment	writing off owing to reserve accrued earlier	writing off to financial result	reserve recovery			
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Long-term accounts receivable - total	5501	2016	1 324 933	(1 302 880)	72 036	-	368 309	(1 087)	-	-	346 612	(803 279)	592 603	(587 959)
	5521	2015	104 361	(1 862)	6 792	-	(1 790 556)	(1 038 589)	-	-	489 538	2 252 369	1 324 933	(1 302 880)
including:														
Settlements with buyers and customers	5502	2016	1 304 992	(1 302 880)	71 718	-	368 309	(538)	-	-	346 612	(785 519)	590 653	(587 959)
	5522	2015	7 778	(1 862)	1 866	-	(1 790 556)	(1 038 589)	-	-	489 538	2 333 937	1 304 992	(1 302 880)
including:														
with respect to electric power transmission	55021	2016	1 302 880	(1 302 880)	69 391	-	368 309	-	-	-	346 612	(784 312)	587 959	(587 959)
	55221	2015	-	-	-	-	(1 790 556)	(1 036 642)	-	-	487 676	2 339 522	1 302 880	(1 302 880)
with respect to grid connection	55022	2016	988	-	2 327	-	-	(501)	.	-	-	(1 489)	1 325	-
	55222	2015	4 342	-	940	-	-	(924)	.	-	-	(3 370)	988	-
with respect to organization of functioning	55023	2016	-	-	-	-	-	-	-	-	-	-	-	-

and development of UES of Russia as to the distribution electric grid complex	55223	2015	-	-	-	-	-	-	-	-	-	-	-	-
with respect to resale of electric power and capacity	55024	2016	-	-	-	-	-	-	-	-	-	-	-	-
	55224	2015	-	-	-	-	-	-	-	-	-	-	-	-
with respect to revenues from lease	55025	2016	-	-	-	-	-	-	-	-	-	645	645	-
	55225	2015	-	-	-	-	-	-	-	-	-	-	-	-
with respect to others	55026	2016	1 124	-	-	-	-	(37)	-	-	-	(363)	724	-
	55226	2015	3 436	(1 862)	926	-	-	(1 023)	-	-	1 862	(2 215)	1 124	-
Advances paid	5503	2016	7 290	-	280	-	-	(549)	-	-	-	(5 109)	1 912	-
	5523	2015	2 364	-	4 926	-	-	-	-	-	-	-	7 290	-
Bills receivable	5504	2016	-	-	-	-	-	-	-	-	-	-	-	-
	5524	2015	-	-	-	-	-	-	-	-	-	-	-	-
Other accounts receivable	5505	2016	12 651	-	38	-	-	-	-	-	-	(12651)	38	-
	5525	2015	94 219	-	-	-	-	-	-	-	-	(81 568)	12 651	-
including:														
non-interest bearing bills	55051	2016	-	-	-	-	-	-	-	-	-	-	-	-
	55251	2015	-	-	-	-	-	-	-	-	-	-	-	-
others	55052	2016	12 651	-	38	-	-	-	-	-	-	(12 651)	38	-
	55252	2015	94 219	-	-	-	-	-	-	-	-	(81 568)	12 651	-
From total sum of long-term accounts receivable:	5506	2016	-	-	-	-	-	-	-	-	-	-	-	-
	5526	2015	-	-	-	-	-	-	-	-	-	-	-	-
indebtedness of subsidiary companies	55061	2016	-	-	-	-	-	-	-	-	-	-	-	-
	55261	2015	-	-	-	-	-	-	-	-	-	-	-	-
indebtedness of dependent companies	55062	2016	-	-	-	-	-	-	-	-	-	-	-	-
	55262	2015	-	-	-	-	-	-	-	-	-	-	-	-

Short-term accounts receivable - total	5510	2016	17 954 144	(7 568 947)	40 761 511	923 232	(2 114 595)	(40 664 512)	(209 878)	(4 223)	2 898 069	803 279	19 563 553	(6 575 595)
	5530	2015	17 762 377	(8 703 164)	39 312 486	32 052	(470 282)	(36 880 920)	(14 601)	(4 881)	1 589 898	(2 252 369)	17 954 144	(7 568 947)
including:														
Settlements with buyers and customers	5511	2016	15 748 222	(6 694 746)	36 597 080	-	(1 947 977)	(35 955 770)	(66 029)	(7)	2 872 727	785 519	17 109 015	(5 703 967)
	5531	2015	15 844 190	(7 988 621)	35 356 260	-	(291 089)	(33 114 689)	(1 938)	(1 664)	1 583 026	(2 333 937)	15 748 222	(6 694 746)
including:														
with respect to electric power transmission	55111	2016	15 070 262	(6 238 941)	35 921 871	-	(1 941 989)	(35 217 208)	(51 892)	-	2 841 181	784 312	16 507 345	(5 287 857)
	55311	2015	15 177 951	(7 540 322)	34 875 857	-	(278 274)	(32 643 478)	-	(546)	1 579 655	(2 339 522)	15 070 262	(6 238 941)
with respect to grid connection	55112	2016	89 182	(54 297)	464 025	-	(2 174)	(427 302)	(5 165)	-	2 407	1 489	122 229	(48 899)
	55312	2015	111 006	(43 590)	269 926	-	(11 337)	(294 101)	-	(1 019)	630	3 370	89 182	(54 297)
with respect to organization of functioning and development of UES of Russia as to the distribution electric grid complex	55113	2016	-	-	-	-	-	-	-	-	-	-	-	-
	55313	2015	-	-	-	-	-	-	-	-	-	-	-	-
with respect to resale of electric power and capacity	55114	2016	-	-	-	-	-	-	-	-	-	-	-	-
	55314	2015	-	-	-	-	-	-	-	-	-	-	-	-
with respect to revenues from lease	55115	2016	9 351	(336)	50 294	-	(2 234)	(76 038)	(323)	-	-	-	(16 716)	(2 247)
	55315	2015	2 475	(353)	26 862	-	-	(19 969)	(17)	-	-	-	9 351	(336)
with respect to others	55116	2016	579 427	(401 172)	160 890	-	(1 580)	(235 222)	(8 649)	(7)	29 139	(282)	496 157	(364 964)
	55316	2015	552 758	(404 356)	183 615	-	(1 478)	(157 141)	(1 921)	(99)	2 741	2 215	579 427	(401 172)
Advances paid	5512	2016	66 757	(3 512)	3 367 213	-	(6 195)	(3 402 677)	(79)	(44)	-	5 109	36 279	(9 628)
	5532	2015	244 089	(3 602)	2 690 988	-	(265)	(2 867 831)	(355)	(134)	-	-	66 757	(3 512)
Bills receivable	5513	2016	-	-	-	-	-	-	-	-	-	-	-	-
	5533	2015	-	-	-	-	-	-	-	-	-	-	-	-

indebtedness of participants (founders) as regards contributions into the charter capital	5514	2016	-	-	-	-	-	-	-	-	-	-	-	-
	5534	2015	-	-	-	-	-	-	-	-	-	-	-	-
Indebtedness of subsidiary and dependent entities as regards dividends	5515	2016	-	-	-	-	-	-	-	-	-	-	-	-
	5535	2015	-	-	-	-	-	-	-	-	-	-	-	-
Other accounts receivable	5516	2016	2 139 165	(870 689)	797 218	923 232	(160 423)	(1 306 065)	(143 770)	(4 172)	25 342	12 651	2 418 259	(862 000)
	5536	2015	1 674 098	(710 941)	1 265 238	32 052	(178 928)	(898 400)	(12 308)	(3 083)	6 872	81 568	2 139 165	(870 689)
including:														
non-interest bearing bills	55161	2016	-	-	-	-	-	-	-	-	-	-	-	-
	55361	2015	-	-	-	-	-	-	-	-	-	-	-	-
overpayment in respect to taxes and levies	55162	2016	530 503	-	663 194	-	-	(533 293)	-	-	-	-	660 404	-
	55362	2015	242 585	-	583 635	-	-	(295 717)	-	-	-	-	530 503	-
sale of property	55163	2016	-	-	-	-	-	-	-	-	-	-	-	-
	55363	2015	-	-	-	-	-	-	-	-	-	-	-	-
others	55164	2016	1 608 662	(870 689)	134 024	923 232	(160 423)	(772 772)	(143 770)	(4 172)	25 342	12 651	1 757 855	(862 000)
	55364	2015	1 431 513	(710 941)	681 603	32 052	(178 928)	(602 683)	(12 308)	(3 083)	6 872	81 568	1 608 662	(870 689)
From total sum of short-term accounts receivable	5517	2016	122 094	(12 680)	236	-	(100)	(666)	-	-	-	-	121 664	(12 780)
	5537	2015	121 686	(12 680)	684	-	-	(276)	-	-	-	-	122 094	(12 680)
indebtedness of subsidiary companies	55171	2016	122 094	(12 680)	236	-	(100)	(666)	-	-	-	-	121 664	(12 780)
	55371	2015	121 686	(12 680)	684	-	-	(276)	-	-	-	-	122 094	(12 680)
indebtedness of dependent companies	55172	2016	-	-	-	-	-	-	-	-	-	-	-	-
	55372	2015	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	5500	2016	19 279 077	(8 871 827)	40 833 547	923 232	(1 746 286)	(40 665 599)	(209 878)	(4 223)	3 244 681	-	20 156 156	(7 163 554)
	5520	2015	17 866 738	(8 705 026)	39 319 278	32 052	(2 260 838)	(37 919 509)	(14 601)	(4 881)	2 079 436	-	19 279 077	(8 871 827)

### 5.6.2. Provision for doubtful debts

Indicator		As of the beginning of the year	Changes for period		As of the end of the period
	Code		Creation of reserve	Writing off of reserve	
1	2	3	4	5	6
Settlements with buyers and customers	7310	7 997 626	1 579 668	(3 285 368)	6 291 926
including:					
in respect to electric power transmission	7311	7 541 821	1 573 680	(3 239 685)	5 875 816
in respect to grid connection	7312	54 297	2174	(7 572)	48 899
in respect to organization of functioning and development of UES of Russia as to the distribution electric grid complex	7313	-	-	-	-
in respect to resale of electric power and capacity	7314	-	-	-	*
in respect to revenues from lease	7315	336	2 234	(323)	2 247
others	7316	401 172	1 580	(37 788)	364 964
Advances paid	7330	3 512	6 195	(79)	9 628
Other accounts receivable	7320	870 689	160 423	(169 112)	862 000
Total	7300	8 871 827	1 746 286	(3 454 559)	7 163 554

### 5.6.3. Overdue accounts receivable

Indicator name	Code	As of 31 December 2016		As of 31 December 2015		As of 31 December 2014	
		accounted under contract's clauses	balance sheet value (net of provision for doubtful debts)	accounted under contract's clauses	balance sheet value (net of provision for doubtful debts)	accounted under contract's clauses	balance sheet value (net of provision for doubtful debts)
1	2	3	4	5	6	7	8
Total	5540	16 148 407	9 035 447	15 676 195	6 801 390	14 259 055	5 550 955
including: Settlements with buyers and customers, including	5541	14 532 116	8 290 784	14 468 918	6 468 314	13 147 710	5 166 849

electric power transmission	55411	14 007 802	8 182 580	13 811 908	6 265 647	12 576 214	5 035 892
grid connection	55412	56 958	8 059	85 071	30 774	57 717	14 126
organization of functioning and development of UES of Russia as to the distribution electric grid complex	55413	-	-	-	-	-	-
resale of electric power and capacity	55414	-	-	-	-	-	-
revenues from lease	55415	43 915	41 668	118291	117 955	43 742	43 402
Other	55416	423 441	58 477	453 648	53 938	470 037	73 429
Other accounts receivable	5542	1 616 291	744 663	1 207 277	333 076	1 111 345	384 106

#### 5.6.4. Disputes with Sales Companies

Counterparty	As of the beginning of the year		Changes for period				As of the end of the period	
			Accrued for the period (turnover on accounts receivable, RUR ths.)		Paid for the period (turnover on accounts payable, RUR ths.)			
	Company's data	Counterparty's data	Company's data	Counterparty's data	Company's data	Counterparty's data	Company's data	Counterparty's data
1	2	3	4	5	6	7	8	9
AESK, PJSC	2 810 502	1 486 001	4 635 332	4 633 093	5191 772	4 825 671	2 254 062	1 293 423
Oboronenergosbyt, JSC	173 960	164 348	147 458	128 335	147 163	147 163	174 255	145 520
Volgogradenergosbyt, PJSC	3 925 169	2 948 856	3 446 101	3 529 417	3 691 655	3 691 655	3 679 615	2 786 618
Regionenergosbyt, LLC	30	30	3 452	2 448	1 739	1 739	1 743	739
MegaVoltAmperEnergobalans, LLC	30 869	5 265	36 288	36 288	63 978	38 374	3 179	3 179
Gorenergosbyt, LLC	1 851	1 805	34 117	34 117	34 407	34 361	1 561	1 561
Rusenergosbyt, LLC	156	156	536 552	475 060	466 591	466 591	70 117	8 625
Wholesale Electric Company, JSC	6 291	6 291	57 706	55 235	54 419	54 419	9 578	7 107

RegionErgoKontrakt, LLC	1 010	1 010	23 188	23 124	21 970	21 970	2 228	2 164
Kalmenergosbyt, JSC	38 049	37 739	544 561	544 761	495 631	495 711	86 979	86 789
TNS energo Rostov-on-Don, PJSC	1 321 090	1 204 815	10 371 900	10 386 813	9 580 123	9 586 450	2 112 867	2 005 178
Donenergo, JSC	1 005 193	996 520	2 702 968	2 694 213	2 283 614	2 283 614	1 424 547	1 407 119
Donenergosbyt, LLC	-	-	6 028	5 485	4 077	4 077	1 951	1 408

#### 5.6.5. Presence and flow of accounts payable

Indicator	Code	Period	Balance as of year's beginning	Changes for period					Balance as of period's end
				entrance				transfer from long-term into short-term indebtedness	
				as a result of economic operations (debt amount on a transaction, operation)	accrued interest, penalties and other accruals	repayment	writing off to financial result		
1	2	3	4	5	6	7	8	9	10
Long-term accounts payable – total	5551	2016	118 463	102 898	-	(50 395)	-	(52 018)	118 948
	5571	2015	80 889	104 490	-	(23 899)	-	(43 017)	118 463
including:									
accounts payable of suppliers and contractors	5552	2016	-	-	-	-	-	-	-
	5572	2015	-	-	-	-	-	-	-
including:									
construction	55521	2016	-	-	-	-	-	-	-
	55721	2015	-	-	-	-	-	-	-
others	55522	2016	-	-	-	-	-	-	-
	55722	2015	-	-	-	-	-	-	-
Other accounts payable	5553	2016	118 463	102 898	-	(50 395)	-	(52 018)	118 948
	5573	2015	80 889	104 490	-	(23 899)	-	(43 017)	118 463

From total sum of long-term indebtedness	5554	2016	-	-	-	-	-	-	-
	5574	2015	-	-	-	-	-	-	-
indebtedness towards subsidiary companies	55541	2016	-	-	-	-	-	-	-
	55741	2015	-	-	-	-	-	-	-
Indebtedness towards dependent companies	55542	2016	-	-	-	-	-	-	-
	55742	2015	-	-	-	-	-	-	-
Short-term accounts payable - total	5560	2016	9 672 852	37 310 899	1 420 420	(34 878 900)	(4 309)	52 018	13 572 980
	5580	2015	8 545 973	34 859 311	64 922	(33 838 511)	(1 860)	43 017	9 672 852
including:									
Settlements with suppliers and contractors	5561	2016	7 535 500	25 470 019	-	(22 592 249)	(2 037)	-	10 411 233
	5581	2015	6 256 387	21 908 261	-	(20 627 770)	(1 378)	-	7 535 500
including:									
construction	55611	2016	814 931	1 928 147	-	(1 324 820)	-	-	1 418 258
	55811	2015	842 487	1 380 668	-	(1 407 385)	(839)	-	814 931
others	55612	2016	6 720 569	23 541 872	-	(21 267 429)	(2 037)	-	8 992 975
	55812	2015	5 413 900	20 527 593	-	(19 220 385)	(539)	-	6 720 569
Advances received	5562	2016	956 524	4 940 354	-	(4 945 570)	(570)	52 018	1 002 756
	5582	2015	1 025 367	5 135 475	-	(5 246 837)	(498)	43 017	956 524
including:									
in respect to electric power transmission	55621	2016	17 200	4 583 603	-	(4 444 901)	-	-	155 902
	55821	2015	41 046	4 610 310	-	(4 634 156)	-	-	17 200
in respect to grid connection	55622	2016	935 390	230 261	-	(442 374)	(295)	52 018	775 000
	55822	2015	967 310	475 312	-	(550 078)	(171)	43 017	935 390
in respect to organization of functioning and development of UES of Russia as to the distribution electric grid complex	55623	2016	-	-	-	-	-	-	-
	55823	2015	-	-	-	-	*	-	-
from resale of electric power and capacity	55624	2016	-	-	-	-	-	-	-
	55824	2015	-	-	-	-	-	-	-
	55625	2016	-	-	-	-	-	-	-

in respect to participation in other entities	55825	2015	-	-	-	-	-	-	-
in respect to lease services	55626	2016	4	2 542	-	(2 488)	-	-	58
	55826	2015	76	5215	-	(5 251)	(36)	-	4
in respect to others	55627	2016	3 930	123 948	-	(55 807)	(275)	-	71 796
	55826	2015	16 935	44 638	-	(57 352)	(291)	-	3 930
Indebtedness to participants (founders) as regards the revenues payout	5563	2016	94	142 096	-	(140 378)	-	-	1 812
	5583	2015	88	-	-	6	-	-	94
Bills payable	5564	2016	-	-	-	-	-	-	-
	5584	2015	-	-	-	-	-	-	-
Indebtedness towards state non-budgetary funds	5565	2016	137 076	1 758 767	-	(1 727 525)	-	-	168 318
	5585	2015	122 268	1 587 806	-	(1 572 998)	-	-	137 076
Settlements in respect to taxes and levies	5566	2016	452 453	2 136 139	-	(2 210 640)	-	-	377 952
	5586	2015	648 039	3 263 759	-	(3 459 345)	-	-	452 453
Indebtedness towards organization's personnel	5567	2016	248 132	2 339 455	-	(2 294 121)	(9)	-	293 457
	5587	2015	229 592	2 162 970	-	(2 144 430)	-	-	248 132
Other accounts payable	5568	2016	343 073	524 069	1 420 420	(968 417)	(1 693)	-	1 317 452
	5588	2015	264 232	801 040	64 922	(787 137)	16	-	343 073
From the total sum of short-term indebtedness	5569	2016	-	-	-	-	-	-	-
	5589	2015	1 894	-	-	(1 894)	-	-	-
indebtedness towards subsidiary entities	55691	2016	-	-	-	-	-	-	-
	55891	2015	1 894	-	-	(1 894)	-	-	-
indebtedness towards dependent companies	55692	2016	-	-	-	-	-	-	-
	55892	2015	-	-	-	-	-	-	-
Total	5550	2016	9 791 315	37 413 797	1 420 420	(34 929 295)	(4 309)	-	13 691 928
	5570	2015	8 626 862	34 963 801	64 922	(33 862 410)	(1 860)	-	9 791 315

5.6.6. Overdue accounts payable

Indicator name	Code	As of 31 December 2016	As of 31 December 2015	As of 31 December 2014
1	2	3	4	5
Total	5590	8 452 413	5 409 120	5 022 904
including: Settlements with suppliers and contractors	5591	7 305 179	5 012 973	4 338 228
including:				
construction	55911	467 997	386 715	451 503
others	55912	6 837 182	4 626 258	3 886 725
Indebtedness to participants (founders) in respect to revenues payout	5592	-	-	-
Indebtedness towards state non-budgetary funds	5593	-	-	-
Settlements in respect to taxes and levies	5594	-	-	-
Indebtedness towards organization's personnel	5595	-	-	-
Other accounts payable	5596	1 147 234	396 147	684 676

#### 5.6.7. Credits and loans

Indicator name	Code	Period	As of year's beginning	Changes for period					As of period's end
				Entrance	Accrual of interest	Repayment of indebtedness's principle amount	Repayment of interest	Transfer from long- term into short-term indebtedness	
1	2	3	4	5	6	7	8	9	10
Long-term borrowed funds - total	7410	2016	13 403 378	9 816 244	1 890 078	(337 600)	(1 878 164)	(5 661 914)	17 232 022
	7430	2015	19 744 299	7 753 378	1 915 553	(2 452 000)	(1 884 112)	(11 673 740)	13 403 378
including:									
Credits	7411	2016	8 403 378	9 816 244	1 213 179	(337 600)	(1 204 964)	(5 658 215)	12 232 022
	7431	2015	19 744 299	2 753 378	1 560 462	(2 452 000)	(1 560 462)	(11 642 299)	8 403 378
Loans	7412	2016	5 000 000	-	676 899	-	(673 200)	(3 699)	5 000 000

	7432	2015	-	5 000 000	355 091	-	(323 650)	(31 441)	5 000 000
Short-term borrowed funds - total	7420	2016	11 630 194	3 086 071	983 258	(13 156 715)	(981 161)	5 661 914	7 223 561
	7440	2015	5 123 128	477 132	752 290	(5 638 278)	(757 818)	11 673 740	11 630 194
including:									
Credits	7421	2016	11 598 753	3 086 071	-	(13 156 715)	-	5 650 000	7 178 109
	7441	2015	4 804 700	477 132	-	(5 325 378)	-	11 642 299	11 598 753
<i>Interest on credits</i>	74211	2016	-	-	983 258	-	(981 161)	8 215	10312
	74411	2015	5 528	-	752 290	-	(757 818)	-	-
Loans	7422	2016	31 441	-	-	-	-	3 699	35 140
	7442	2015	312 900	-	-	(312 900)	-	31 441	31 441

### 5.6.8. Expenditures on credits and loans

Indicator		In respect to long-term credits and loans	In respect to short-term credits and loans
Name	Code		
1	2	3	4
Expenditures on credits, total:	7510	1 213 179	983 258
written off to other expenditures	7511	1 168 886	947 471
included in the assets' cost	7512	44 293	35 787
Expenditures on loans, total:	7520	676 899	-
written off to other expenditures	7521	652 221	-
included in the assets' cost	7522	24 678	-
From total expenditures on loans and credits:	7530	1 890 078	983 258
accrued %	7531	1 890 078	983 258
other expenditures	7532	-	-

### 5.7. Contingent assets and liabilities

#### 5.7.1. Estimated liabilities

Indicator		Balance as of year's beginning	Acknowledged	Repaid	Written off as excess sum	Balance as of period's end
Name	Code					
1	2	3	4	5	6	7
Estimated liabilities - total	5700	2 709 437	2 870 819	(2 985 265)	(663 170)	1 931 821
including:						
Payment of forthcoming vacation leaves	5701	247 057	632 972	(619 066)	(205)	260 758
Payout of remuneration following a year's results	5702	333 332	403 574	(296 206)	(37 838)	402 862
In respect to fixed assets' repair	5703	-	-	-	-	-
In respect to works associated with seasonal nature of production	5704	-	-	-	-	-
guarantee liabilities and reclamation	5705	-	-	-	-	-
liquidation liabilities	5706	-	-	-	-	-
court proceedings not completed as of reporting date	5707	1 935 907	1 375 064	(1 670 532)	(620 064)	1 020 375
claims of tax authorities following results of tax audits, not settled as of reporting date	5708	-	-	-	-	-
other estimated liabilities	5709	193 141	459 209	(399 461)	(5 063)	247 826
From total sum of contingent liabilities:						
Created owing to expenditures in respect to ordinary types of activities	5710	1 680 122				

Created owing to other expenditures	5720	1 152 815
Included in asset's cost	5730	37 882

#### 5.7.2. Deferred taxes

Name	Code	Deductible temporary differences	Deferred tax assets	Taxable temporary differences	Deferred tax liabilities
1	2	3	4	5	6
Balance as of reporting year's beginning	7700	1 849 534	369 907	1 812 809	362 562
Revenue	7710	1 367 882	273 576	2 003 477	400 695
Expenditure	7720	(1 043 740)	(208 748)	(350 245)	(70 049)
Result of tax rates' change	7730	X	-	X	-
Result of elimination of errors of past years	7740	-	-	448 350	89 670
Permanent differences in cost of assets and liabilities	7750	-	-	-	-
Writing off, not bringing about tax implications	7760	(4 895)	(979)	(31 375)	(6 275)
Balance as of reporting period's end	7800	2 168 781	433 756	3 883 016	776 603

#### 5.8. Collaterals

Indicator		As of 31 December 2016	As of 31 December 2015	As of 31 December 2014
Name	Code			
1	2	3	4	5
Received – total	5800	695 019	62 400	51 839
including:				
bills	5801	-	-	-
pledged property	5802	695 019	62 400	51 839
among it:				
items of fixed assets	58021	-	-	-
securities and other financial investments	58022	-	-	-
others	58023	695 019	62 400	51 839
others received	58024	-	-	-
Given out against own liabilities – total	5810	-	-	-
including:				
bills	5811	-	-	-
pledged property	5812	-	-	-
among it:				
facilities of fixed assets	58121	-	-	-
securities and other financial investments	58122	-	-	-
others	58123	-	-	-
others given out	5813	-	-	-

### 5.9. State assistance

Indicator name	Code	For 2016				For 2015			
1	2	3				4			
Received budgetary funds - total	5900	2 134				1 975			
including:									
for current expenditures	5901	-				-			
compensations to Chernobyl cleanup veterans	5902	-				-			
for tasks fulfillment in mobilization trainings	5903	-				-			
for liquidation of inter-territorial cross-subsidization	5904	-				-			
for investments in non-current assets	5905	-				-			
other goals	5906	2 134				1 975			
Indicator name	Code	As of year's beginning	Received for year	Returned for year	As of year's end	As of year's beginning	Received for year	Returned for year	As of year's end
Budget credits - total	5910	-	-	-	-	-	-	-	-
including:									
preventive measures financing to reduce production injuries and occupational diseases	5911	-	-	-	-	-	-	-	-
financing of profound medical inspections of employees, engaged in work associated with harmful and (or) hazardous production factors	5912	-	-	-	-	-	-	-	-
others	5913	-	-	-	-	-	-	-	-

### 5.10 Government subsidies conditions for provision of which were not met

Indicator	Code	2016		2015	
		Refundable	Refunded	Refundable	Refunded
1	2	3	4	5	6
Budget funds conditions for provision of which were not met	7910	-	-	-	-
including funds for		-	-	-	-
operating costs	7911	-	-	-	-
compensations to Chernobyl veterans	7912	-	-	-	-
mobilization training	7913	-	-	-	-
dissolution of inter-territorial cross-subsidy	7914	-	-	-	-
miscellaneous	7915	-	-	-	-
Public budget loans conditions for provision of which were not met	7920	-	-	-	-
including		-	-	-	-
funding of activities for prevention of workplace injuries and occupational diseases	7921	-	-	-	-
funding of profound medical examination of employees involved in harmful and/or hazardous occupational factors	7922	-	-	-	-
miscellaneous	7925	-	-	-	-

### 5.11. Other revenues and expenditures

Indicator		2016	2015
Name	Code		
1	2		
Other revenues total	8000	5 110 867	3 460 626
including:			
From sale of fixed assets, except for flats	8001	26 337	1 276
From sale of flats	8002	-	1 243
From sale of business inventories	8003	12 054	9 424
From sale of currency	8004	-	-
From sale of intangible assets	8005	-	-
From sale of securities	8006	1 000	17 000
From sale of other assets	8007	77	10 269
From joint activities	8008	-	-
Profit of 2015, revealed in reporting period	8009	23 105	-
Profit of 2014, revealed in reporting period	8010	44 773	28 177
Profit of 2003, revealed in reporting period	8011	2 966	218 053
Profit before 01.01.2013, revealed in reporting year	8012	65 769	373 024

Acknowledged penalties, fines and forfeits or on which court's decisions (arbitration court's decisions) are got on their collection	8013	911 735	181 507
Accounts payable in respect to which a limitation period has expired (over three years)	8014	4 309	2 439
Currency differences	8015	-	-
Property in surplus following results of inventory taking	8016	4 257	312
Donated assets, except for fixed assets and intangible assets	8017	-	-
Revenue from donated fixed assets, determined according to an established procedure	8018	6 016	19 175
Cost of material valuables, remained from writing off of assets, which are not eligible for recovery and further use	8019	-	-
Reassessment of financial investments on current market value	8020	3 079	2 192
Revenue from decrease (writing off) of provision for doubtful debts	8021	3 244 681	2 079 437
Revenue from decrease (writing off) of reserve for estimated liabilities	8022	663 170	221 210
Revenue from decrease (writing off) of reserve for cost reduction of business inventories	8023	-	-
Revenues on claim assignment agreements	8024	-	-
Revenue from revealed non-contractual consumption of electric power	8025	24 556	91 159
Insurance payments receivable	8026	32 961	28 402
Revenues tied with participation in other organizations' charter capitals	8027	-	-
Recovery of accounts receivable written off earlier	8028	83	206
Discount on bills	8029	-	-
Compensation for difference in tariffs (budgetary financing)	8030	-	-
Revenue from decrease (writing off) of reserve for possible losses of financial investments	8031	2 275	4 506
Additional evaluation of objects of fixed assets	8032	-	-
Revenue from additional evaluation of previously reduced objects of fixed assets	8033	-	-
Revenue from payment of bills	8034	-	-
Others	8035	37 664	171 615
Other expenditures total	8100	(6 979 247)	(4 743 217)
including:			
From sale of fixed assets, except for flats	8101	(14 164)	(500)
From sale of flats	8102	-	(711)
From sale of business inventories	8103	(8 542)	(4 030)
From sale of currency	8104	-	-
From sale of intangible assets	8105	-	-
From sale of securities	8106	(1 000)	(17 000)
From sale of other assets	8107	(77)	(9 613)

Other taxes	8108	(105)	(28)
Expenditures in respect to banks' services payment	8109	(515)	(43 440)
Expenditures to performance of service financial investments	8110	-	-
Provision for doubtful debts	8111	(1 746 286)	(2 260 838)
Reserve for possible losses of financial investments	8112	(1 905)	(604)
Reserve for cost reduction of material valuables	8113	(4 863)	-
Reserve for discontinuing operation	8114	-	-
Reserve for estimated liabilities	8115	(1 152 816)	(573 719)
Retirement of incomeless assets	8116	(10 342)	(760)
VAT on donated property	8117	(11 178)	-
Loss of 2011, revealed in reporting period	8118	(384 750)	-
Loss of 2010, revealed in reporting period	8119	(473 050)	(227 902)
Loss of 2009, revealed in reporting period	8120	(372 079)	(80 450)
Loss before 01.01.2009, revealed in reporting period	8121	(431 705)	(382 210)
Acknowledged penalties, fines and forfeits or on which court's decisions (arbitration court's decisions) are got on their collection	8122	(1 419 616)	(289 714)
State duties in respect to economic contracts	8123	(11 817)	(10 495)
Reassessment of financial investments on current market value	8124	(468)	(1 273)
Discount on bills	8125	-	-
Expenditures under claim assignment agreements	8126	-	-
Nonreimbursable VAT	8127	(238)	(14 608)
Expenditures in respect to revealed non-contractual consumption of electric power	8128	(3 163)	(1 534)
Contributions in incorporations and funds	8129	(5 426)	(3 640)
Accounts receivable in respect to which a limitation period has expired (over three years)	8130	(4 239)	(4 881)
Currency differences	8131	-	-
Court costs	8132	(48 061)	(30 703)
Plundering, deficiencies	8133	(4 193)	(622)
Costs in respect to enforcement proceedings	8134	(1 094)	(16 680)
Cost redemption of employees' flats	8135	-	-
Other material (financial) aid and other payments to employees	8136	(237 979)	(193 003)
Material aid to pensioners (including lump sum payments, compensations of community charges)	8137	(4 434)	(5 722)
Expenditures to carry out sporting events	8138	(2 941)	(1 514)
Expenditures to carry out social activities	8139	(3 017)	(4 120)
Expenditures for charity	8140	-	-
Cost of the redeemed bonds	8141	-	-
Interest on long-term liabilities	8142	-	-
Balance after the wrote off of the fixed assets	8143	(86 231)	(68 089)
Write-down of fixed assets	8144	-	-
Miscellaneous	8145	(532 953)	(494 814)

5.12. Information on assets booked on off-balance-sheet accounts

Indicator name	Code	As of 31 December 2016	As of 31 December 2015	As of 31 December 2014
1	2	3	4	5
Leased fixed assets	8200	3 678 766	3 726 702	5 303 017
including: on leasing	82001	-	-	65 369
Goods and materials accepted for custody	8201	26 305	114 823	138 000
Materials accepted for processing	8202	-	-	-
Goods accepted on commission	8203	563	1 100	232
Equipment accepted for installation	8204	-	-	-
Insolvent debtors' indebtedness written off to loss	8205	672 548	467 864	467 428
Wear of land improvement facilities and other similar facilities	8206	-	-	-
Strict accounting forms	8207	142	169	119
Federally owned property	8208	6 465	6 475	12 818
Intangible assets acquired for use	8209	210 305	154 960	415 910
Property transferred into charter capital against payment of acquired valuables	8210	-	-	-

### 5.13. Reportable segments information

	Code	Period	Astrakhanenergo	Volgogradenergo	Kalmenergo	Rostovenergo	Other segments	Total
1	2	3	4	5	6	7	8	9
Proceeds from outside buyers	8310	2016	4 777 506	9 764 688	930 808	15 905 641	11 455	31 390 098
	8310	2015	4 353 120	9 999 859	826 716	14 855 180	63 059	30 097 934
Proceeds from sales between segments	8320	2016	-	-	-	-	-	-
	8320	2015	-	-	-	-	-	-
Proceeds of segment, total	8300	2016	4 777 506	9 764 688	930 808	15 905 641	11 455	31 390 098
	8300	2015	4 353 120	9 999 859	826 716	14 855 180	63 059	30 097 934
including								
proceeds from transmission	8301	2016	4 566 758	9 686 391	914 154	15 600 974	-	30 768 277
	8301	2015	4 092 826	9 922 525	810 762	14 581 839	-	29 407 952
proceeds from grid connection	8302	2016	189 556	42 583	1 679	236 071	-	469 889
	8302	2015	239 979	45 288	1 860	212 473	-	499 600
other proceeds	8303	2016	21 192	35 714	14 975	68 596	11 455	151 932
	8303	2015	20 315	32 046	14 094	60 868	63 059	190 382
Interest receivable	8330	2016	11 033	31 833	1 586	50 983	26	95 461
	8330	2015	9 036	21 293	1 216	30 668	19	62 232
Interest payable	8340	2016	(612 602)	(880 333)	(700 990)	(571 199)	(3 454)	(2 768 578)
	8340	2015	(424 318)	(918 485)	(463 597)	(751 338)	(1 045)	(2 558 783)
Profit tax expenditures	8350	2016	97 098	(157 015)	219 092	(228 634)	(14)	(69 473)
	8350	2015	57 750	(32 477)	107 300	(274 347)	(1 693)	(143 467)
Profit/loss of segment	8360	2016	(1 051 708)	1 367 550	(1 187 870)	(124 919)	(14 321)	(1 011 268)

	8360	2015	(720 279)	1 160 543	(1 252 294)	589 111	34 414	(188 505)
Assets of segments	8370	2016	7 283 542	12 096 112	3 164 754	19 761 843	2 511 482	44 817 733
	8370	2015	7 248 559	10 221 920	3 155 501	19 049 958	3 223 195	42 899 133
including non-current assets	8371	2016	4 905 667	6 441 073	2 693 704	14 984 578	243 032	29 268 054
	8371	2015	4 869 944	6 332 572	2 391 466	15 492 696	468 886	29 555 564
Liabilities of segments	8380	2016	2 782 515	5 085 596	372 097	7 498 128	25 154 402	40 892 738
	8380	2015	2 106 599	3 548 840	284 034	5 355 392	26 669 818	37 964 683
Depreciation of fixed assets and intangible assets	8390	2016	459 074	530 143	165 136	1 431 072	18 870	2 604 295
	8390	2015	499 387	552 095	151 556	1 499 415	21 528	2 723 981

# Notes to balance sheet and financial statements for 2016

## IDGC of the South, PJSC

Notes to balance sheet and financial statements for 2016

IDGC of the South, PJSC

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## 1. Information on the Company

Public Joint Stock Company “Interregional Distribution Grid Company of the South” was established by decision of a founder (Order of Chairperson of Management Board of RAO UES of Russia No.192p) in accordance with Civil Code of RF, federal law “On Joint Stock Companies” and other legal documents.

Full company name of the Issuer

- in Russian: Публичное акционерное общество “Межрегиональная распределительная сетевая компания Юга”;
- in English: “Interregional Distribution Grid Company of the South”, Public Joint Stock Company.

Short company name of the Issuer

- in Russian: ПАО “МРСК Юга”,
- in English: “IDGC of the South”, PJSC.

Legal address: 49 Bolshaya Sadovaya street, Rostov-on-Don, Russia, 344002

Postal address: 49 Bolshaya Sadovaya street, Rostov-on-Don, Russia, 344002

TIN (tax registration reason code): 6164266561 (997450001)

Principal state registration number: 1076164009096

Date of registration: 28.06.2007

Registering authority: the Federal Tax Service in Leninskiy district, Rostov-on-Don

Key Activities of the Company:

- electric power transmission
- electric power distribution
- grids performance assurance
- telephone service activities
- commercial activities and management consulting
- holding companies management

Data on the Issuer’ Licenses

Type	Number	Subject	Valid through
Licence	ВЛГ № 01540ВЭ	Extraction of underground water for domestic and industrial	01.01.2033

		needs, irrigation of green spaces at Log worker's settlement, Ilovlinskiy district, Volgograd region	
Licence	<b>БЛГ № 01550БЭ</b>	Extraction of underground water for domestic and industrial needs, watering planted land of "Danilovka" Substation, Danilovskiy district, Volgograd region	01.01.2034
Licence	<b>РСТ №03017 БЭ</b>	Extraction of underground water for water supply of industry facilities in Volgodonsk, Rostov region	29.12.2033
Licence	<b>БЛГ № 01548БЭ</b>	Extraction of underground water for domestic and industrial needs, watering planted land of Voroshilovskiy district of Volgograd	01.01.2032
Licence	<b>РСТ №02227 БЭ</b>	Extraction of groundwater on Zavetinsky land plot No.2 for water supply of the industrial facility from the water supply well in Zavetnoye village, Zavetinskiy district, Rostov region	04.10.2030
Licence	<b>РСТ №02228 БЭ</b>	Extraction of groundwater on Volgodonsky land plot No.10 for water supply of the industrial facility from the water supply well in Volgodonsk, Rostov region	04.10.2030
Licence	<b>РСТ №02327 БЭ</b>	Extraction of groundwater on Bolshemartynovskiy land plot No.2 for water supply of the grid facility in Bolshaya Martynovka village, Martynovskiy district	20.01.2031
Licence	<b>РСТ №02414 БЭ</b>	Extraction of groundwater on Klyuchnikovskiy land plot No.1 for water supply of the industrial facility in Klyuchnikova Balka village, Neklinovskiy district, Rostov region	20.04.2031

Licence	PCT №02024 BЭ	Water-point reconnaissance and extraction of groundwater for water supply of the industrial facility from the water supply well in Veshenskaya village, Sholokhovskiy district, Rostov region	30.06.2029
Licence	PCT №02925 BЭ	Extraction of groundwater on Starostanichny land plot No.3 for water supply of the grid facility in Staraya Stanitsa village, Kamensky district, Rostov region	29.04.2033
Licence	PCT №02920 BЭ	Extraction of groundwater on Milyutinsky land plot No.5 for water supply of the grid facility in Milyutinskaya village, Milyutinsky district, Rostov region	29.04.2033
Licence	PCT №02921 BЭ	Extraction of groundwater on Tatsinsky land plot No.8 for water supply of the grid facility in Tatsinskaya village, Tatsynsky district, Rostov region	29.04.2033
Licence	PCT №02923 BЭ	Extraction of groundwater on Kolushkinsky land plot for water supply of the grid facility from the water supply well in Kolushkino village, Tarasovsky district, Rostov region	29.04.2033
Licence	PCT №02922 BЭ	Extraction of groundwater on Golubinsky land plot No.4 for water supply of the grid facility in Golubinka village, Belokalitvensky district, Rostov region	29.04.2033
Licence	PCT №02924 BЭ	Extraction of groundwater on Kalitvensky land plot No.1 for water supply of the grid facility in Kalitvenskaya village, Kamensky district, Rostov region	29.04.2033

Licence	<b>БЛГ №1549БЭ</b>	Extraction of groundwater on the 2 <sup>nd</sup> km eastwards from Kalinina village, Sredneakhtubinsky district, Volgograd region for use as domestic potable water	01.01.2034
Licence	<b>БЛГ №02041БЭ</b>	Extraction of groundwater in Bykovo village, Bykovsky district, Volgograd region for technical use	24.01.2018
Licence	<b>120752</b>	Services of local telephone communication, excluding services of local telephone communication with using of payphone and tools of public access	06.08.2019
Licence	<b>0265.04-2015-6164266561-C-060</b>	Admission to a particular kind or kinds of works that have (has) an impact on the security of capital construction projects	Perpetual licence
Licence	<b>БП-29-001130</b>	Operation and maintenance of explosion and fire hazardous facilities	Perpetual licence
Licence	<b>П-0251-04-2010-0262</b>	Admission to a particular kind or kinds of works that have (has) an impact on the security of capital construction projects	Perpetual licence
Licence	<b>3665 (ГТ No. 0073358) dd. 13.07.2015</b>	License for performing of works connected with using of sensitive government information, classified information, and released “Top Secret” information.	12.07.2020
Licence	<b>3724 (ГТ No. 0073413) dd. 16.10.2015</b>	License for performing of works connected with using of sensitive government information, classified information, and released “Top Secret” information.	12.07.2020
Licence	<b>3665/1204-ЛЗ (ГТ No. 0076599) dd. 17.11.2015</b>	License for performing of works connected with using of sensitive government information, classified	12.07.2020

		information, and released “Top Secret” information.	
Licence	3665/171 (IT No. 0010852) dd. 17.11.2015	License for performing of works connected with using of sensitive government information, classified information, and released “Top Secret” information.	12.07.2020

The Company has all necessary licenses to operate.

#### Branches of the Company:

	Branch	Location
1.	“Astrakhanenergo” branch of “IDGC of the South” PJSC	32 Krasnaya Naberezhnaya, Astrakhan 414000
2.	“Volgogradenergo” branch of “IDGC of the South” PJSC	15 Lenin prospect, Volgograd, 400066
3.	“Kalmenergo” branch of “IDGC of the South”, PJSC	Northern industrial area, Elista, Republic of Kalmykia
4.	“Kubanenergo” branch of “IDGC of the South”, PJSC	2 Stavropolskaya st., Krasnodar, 350033
5.	“Rostovenergo” branch of “IDGC of the South”, PJSC	49 Bolshaya Sadovaya st., Rostov-on-Don 344002

The average number of employees of the Company in 2016 was 13 533.8 employees, in the previous year – 13 481, in the year preceding the previous – 13 392.

The founding documents regulating the activities of the Company (including the number of ordinary shares and preferred registered shares):

The Company operates under the Charter of Public Joint Stock Company “Interregional Distribution Grid Company of the South” (as amended), registered by the Inspectorate of the Interdistrict Federal Tax Service No. 26 of Rostov region on 11 July 2015.

The authorized capital of “IDGC of the South” PJSC is 4 981 109 606 (four billion nine hundred eighty-one million one hundred and nine thousand six hundred and

six) rubles 40 kopecks, divided into 49 811 096 064 ordinary shares of nominal value of 10 kopecks each. The preference shares were not issued. The authorized capital is fully paid. All shares of “IDGC of the South” PJSC are in circulation.

Company’s registrar:

Full company name: Open Joint Stock Company “Registrar R.O.S.T.”

Location: P/o box 9, 18 Stromynka St., Moscow, 107996

Postal address: P/o box 9, 18 Stromynka St., Moscow, 107996

Phone: (495) 771-73-35; e-mail: rost@rrost.ru

Data on the license for keeping the register of securities holders

Number: 10-000-1-00264

Issuing date: 13.12.2002

License validity term: Without limitation of the period of validity

License issuing authority: FCSM (FFMS) of Russia

Date of commencement of keeping the register of the Issuer’s bearer securities holders by the Registrar: 18.12.2010

Company’s auditor:

Full company name: Limited Liability Company “RSM RUS”

Abbreviated name: “RSM RUS”, LLC

Legal address: 4 Pudovkin street, Moscow 119285

Location: 4 Pudovkin street, Moscow 119285

TIN: 7722020834

PSRN: 1027700257540

phone: (495) 363-28-48

fax: (495) 981-41-21

Information on membership of the auditor at self-regulating organizations of auditors

Member of self-regulating organization – Self-regulating organization of auditors Association “Sodruzhestvo”

IDGC of the South PJSC management bodies are:

- General shareholders’ meeting

- Board of Directors
- Management Board
- Director general

On 28 July 2014 Ebzeyev Boris Borisovich was elected by resolution of the Board (minutes of meeting No.139/2014 dated 31.07.2014).

Chief Accountant - Head of financial records, accounts and tax returns department: Savin Grigory Grigorievich.

The Board of Directors of IDGC of the South PJSC was elected by the General Meeting of Shareholders of IDGC of the South PJSC on 06.06.2016 (Minutes No. 15 dated 08.06.2016):

	Name	Position occupied as of the moment of nomination
1.	Arkhipov Sergei Aleksandrovich	Chief adviser Rosseti PJSC
2.	Bogashov Aleksandr Yevgenievich	Head of Office of corporate management of Department of corporate management, price environment and control and revision work in sectors of FEC Minenergo of Russia
3.	Gvozdev Dmitriy Borisovich	Director of situation and analytic centre of Rosseti PJSC
4.	Dudchenko Vladimir Vladimirovich	Financial director SoftBCom LLC
5.	Kolyada Andrei Sergeevich	Head of Managing board of authorized capital of Department of corporate management and cooperation with shareholders and investors of Rosseti PJSC
6.	Pankstianov Yuri Nikolaevich	Director of tariff policy department of Rosseti PJSC
7.	Spirin Denis Aleksandrovich	Corporate management director of Representative office of "Prosperity Capital Management (RF) Ltd."
8.	Fadeev Aleksandr Nikolaevich	Deputy Director General on security of Rosseti PJSC
9.	Filkin Roman Alekseevich	Director, electric-power and engineering industry, of representative office of "Prosperity Capital Management (RF) Ltd."
10.	Shevchyuk Aleksandr Viktorovich	Executive director of Association of professional investors

11.	Ebzeyev Boris Borisovich	Director General of “IDGC of the South” PJSC
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Management Board was elected by the resolutions of the Board of Directors of “IDGC of the South”, PJSC on 15.08.2014 (Minutes of Meeting No.141/2014 dated 18.08.2014), 21.04.2014 (Minutes of Meeting No.131/2014 dated 23.04.2014), 30.09.2013 (Minutes of Meeting No.116/2013 dated 03.10.2013), 26.02.2013 (Minutes of Meeting No. 104/2013 dated 01.03.2013), 30.05.2011 (Minutes of meeting No.65/2011 dated 01.06.2011), 16.09.2011 (Minutes of Meeting No. 72/2011 dated 19.09.2011), 26.12.2011 (Minutes of Meeting No. 77 dated 29.12.2011), 27.07.2012 (Minutes of Meeting No. 92 dated 30.07.2012), 26.02.2013 (Minutes of Meeting No. 104 dated 01.03.2013), 30.09.2013 (Minutes of Meeting No. 116 dated 03.10.2013), 21.04.2014 (Minutes of Meeting No. 131 dated 23.04.2014), 15.08.2014 (Minutes of Meeting No. 141 dated 18.08.2014), 05.08.2016 (Minutes of Meeting No. 197/2016 dated 08.08.2016), 07.09.2016 (Minutes of Meeting No. 200/2016 dated 12.09.2016):

	Name	Position
1.	Ebzeev Boris Borisovich	Director General of IDGC of the South PJSC
2.	Alaev Timur Ulyumdzhevich	Deputy Director General — Director of branch of IDGC of the South PJSC — Astrakhanenergo
3.	Goncharov Pavel Viktorovich	Deputy Director General for Technical Issues – Chief Engineer of IDGC of the South PJSC
4.	Dzhabrailova Yulianna Khasanovna	Deputy Director General — Chief of Staff of IDGC of the South PJSC
5.	Rybin Alexey Alexandrovich	Deputy General Director for Economics and Finance, IDGC of the South PJSC
6.	Savin Grigoriy Grigorievich	Chief accountant - head of financial records, accounts and tax returns department IDGC of the South PJSC
7.	Chekmaryov Sergey Alexeyevich	Deputy Director General — Director of the Branch of IDGC of the South, PJSC — Kalmenergo
8.	Chasovskoi Aleksandr Aleksandrovich	Deputy Director General for Safety, IDGC of the South PJSC

Information on members of auditing committee of the Company elected by annual general meeting of shareholders of IDGC of the South on 6 June 2016 (Minutes of meeting No.15 dated 08.06.2016):

	Name,	Company, position
1	Lelekova Marina Aleksееvna	Director of control and auditing activity department of Rosseti PJSC
2	Kabizskina Yelena Aleksandrovna	Deputy head of auditing office of control and auditing department of Rosseti PJSC
3	Kirillov Artyom Nikolaevich	Deputy head of auditing office of control and auditing department of Rosseti PJSC
4	Medvedeva Oksana Aleksееvna	Leading expert of auditing office of control and auditing department of Rosseti PJSC
5	Slesaryova Yelena Yurievna	Leading expert of Directorate of internal audit of Rosseti PJSC

Information on affiliated and depended companies (list of such companies and company's participation share):

	Company name	Share in authorized capital	Location	Activity
1.	Open Joint Stock Company "Agricultural Enterprise named after Grechko A.A."	100%	21 Teatralnaya str., Kuybyshevo, Kuybyshevskiy district, Rostov region, Russia	Corn farming, potato farming, oil crop production, vegetable production, seed production, berry growing, vine growing, pig breeding, bee raising, fish farming, poultry raising, retail and wholesale trade; activities ensuring maximum efficiency of the company. The Company has a right to perform other activities not prohibited by RF law.
2.	Open Joint Stock Company "Agricultural Enterprise Sokolovskoye"	100%	32 Kurskaya str., Sokolovo-Kundryuchensk village, Novoshakhtinsk, Russia	Corn farming, potato farming, oil crop production, vegetable production, seed production, berry growing, vine growing, pig breeding, bee raising, fish farming, poultry raising, retail and wholesale trade; Activities ensuring maximum efficiency of the company The Company has a right to perform other activities not prohibited by RF law
3.	Open Joint Stock Company "Recreation centre" Energetik"	100%	3 Shkolnaya str, Shepsi village, Tuapsinskiy district, Krasnodar	Activities of a health resort on medical maintenance and rehabilitation (recreation) of adults, parents with children (from the age of 5) and organized groups of schoolchildren, rendering utility services, tourist and

			region, Russian Federation	excursion services as well as cultural and recreational services; The Company has a right to perform other activities not prohibited by RF law.
4.	Open Joint Stock Company "Energoservis Yuga"	100%	49 Bolshaya Sadovaya str., Rostov-on-Don, Russian Federation 344002	Project works, construction works, hot and cold running water works, ensuring functioning of electric and heat networks. The Company has a right to perform other activities not prohibited by RF law.

In 2016 a uniform ("boiler") method of tariff formation on transport of electric energy is in force on the territory of all territorial subdivisions of the RF within responsibility area of IDGC of the South PJSC. The peculiarity of the method is that electricity is transmitted to absolutely all consumers of one and the same voltage class at a uniform tariff, irrespective of the type of company they are connected to. Thus, pursuant to Resolution of the RF Government No. 1178 dated 29 December 2011 the uniform (boiler) tariffs for the transmission of electrical energy in 2016 are set for each half-year, with periods:

- from 1 January 2016 to June 30, 2016;
- from July 1, 2016 to December 31, 2016

The main consumers of the Company's services on electricity transmission are:

- energy selling companies – participants of the wholesale and retail markets that operate on the sale of electricity to end customers connected to the power grids of the Company's subsidiaries and the grids of other organizations;
- end users of electric energy;
- territorial grid companies - participants of the wholesale and retail markets that transmit electricity to end users via own grids.

Branch of "IDGC of the South" PJSC - "Astrakhanenergo".

"Boiler" model in the region – "boiler above". The holder of the "boiler" is "Astrakhanenergo" branch of "IDGC of the South" PJSC. "Astrakhanenergo" branch of "IDGC of the South" PJSC collects gross revenue requirement from the selling companies of the region at "boiler" tariffs and pays for transmission via grids of local grid organizations' at individual tariffs. All the consumers of transport

services pay “Astrakhanenergo” branch of “IDGC of the South” PJSC at flat-rate tariffs.

“Boiler” tariffs for 2016 were determined by the Decree of Tariff Service of Astrakhan region No. 246 dated 18.12.2015 (revision No. 2 dated 29.01.2016).

The required gross revenue of the branch of IDGC of the South PJSC – “Astrakhanenergo” for 2012 – 2017 was formed by return on invested capital method (RAB).

Branch of “IDGC of the South” PJSC - “Volgogradenergo”

In 2016 “mixed boiler” pattern of tariff settling was introduced in the region, “Volgogradenergo” branch of “IDGC of the South” PJSC being the holder of the boiler. “Volgogradenergo” branch of “IDGC of the South” PJSC receives revenue from transport service from consumers at boiler and flat-rate tariffs (from “Volgogradoblelektro” PJSC, “Volgograd Interdistrict Electric Grids” Municipal Unitary Manufacturing Enterprise, “Volzhskie Interdistrict Electric Grids” Municipal Fiscal Enterprise, “Oboronenergo” JSC). Consumers of services on transport of electric energy pay “Volgogradenergo” branch of “IDGC of the South” PJSC at both two-part tariffs and flat-rate tariffs.

“Boiler” tariffs for 2016 are approved by Resolution of Regional Tariffs Service of Volgograd region No. 57/23 dd. 30 December 2015. At the second halfyear of 2016 the “boiler” tariffs are set at the level below of minimum tariff rates, approved by Federal Anti-Monopoly Service of Russia.

By the order No. 1109/16 dd. 05.08.2016 the Federal Anti-Monopoly Service of Russia obliged Regional Tariffs Service of Volgograd region to set and bring into use since 01.10.2016 the unified (boiler) tariffs for services on electric energy transmission, individual tariffs for services on electric energy transmission after elimination of law violations.

Regional Tariffs Service of Volgograd region approved the Order No. 34 dd. 09.09.2016 “On updating orders of Regional Tariffs Service of Volgograd region” according to which the “boiler” tariffs were revised and increased since 01.10.2016.

Individual tariffs for mutual settlements between “Volgogradenergo” branch of “IDGC of the South” JSC and abovementioned grid operators were approved by Resolution of Tariff Regulation Committee (Volgograd region) No.57/24 dd. 30 December 2015 (with amendments from the order of the Tariff Regulation Committee (Volgograd region) No.34 dated 09.09.2016).

The required gross revenue of the branch of IDGC of the South PJSC – “Volgogradenergo” for 2014-2018 was formed by method of long-term indexation. Branch of “IDGC of the South” PJSC – “Kalmenergo”

“Boiler from below” pattern of payment is used in the region. “Kalmenergo” branch of “IDGC of the South” PJSC makes up its revenue according to “boiler” tariffs for productive supply to consumers of “Kalmenergosbyt” PJSC connected to grids of “Kalmenergo” branch of “IDGC of the South” PJSC and at residential rates of output of the grid of “Kalmenergo” branch of “IDGC of the South” PJSC to grids of Territorial Grid Companies (KalmEnergoCom, JSC). Service consumers pay to “Kalmenergo” branch of “IDGC of the South” PJSC at flat-rate tariffs and double-rate tariffs.

“Boiler” tariffs and residential rates for 2016 are approved by Order of Regional Tariffs Service of Republic of Kalmykia No. 105-П/Э dd. 25.12.2015 (with amendments introduced by Order of Regional Tariffs Service of Republic of Kalmykia No.27-П-Э on 08 April 2016).

The necessary gross income for 2012-2017 is formed by method of RAB.

Branch of “IDGC of the South” JSC - “Rostovenergo”

“Two Boilers” pattern of settling is used in the region. There are two big grid companies in the region which are “boiler” holders: “Rostovenergo” branch of “IDGC of the South” PJSC and “Donenergo” JSC. “Rostovenergo” branch of “IDGC of the South” PJSC collects its share of the grid “boiler” from all Power Supply Companies as per “boiler” tariffs and at residential rates - from “Donenergo” JSC. “Donenergo” JSC collects its share of the grid boiler from “TNS Energo Rostov-on-Don” PJSC and other grid companies as per boiler tariffs and shares the revenue with “Rostovenergo” branch of “IDGC of the South” PJSC and the

subordinate Territorial Grid Companies at residential rates. Transport service consumers settle with “Rostovenergo” branch of “IDGC of the South” JSC as per two-part tariffs and flat-rate tariffs.

“Boiler” tariffs for 2016 are approved by Resolution of Regional Tariffs Service of Rostov region No. 83/5 dated 29 December 2015 (with amendments introduced by Resolutions of Regional Tariffs Service of Rostov region No.3/2 dated 4 February 2016).

Residential rates for settling between “Rostovenergo” branch of “IDGC of the South” PJSC and “Donenergo” JSC are approved by Resolution of Regional Tariffs Service of Rostov region No. 83/6 dated 29 December 2015.

The necessary gross income for 2012-2017 is formed by method of RAB.

Transmission Tariffs for the period of 01.01.2016 to 30.06.2016 for branches of  
IDGC of the South, PJSC

No., date of tariff design/consumer group		Two-rate tariff		Flat-rate tariff (rbs/MW* h)	
		Rate of electric grid maintenance (rbs/MW month)	Rate of payment for electric energy losses in grids (rbs/MW*h)		
“IDGC of the South” PJSC					
“Astrakhanenergo”					
1	Resolution of tariffs service of Astrakhan region No. 246 dated 18.12.2015 (after amendments No. 2 dd. 29.01.2016)	HV	534 943.66	109.05	860.57
		MV1	475 617.70	203.40	1 116.89
		MV2	694 515.32	381.42	1 798.37
		LV	1 044 850.05	759.22	2 546.84
		Population and consumers considered as population			2 201.22
		Rural and urban consumers with electric stoves			1 175.79
“Volgogradenergo”					
2	Order of Tariffs Regulation Committee of Volgograd region No.57/23 dated 30.12.2015 (after	other consumers			
		HV1	$T_{\text{кол}}^{\text{HV1}} = 144\ 686,52 + (598 * (100\% -$	$T_{\text{ПОТ}}^{\text{HV1}} = S_{\text{факт\_ЕЕЭС}} / S_{\text{норм}}^{\text{ЕЕЭС}} /$	-

	amendments No. 34 dd. 09.09.2016)		$K_i) * \mathcal{E}_{\text{Пoj}}^{\text{HV1}} / \mathcal{E}_{\text{Mj}}^{\text{HV1}}$	$V_{\text{факт.э/э}_{\text{i.m)}} * \text{HT ПЭ}_i$	
		HV	856 381.27	79.07	1 077.37
		MV1	1 065 190.22	124.64	1 603.86
		MV2	1 363 135.97	285.16	2 935.42
		LV	1 363 419.58	913.32	4 330.12
		Urban consumers and consumers considered as urban			1 446.53
		Rural and urban consumers with electric stoves			505.85
“Kalmenergo”					
3	Order of Regional Tariffs Service at Kalmykiya Republic No.105-п/э dated 25.12.2015 (after amendments No. 27-п/э dd. 08.04.2016)	other consumers			
		HV	856 617.99	134.86	2 293.50
		MV1	1 111 685.53	266.52	3 067.92
		MV2	1 345 938.17	425.75	3 251.68
		LV	1 645 588.70	588.22	4 089.76
		Urban consumers and consumers considered as urban			2 214.68
		Rural and urban consumers with electric stoves			1 206.21
“Rostovenergo”					
	Order of Regional Tariffs Service at Rostov region No.83/5 dd. 29.12.2015 (after amendments No. 3/2 dd. 04.02.2016)	other consumers			
		HV1	$T^{\text{HV1}} = T^{\text{фск}}_{\text{код}} + (471,24 * \mathcal{E}_{\text{Пoj}}^{\text{HV1}}) / \mathcal{E}_{\text{M}}^{\text{HV1}}$	$T^{\text{HV1}} = T^{\text{фск}}_{\text{пот}} * \text{HT ПЭ}$	-
		HV	912 497.94	531.76	2 144.84
		MV1	962 118.19	585.91	2 357.22
		MV2	1 621 080.50	370.88	2 374.10
		LV	1 717 754.68	607.76	3 003.04
		Urban consumers and consumers considered as urban (within the normal range of consumption of electric energy)			1 797.30
		Rural and urban			

	consumers with electric stoves (within the normal range of consumption of electric energy)			907.47
	Urban consumers and consumers considered as urban (over the normal range of consumption of electric energy)			2 983.74
	Urban consumers and consumers considered as urban (over the normal range of consumption of electric energy)			1 737.98

Individual Tariffs for Mutual Settlements between branches of “IDGC of the South” PJSC and Allied Grid Companies for the period of 01.01.2016-30.06.2016

No.	No. and date of tariff design adoption	Name of entity	Two-part tariff		Flat-rate tariff
			maintenance	electric energy losses payment	
			rbs/MW month	rbs/MWh	Rbs/MWh
“IDGC of the South” PJSC					
“Volgogradenergo”					
1	Order of Regional Tariffs Committee of Volgograd region No.57/24 dd 30.12.2015 (after amendments No. 34 dd. 09.09.2016)	“Volgogradoblelectro” JSC	0,00	207.40	207.40
		“Volgograd Interdistrict Electric Grids” Municipal Unitary Operational Enterprise	243 107.25	366.49	1 029.31
		“Volzhskie Interdistrict Electric Grids” Municipal Fiscal Enterprise	30 014.59	675.74	744.20
		“Oboronenergo”, JSC	831 409.89	705.80	2 696.63
“Kalmenergo”					

2	Order of Regional Tariffs Service of Kalmykia Republic No. 105-п/э dd. 25.12.2015 (after amendments No. 257-п/э dd. 08.04.2016)	“Kalmykia Energy Company” JSC	841 463.43	209.95	1 922
“Rostovenergo”					
3	Resolution of Regional Tariffs Service of Rostov Region 83/6 dd 29.12.2015	255 313.47	96.14	480.69	255 313.47

Common transmission tariffs for branches of “IDGC of the South” PJSC for the period from 01.07.2016 to 31.12.2016

No., date of tariff design/consumer group		Two-rate tariff		Flat-rate tariff (rbs/MW* h)	
		Rate of electric grid maintenance (rbs/MW month)	Rate of payment for electric energy losses in grids (rbs/MW*h)		
“IDGC of the South” JSC					
“Astrakhanenergo”					
1	Resolution of tariffs service of Astrakhan region No. 246 dated 18.12.2015 (after amendments No. 2 dd. 29.01.2016)	HV	575 064.43	116.68	924.57
		MV1	511 289.03	217.64	1 199.64
		MV2	746 603.97	408.12	1 931.34
		LV	1 123 213.80	812.37	2 734.06
		Population and consumers considered as population			2 365.48
		Rural and urban consumers with electric stoves			1 263.78
“Volgogradenergo” (01.07.2016-30.09.2016)					
2	Order of Tariffs Regulation Committee of Volgograd region No.57/23 dated 30.12.2015	other consumers			
		HV1	$T_{\text{cod}}^{\text{VHI}} = 155\,538,01 + (598 * (100\% - K_i) * \mathcal{E}_{\text{noj}}^{\text{VHI}}) / \mathcal{E}_{M_j}^{\text{VHI}}$	$T_{\text{pot}}^{\text{VHI}} = S_{\text{факт\_EH}\Theta C_{i,m-1}}^{\text{VHI}} / V_{\text{факт\_э/э}_{i,m}}^{\text{VHI}} * HT \Pi \mathcal{E}_i$	-
		HV	814 117.60	83.78	1 005.76
		MV1	881 451.95	132.07	1 243.69

		MV2	1 242 508.55	302.15	2 254.99
		LV	1 349 281.78	967.68	4 024.30
		Urban consumers and consumers considered as urban			1 927.87
		Rural and urban consumers with electric stoves			944.82
“Volgogradenergo” (01.10.2016-31.12.2016)					
		Other consumers			
3	Order of Tariffs Regulation Committee of Volgograd region No.57/23 dated 30.12.2015	HV1	$T_{\text{сод}}^{\text{VHI}} = 155\,538,01 + (598 * (100\% - K_i) * \mathcal{E}_{\text{П}0j}^{\text{VHI}}) / \mathcal{E}_{\text{Mj}}^{\text{VHI}}$	$T_{\text{пот}}^{\text{VHI}} = S_{\text{факт\_EHЭС}_{i,m-1}} / V_{\text{факт\_э/э}_{i,m}} * \text{HT ПЭ}_i$	
		HV	957 780.03	83.78	1 263.82
		MV1	1 165 038.23	132.07	1 732.74
		MV2	1 507 148.71	302.15	3 014.55
		LV	1 507 165.48	967.68	4 381.97
		Urban consumers and consumers considered as urban			1 927.87
		Rural and urban consumers with electric stoves			944.82
“Kalmenergo”					
4	Order of Regional Tariffs Service at Kalmykiya Republic No.105-п-э dated 25.12.2015 (after amendments No. 27-п/э dd. 08.04.2016)	other consumers			
		HV	949 611.83	152.80	2 545.78
		MV1	1 231 538.36	301.97	3 405.39
		MV2	1 489 328.57	482.37	3 609.36
		LV	1 820 244.88	666.45	4 539.62
		Urban consumers and consumers considered as urban			2 301.80
		Rural and urban consumers with electric stoves			1 242.48
“Rostovenergo”					
5	Resolution of Regional Tariffs Service at Rostov region No.83/5 dd. 29.12.2015 (after amendments No. 3/2 dd. 04.02.2016)	other consumers			
		HV1	$T_{\text{сод}}^{\text{VHI}} = T_{\text{сод}}^{\text{фск}} + (235.62 * \mathcal{E}_{\text{П}0}^{\text{VHI}}) / \mathcal{E}_{\text{M}}^{\text{VHI}}$	$T_{\text{пот}}^{\text{VHI}} = T_{\text{пот}}^{\text{фск}} * \text{HT ПЭ}$	-
		HV	980 935.29	563.67	2 297.72
		MV1	1 034 277.05	621.06	2 525.23
		MV2	1 742 661.54	393.13	2 546.60

	LV	1 846 586.28	644.23	3 219.15
	Urban consumers and consumers considered as urban (within the limits of social norm of consumption)			1 803.31
	Rural consumers and urban with electric ovens (within the limits of social norm of consumption)			888.05
	Urban consumers and consumers considered as urban (exceeding the limits of social norm of consumption)			3 023.64
	Rural consumers and urban with electric ovens (exceeding the limits of social norm of consumption)			1 743.98

Individual Tariffs for Mutual Settlements between branches of “IDGC of the South” PJSC and Allied Grid Companies for the period of 01.07.2016-31.12.2016.

No.	No. and date of tariff design adoption	Name of entity	Two-part tariff		Flat-rate tariff
			maintenance	electric energy losses payment	
			rbs/MW month	rbs/MWh	Rbs/MWh
“IDGC of the South” PJSC					
“Volgogradenergo” (from 01.07.2016 to 01.10.2016)					
1	Order of Regional Tariffs Committee of Volgograd region No.57/24 dd. 30.12.2015 (after	“Volgogradoblelectro” JSC	0,00	207.40	207.40
		“Volgograd Interdistrict Electric Grids” Municipal Unitary Operational Enterprise	243 107.25	366.49	1 029.31

	amendments No. 34 dd. 09.09.2016)	“Volzhskie Interdistrict Electric Grids” Municipal Fiscal Enterprise	30 014.59	675.74	744.20
		“Oboronenergo”, JSC	831 409.89	705.80	2 696.63
2	Order of Regional Tariffs Committee of Volgograd region No.57/24 dd. 30.12.2015 (after amendments No. 34 dd. 09.09.2016)	“Volgogradoblelectro” JSC	0	0	0
		“Volgograd Interdistrict Electric Grids” Municipal Unitary Operational Enterprise	258 687.28	366.49	1 071.79
		“Volzhskie Interdistrict Electric Grids” Municipal Fiscal Enterprise	0	348.94	348.94
		“Oboronenergo”, JSC	953 512.72	705.80	2 989.00
“Kalmenergo”					
3	Order of Regional Tariffs Service of Kalmykia Republic No. 105-п/э dd. 25.12.2015 (with amendments No.257- п/э dd. 08.04.2016)	“Kalmykia Energy Company” JSC	914 141.04	254.63	2 111
“Rostovenergo”					
4	Resolution of Regional Tariffs Service of Rostov Region No. 83/6 dd. 29.06.2015	“Donenergo” JSC	232 256.61	96.14	480.69

### Grid connection tariffs 2016

#### “Astrakhanenergo” branch of IDGC of the South PJSC

Date of setting the tariff, date of publication, source of publication	Category of connection		Unit of measurement	Payment rate (VAT excluded)
	Capacity, kW	Voltage level at connection point, kV		
Name of the “IDGC of the South” PJSC branch: “Astrakhanenergo”				
Order of Tariff service of Astrakhan region No.203 dated	The rates are specified separately (in accordance with the decision of control body):			

11.12.2015 (Digest of laws and regulations No.50 dated 24.12.2015)	1. Rate of payment for technological connection of privileged categories of consumers			
	2. Rate of payment for technological connection in the context of events			
	3. Rate of payment for technological connection on territorial areas			
	Rate of payment for technological connection for unit of maximum capacity****	0.4	Rub./kW	
	Including up to 15 kW (not privileged category of consumers)			886.02
	Preparation and giving of technical specifications to grid Companies			325.97
	Development of design documentation by the grid Company on construction of the "last mile"			
	Inspection of completion of technical specification by the grid Company			174.99
	Participation in inspection by authority of Rostekhnadzor of connected facilities of the Applicant			
	Actual actions for connection and operation of facilities in the power network			385.06
	Implementation of activities related to the construction of the "last mile"			
	Construction of the overhead power lines			
	Construction of cable lines			
	Construction of segmentation station			
	Construction of distribution point			
	Construction of 35kV Packaged Transformer Substations and Distribution Transformer Substations			

	From 15 to 150 kW inclusive			167.14
	Preparation and delivery by a grid company of technical conditions			61.49
	The development by grid company of design documentation for the construction of the "last mile"			
	Checking by the grid company the applicants fulfilling technical conditions			33.01
	Participation of an official from Rostekhnadzor (Russian Technical Supervisory Authority) in inspection of the power receiving devices			
	The actual actions for connection and ensuring the operation of devices in electrical network			72.64
	Grid company's activities related to the construction of the "last mile"			
	Construction of the overhead power lines (aluminum cores)			
	Construction of cable lines (aluminum cores)			
	Construction of segmentation stations			
	Construction of distribution point			
	Construction of 35kV Packaged Transformer Substations and Distribution Transformer Substations			
	From more than 150 to 670 kW inclusive			33.57
	Preparation and delivery by a grid company of technical conditions			11.47
	The development by grid company of design documentation for the construction of the "last mile"			
	Checking by the grid company the applicants fulfilling technical conditions			5.89

	Participation of an official from Rostekhnadzor (Russian Technical Supervisory Authority) in inspection of the power receiving devices			3.26
	The actual actions for connection and ensuring the operation of devices in electrical network			12.95
	Grid company's activities related to the construction of the "last mile"			
	Construction of the overhead power lines (aluminum cores)			
	Construction of cable lines (aluminum cores)			
	Construction of segmentation stations			
	Construction of distribution point			
	Construction of 35kV Packaged Transformer Substations and Distribution Transformer Substations			
	More than 670 kW			16.96
	Preparation and delivery by a grid company of technical conditions			6.95
	The development by grid company of design documentation for the construction of the "last mile"			
	Checking by the grid company the applicants fulfilling technical conditions			2.32
	Participation of an official from Rostekhnadzor (Russian Technical Supervisory Authority) in inspection of the power receiving devices			2.57
	The actual actions for connection and ensuring the operation of devices in electrical network			5.11
	Grid company's activities related to the construction of the "last mile"			

	Construction of the overhead power lines (aluminum cores)			
	Construction of cable lines (aluminum cores)			
	Construction of segmentation stations			
	Construction of distribution point			
	Construction of 35kV Packaged Transformer Substations and Distribution Transformer Substations			
	Rates of technological connection for the unit of maximum capacity		Rub./kW	
	Up to 15kW inclusively (not privileged category of applicants)			886.02
	Preparation and delivery by a grid company of technical conditions			325.97
	The development by grid company of design documentation for the construction of the "last mile"			
	Checking by the grid company the applicants fulfilling technical conditions			147.99
	Participation of an official from Rostekhnadzor (Russian Technical Supervisory Authority) in inspection of the power receiving devices	6-20		
	The actual actions for connection and ensuring the operation of devices in electrical network			385.06
	Grid company's activities related to the construction of the "last mile"			
	Construction of the overhead power lines			
	Construction of cable lines			
	Construction of segmentation stations			
	Construction of distribution point			

	Construction of 35kV Packaged Transformer Substations and Distribution Transformer Substations			
	From 15 to 150 kW inclusively			141.98
	Preparation and delivery by a grid company of technical conditions			52.23
	The development by grid company of design documentation for the construction of the "last mile"			
	Checking by the grid company the applicants fulfilling technical conditions			28.04
	Participation of an official from Rostekhnadzor (Russian Technical Supervisory Authority) in inspection of the power receiving devices			
	The actual actions for connection and ensuring the operation of devices in electrical network			61.70
	Grid company's activities related to the construction of the "last mile"			
	Construction of the overhead power lines (aluminum cores)			
	Construction of cable lines (aluminum cores)			
	Construction of segmentation stations			
	Construction of distribution point			
	Construction of 35kV Packaged Transformer Substations and Distribution Transformer Substations			
	From 150 to 670 kW inclusively			28.54
	Preparation and delivery by a grid company of technical conditions			9.75
	The development by grid company of design documentation for the construction of the "last mile"			

	Checking by the grid company the applicants fulfilling technical conditions		5.00
	Participation of an official from Rostekhnadzor (Russian Technical Supervisory Authority) in inspection of the power receiving devices		2.77
	The actual actions for connection and ensuring the operation of devices in electrical network		11.01
	Grid company's activities related to the construction of the "last mile"		
	Construction of the overhead power lines (aluminum cores)		
	Construction of cable lines (aluminum cores)		
	Construction of segmentation stations		
	Construction of distribution point		
	Construction of 35kV Packaged Transformer Substations and Distribution Transformer Substations		
	More than 670 kW		16.96
	Preparation and delivery by a grid company of technical conditions		6.95
	The development by grid company of design documentation for the construction of the "last mile"		
	Checking by the grid company the applicants fulfilling technical conditions		2.32
	Participation of an official from Rostekhnadzor (Russian Technical Supervisory Authority) in inspection of the power receiving devices		2.57
	The actual actions for connection and ensuring the operation of devices in electrical network		5.11
	Grid company's activities related to the construction of the "last mile"		

	Construction of the overhead power lines (aluminum cores)			
	Construction of cable lines (aluminum cores)			
	Construction of segmentation stations			
	Construction of distribution point			
	Construction of 35kV Packaged Transformer Substations and Distribution Transformer Substations			
	Rates of technological connection for the unit of maximum capacity		Rub./kW	
	From more than 150 to 670 kW inclusively			26.98
	Preparation and delivery by a grid company of technical conditions			9.21
	The development by grid company of design documentation for the construction of the "last mile"			
	Checking by the grid company the applicants fulfilling technical conditions			4.73
	Participation of an official from Rostekhnadzor (Russian Technical Supervisory Authority) in inspection of the power receiving devices	35		2.62
	The actual actions for connection and ensuring the operation of devices in electrical network			10.41
	Grid company's activities related to the construction of the "last mile"			
	Construction of the overhead power lines (aluminum cores)			
	Construction of cable lines (aluminum cores)			
	Construction of segmentation stations			

Construction of distribution point			
Construction of 35kV Packaged Transformer Substations and Distribution Transformer Substations			
More than 670 kW			23.22
Preparation and delivery by a grid company of technical conditions			9.51
The development by grid company of design documentation for the construction of the "last mile"			
Checking by the grid company the applicants fulfilling technical conditions			3.18
Participation of an official from Rostekhnadzor (Russian Technical Supervisory Authority) in inspection of the power receiving devices			3.53
The actual actions for connection and ensuring the operation of devices in electrical network			
Grid company's activities related to the construction of the "last mile"			
Construction of the overhead power lines (aluminum cores)			
Construction of cable lines (aluminum cores)			
Construction of segmentation stations			
Construction of distribution point			
Construction of 35kV Packaged Transformer Substations and Distribution Transformer Substations			
Rates of technological connection for the unit of maximum capacity	110	Rub./kW	
From more than 150 to 670 kW inclusively			21.66

	Preparation and delivery by a grid company of technical conditions		7.40
	The development by grid company of design documentation for the construction of the "last mile"		
	Checking by the grid company the applicants fulfilling technical conditions		3.80
	Participation of an official from Rostekhnadzor (Russian Technical Supervisory Authority) in inspection of the power receiving devices		2.10
	The actual actions for connection and ensuring the operation of devices in electrical network		8.36
	Grid company's activities related to the construction of the "last mile"		
	Construction of the overhead power lines (aluminum cores)		
	Construction of cable lines (aluminum cores)		
	Construction of segmentation stations		
	Construction of distribution point		
	Construction of 35kV Packaged Transformer Substations and Distribution Transformer Substations		
	More than 670kW		7.43
	Preparation and delivery by a grid company of technical conditions		3.04
	The development by grid company of design documentation for the construction of the "last mile"		
	Checking by the grid company the applicants fulfilling technical conditions		1.02
	Participation of an official from Rostekhnadzor (Russian Technical Supervisory Authority) in inspection of the power receiving devices		1.13

	The actual actions for connection and ensuring the operation of devices in electrical network			2.24
	Grid company's activities related to the construction of the "last mile"			
	Construction of the overhead power lines (aluminum cores)			
	Construction of cable lines (aluminum cores)			
	Construction of segmentation stations			
	Construction of distribution point			
	Construction of 35kV Packaged Transformer Substations and Distribution Transformer Substations			
Standardized tariff rates for grid connection				
	C1 Standardized tariff rates for grid connection of power receivers of consumers of electric energy, excluding construction of power grid facilities, calculated per 1 kW of maximum capacity, including		Rub./kW	
	Up to 15 kW inclusively (not (not privileged category of applicants)			886.02
	Preparation and delivery by a grid company of technical conditions			325.97
	The development by grid company of design documentation for the construction of the "last mile"			
	Checking by the grid company the applicants fulfilling technical conditions			147.99
	Participation of an official from Rostekhnadzor (Russian Technical Supervisory Authority) in inspection of the power receiving devices			
	The actual actions for connection and ensuring the operation of devices in electrical network			385.06

	From 15 to 150 kW inclusively		167.14
	Preparation and delivery by a grid company of technical conditions		61.49
	The development by grid company of design documentation for the construction of the "last mile"		
	Checking by the grid company the applicants fulfilling technical conditions		33.01
	Participation of an official from Rostekhnadzor (Russian Technical Supervisory Authority) in inspection of the power receiving devices		
	The actual actions for connection and ensuring the operation of devices in electrical network		72.64
	From more than 150 to 670 kW inclusively		33.57
	Preparation and delivery by a grid company of technical conditions		11.47
	The development by grid company of design documentation for the construction of the "last mile"		
	Checking by the grid company the applicants fulfilling technical conditions		5.89
	Participation of an official from Rostekhnadzor (Russian Technical Supervisory Authority) in inspection of the power receiving devices		3.26
	The actual actions for connection and ensuring the operation of devices in electrical network		12.95
	More than 670 kW		16.96
	Preparation and delivery by a grid company of technical conditions		6.95
	The development by grid company of design documentation for the construction of the "last mile"		

Checking by the grid company the applicants fulfilling technical conditions		2.32
Participation of an official from Rostekhnadzor (Russian Technical Supervisory Authority) in inspection of the power receiving devices		2.57
The actual actions for connection and ensuring the operation of devices in electrical network		5.11
C2i Standardized tariff rate to cover expenditure on construction of overhead lines calculated per 1 km length, etc.		
Up to 15kW inclusively (not privileged category of applicants)		
Copper core		
Aluminum core		405 450
From 15 to 150 kW inclusively		
Copper core		
Aluminum core		471 290
From more than 150 to 670 kW inclusively		
Copper core		
Aluminum core		517 810*
More than 670 kW		
Copper core		
Aluminum core		517 810*
C3i Standardized tariff rate to cover expenditure on construction of cable lines calculated per 1 km length, etc.		
Up to 15 kW inclusively (not privileged category of applicants)		
Copper core (one cable in trench)		574 320**
Copper core (two cables in trench)		697 550
Aluminum core (one cable in trench)		555 620**
Aluminum core (two cables in trench)		659 380

	From 15 to 150 kW inclusively		
	Copper core (one cable in trench)		622 030**
	Copper core (two cables in trench)		792 780
	Aluminum core (one cable in trench)		569 080**
	Aluminum core (two cables in trench)		687 150
	From more than 150 to 670 kW inclusively		
	Copper core (one cable in trench)		693 110**
	Copper core (two cables in trench)		1 034 220
	Aluminum core (one cable in trench)		567 820**
	Aluminum core (two cables in trench)		778 250
	More than 670 kW		
	Copper core (one cable in trench)		881 960**
	Copper core (two cables in trench)		1 406 560
	Aluminum core (one cable in trench)		643 660**
	Aluminum core (two cables in trench)		929 920
	C4 Standardized tariff rate to cover expenditure on construction of substations, including		
	Up to 15 kW inclusively (not privileged category of applicants)		5 553
	From 15 to 150 kW inclusively		1 646
	From more than 150 to 670 kW inclusively		1 268
	More than 670 kW		974
	C4 Standardized tariff rate to cover expenditure on construction of segmentation stations		
	From 15 to 150 kW inclusively		3 174
	From more than 150 to 670 kW inclusively		533
	More than 670 kW		217

	C4 Standardized tariff rate to cover expenditure on construction of distribution stations			
	More than 670 kW			1 864
	C1 Standardized tariff rates for grid connection of power receivers of consumers of electric energy, excluding construction of power grid facilities, calculated per 1 kW of maximum capacity, including		Rub./kW	
	Up to 15 kW inclusively (not privileged category of applicants)			886.02
	Preparation and delivery by a grid company of technical conditions			325.97
	The development by grid company of design documentation for the construction of the "last mile"			
	Checking by the grid company the applicants fulfilling technical conditions			174.99
	Participation of an official from Rostekhnadzor (Russian Technical Supervisory Authority) in inspection of the power receiving devices	6-20		
	The actual actions for connection and ensuring the operation of devices in electrical network			385.06
	From 15 to 150 kW inclusively			141.98
	Preparation and delivery by a grid company of technical conditions			52.23
	The development by grid company of design documentation for the construction of the "last mile"			
	Checking by the grid company the applicants fulfilling technical conditions			28.04
	Participation of an official from Rostekhnadzor (Russian Technical Supervisory			

	Authority) in inspection of the power receiving devices			
	The actual actions for connection and ensuring the operation of devices in electrical network			61.70
	From more than 150 to 670 kW inclusively			28.54
	Preparation and delivery by a grid company of technical conditions			9.75
	The development by grid company of design documentation for the construction of the "last mile"			
	Checking by the grid company the applicants fulfilling technical conditions			5.00
	Participation of an official from Rostekhnadzor (Russian Technical Supervisory Authority) in inspection of the power receiving devices			2.77
	The actual actions for connection and ensuring the operation of devices in electrical network			11.01
	More than 670 kW			16.96
	Preparation and delivery by a grid company of technical conditions			6.95
	The development by grid company of design documentation for the construction of the "last mile"			
	Checking by the grid company the applicants fulfilling technical conditions			2.32
	Participation of an official from Rostekhnadzor (Russian Technical Supervisory Authority) in inspection of the power receiving devices			2.57
	The actual actions for connection and ensuring the operation of devices in electrical network			5.11
	Up to 15 kW inclusively (not privileged category of applicants)			

	Copper core			
	Aluminum core			413 940
	From 15 to 150 kW inclusively			
	Copper core			
	Aluminum core			420 160
	From more than 150 to 670 kW inclusively			
	Copper core			
	Aluminum core			451 890
	More than 670 kW			
	Copper core			
	Aluminum core			477 810*
	C3i Standardized tariff rate to cover expenditure on construction of cable lines calculated per 1 km length, etc.			
	Up to 15 kW inclusively (not privileged category of applicants)			
	Copper core (one cable in trench)			814 500
	Copper core (two cables in trench)			1 022 040**
	Aluminum core (one cable in trench)			774 720
	Aluminum core (two cables in trench)			976 750***
	From 15 to 150 kW inclusively			
	Copper core (one cable in trench)			862 530
	Copper core (two cables in trench)			1 118 030***
	Aluminum core (one cable in trench)			786 520
	Aluminum core (two cables in trench)			1 008 130***
	From more than 150 to 670 kW inclusively			
	Copper core (one cable in trench)			1 015 790
	Copper core (two cables in trench)			1 669 870***
	Aluminum core (one cable in trench)			1 070 980
	Aluminum core (two cables in trench)			1 524 250***
	More than 670 kW			

Copper core (one cable in trench)			1 296 200
Copper core (two cables in trench)			2 230 730***
Aluminum core (one cable in trench)			1 295 370
Aluminum core (two cables in trench)			1 961 580***
C4 Standardized tariff rate to cover expenditure on construction of substations			
Up to 15 kW inclusively (not privileged category of applicants)			5 553
From 15 to 150 kW inclusively			1 646
From more than 150 to 670 kW inclusively			1 268
More than 670 kW			974
C4 Standardized tariff rate to cover expenditure on construction of segmentation stations			
From 15 to 150 kW inclusively			3 174
From more than 150 to 670 kW inclusively			533
More than 670 kW			217
C4 Standardized tariff rate to cover expenditure on construction of distribution stations			
More than 670 kW			1 864
From more than 150 to 670 kW inclusively	35	Rub./kW	26.98
Preparation and delivery by a grid company of technical conditions			9.21
The development by grid company of design documentation for the construction of the "last mile"			
Checking by the grid company the applicants fulfilling technical conditions			4.73
Participation of an official from Rostekhnadzor (Russian Technical Supervisory Authority) in inspection of the power receiving devices			2.62

	The actual actions for connection and ensuring the operation of devices in electrical network			10.41
	More than 670 kW			23.22
	Preparation and delivery by a grid company of technical conditions			9.51
	The development by grid company of design documentation for the construction of the "last mile"			
	Checking by the grid company the applicants fulfilling technical conditions			3.18
	Participation of an official from Rostekhnadzor (Russian Technical Supervisory Authority) in inspection of the power receiving devices			3.53
	The actual actions for connection and ensuring the operation of devices in electrical network			7.00
	From more than 150 to 670 kW inclusively			21.66
	Preparation and delivery by a grid company of technical conditions			7.40
	The development by grid company of design documentation for the construction of the "last mile"			
	Checking by the grid company the applicants fulfilling technical conditions			3.80
	Participation of an official from Rostekhnadzor (Russian Technical Supervisory Authority) in inspection of the power receiving devices	110	Rub./kW	2.10
	The actual actions for connection and ensuring the operation of devices in electrical network			8.36
	More than 670 kW			7.43
	Preparation and delivery by a grid company of technical conditions			3.04

	The development by grid company of design documentation for the construction of the "last mile"			
	Checking by the grid company the applicants fulfilling technical conditions			1.02
	Participation of an official from Rostekhnadzor (Russian Technical Supervisory Authority) in inspection of the power receiving devices			1.13
	The actual actions for connection and ensuring the operation of devices in electrical network			2.24

^ – in case of absence of separating by reliability categories;

\*- due to the fact the maximum cross section of the produced electrical conductors is limited, the installation of power lines is performed using several lines, with division of a total load of the consumer on the different power receivers. In this case, when using the standardized rates as a "base" section we use cross-section of 95 mm<sup>2</sup>; when calculating the payment for technological connection the rate shall be multiplied by the required number of power lines with cross-section 95 mm<sup>2</sup>;

\*\* - due to the fact that the maximum cross section of the produced electrical conductors is limited, installation of power lines is performed using several lines, with division of a total load of the consumer on the different power receivers. In connection with this, when install more than one cable in a trench, when calculating the payments for technological connection to the value of the rate, it is necessary to apply coefficient 1.4 for each following cable;

\*\*\* - due to the fact that the maximum cross section of the produced electrical conductors is limited, installation of power lines is performed using several lines, with division of a total load of the consumer on the different power receivers. In connection with this, when install more than one cable in a trench, when calculating the payments for technological connection to the value of the rate, it is necessary to apply coefficient 1.34 for each following cable;

^^ - for 2016 for applicants performing technological connection of their power receivers with a maximum power of 150 kW maximum, the formulas approved by

the resolution of the Tariff Service of the Astrakhan region No. 203 dd. 11.12.2015 are applied (Appendix 3 "The formula for payment for technological connection")  
 ^^ - when calculating the cost of technological connection for applicants applying for temporary technological connection, the rates for technological connection approved for applicants whose power receivers are connected by a permanent power supply scheme

### Tariffs on grid connection 2016

#### “Volgogradenergo” branch of IDGC of the South PJSC

Date of setting the tariff, date of publication, source of publication	Category of connection		Unit of measurement	Payment rate (VAT excluded)
	Capacity, kW	Voltage level at connection point, kV		
Name of the “IDGC of the South” PJSC branch: “Volgogradenergo”				
Order of Tariff service of Volgograd region No.53/1 dated 16.12.2015 (Newspaper “Volgogradskaya Pravda” No.190 dated 22.12.2015)	The rates are specified separately (in accordance with the decision of control body):			
	1. Rate of payment for technological connection of privileged categories of consumers			
	2. Rate of payment for technological connection in the context of events			
	3. Rate of payment for technological connection on territorial areas			
	Rate of payment for technological connection for unit of maximum capacity up to 15kW (not privileged category), constant scheme of power supply			Rub./kW 4 638.87
	Preparation and giving of technical specifications to grid Companies			Rub./kW 1 091.81
	Development of design documentation by the grid Company on construction of the “last mile”			Rub./kW
	Inspection of completion of technical specification by the grid Company			Rub./kW 1 285.09
	Participation in inspection by authority of Rostekhnadzor of connected facilities of the Applicant			Rub./kW 524.32
	Actual actions for connection and operation of facilities in the power network			Rub./kW 1 737.65

Implementation of activities related to the construction of the "last mile"***		Rub./kW	
Construction of overhead power lines	0.4	Rub./kW	3 366.64
Construction of overhead power lines	6-20	Rub./kW	5 052.47
Construction of cable lines	0.4	Rub./kW	4 321.17
Construction of cable lines	6-20	Rub./kW	7 950.83
Construction of transformer substation – 6(10) kV up to 100 kVA inclusively		Rub./kW	1 938.19
Rate of payment for technological connection for unit of maximum capacity up to 15kW (not privileged category), temporary scheme of power supply (in current prices, without VAT)		Rub./kW	4 638.87
Preparation and giving of technical specifications to grid Companies		Rub./kW	1 091.81
Development of design documentation by the grid Company on construction of the “last mile”		Rub./kW	
Inspection of completion of technical specification by the grid Company		Rub./kW	1 285.09
Participation in inspection by authority of Rostekhnadzor of connected facilities of the Applicant		Rub./kW	524.32
Actual actions for connection and operation of facilities in the power network		Rub./kW	1 737.65
Rate of payment for technological connection for unit of maximum capacity more than 15kW, constant scheme of power supply (in current prices, without VAT)		Rub./kW	520.57
Preparation and giving of technical specifications to grid Companies		Rub./kW	92.88
Development of design documentation by the grid Company on construction of the “last mile”		Rub./kW	
Inspection of completion of technical specification by the grid Company		Rub./kW	103.49
Participation in inspection by authority of Rostekhnadzor of connected facilities of the Applicant		Rub./kW	19.09

Actual actions for connection and operation of facilities in the power network		Rub./kW	305.10
Implementation of actions connected with construction of “last mile”***		Rub./kW	
Less than 150 kW			
Construction of overhead power lines	0.4	Rub./kW	3 366.64
Construction of overhead power lines	6-20	Rub./kW	5 052.47
Construction of cable lines	0.4	Rub./kW	4 321.17
Construction of overhead power lines	6-20	Rub./kW	7 950.83
Construction of transformer substation – 6(10) kV up to 100 kVA inclusively		Rub./kW	1 938.19
Construction of transformer substation – 6(10) kV 160 kVA		Rub./kW	1 571.61
Construction of transformer substation – 6(10) kV 250 kVA		Rub./kW	1 371.69
Construction of transformer substation – 6(10) kV 400 kVA		Rub./kW	903.05
Construction of transformer substation – 6(10) kV 630 kVA		Rub./kW	1 028.24
Construction of 2 transformer substations – 6(10) kV 250 kVA		Rub./kW	1 577.99
Construction of 2 transformer substations – 6(10) kV 400 kVA		Rub./kW	1 748.80
Construction of 2 transformer substations – 6(10) kV 630 kVA		Rub./kW	
Construction of 2 transformer substations – 6(10) kV 1000 kVA		Rub./kW	
Construction of 2 transformer substations – 6(10) kV 1250 kVA		Rub./kW	
More than 150 kW			
Construction of overhead power lines	0.4	Rub./kW	3 394.21
Construction of overhead power lines	6-20	Rub./kW	3 571.65
Construction of cable lines	0.4	Rub./kW	2 343.94
Construction of overhead power lines	6-20	Rub./kW	5 257.91
Construction of transformer substation – 6(10) kV up to 100 kVA inclusively		Rub./kW	-
Construction of transformer substation – 6(10) kV 160 kVA		Rub./kW	-
Construction of transformer substation – 6(10) kV 250 kVA		Rub./kW	3 891.53

	Construction of transformer substation – 6(10) kV 400 kVA		Rub./kW	2 763.25
	Construction of transformer substation – 6(10) kV 630 kVA		Rub./kW	2 561.09
	Construction of 2 transformer substations – 6(10) kV 250 kVA		Rub./kW	3 662.29
	Construction of 2 transformer substations – 6(10) kV 400 kVA		Rub./kW	2 995.38
	Construction of 2 transformer substations – 6(10) kV 630 kVA		Rub./kW	2 790.43
	Construction of 2 transformer substations – 6(10) kV 1000 kVA		Rub./kW	2 124.47
	Construction of 2 transformer substations – 6(10) kV 1250 kVA		Rub./kW	-
	Rate of payment for technological connection for unit of maximum capacity more than 15kW, temporary scheme of power supply (in current prices, without VAT)		Rub./kW	520.57
	Preparation and giving of technical specifications to grid Companies		Rub./kW	92.88
	Development of design documentation by the grid Company on construction of the “last mile”		Rub./kW	
	Inspection of completion of technical specification by the grid Company		Rub./kW	103.49
	Participation in inspection by authority of Rostekhnadzor of connected facilities of the Applicant		Rub./kW	19.09
	Actual actions for connection and operation of facilities in the power network		Rub./kW	305.10
<b>Standardized tariff rates for technological connection</b>				
	C1 Standardized tariff rates for grid connection of power receivers of consumers of electric energy, excluding construction of power grid facilities, calculated per 1 kW of maximum capacity (in current prices, without VAT), including		Rub./kW	
	C1 rate up to 15 kW (not privileged category), constant scheme of power supply		Rub./kW	4 638.87
	Preparation and giving of technical specifications to grid Companies		Rub./kW	1 091.81
	Development of design documentation by the grid Company on construction of the “last mile”		Rub./kW	

	Inspection of completion of technical specification by the grid Company		Rub./kW	1 285.09
	Participation in inspection by authority of Rostekhnadzor of connected facilities of the Applicant		Rub./kW	524.32
	Actual actions for connection and operation of facilities in the power network		Rub./kW	1 737.65
	C1 rate up to 15 kW (not privileged category), constant scheme of power supply		Rub./kW	4 638.87
	Preparation and giving of technical specifications to grid Companies		Rub./kW	1 091.81
	Development of design documentation by the grid Company on construction of the “last mile”		Rub./kW	
	Inspection of completion of technical specification by the grid Company		Rub./kW	1 285.09
	Participation in inspection by authority of Rostekhnadzor of connected facilities of the Applicant		Rub./kW	524.32
	Actual actions for connection and operation of facilities in the power network		Rub./kW	1 737.65
	C1 rate more than 15 kW, constant scheme of power supply		Rub./kW	520.57
	Preparation and giving of technical specifications to grid Companies		Rub./kW	92.88
	Development of design documentation by the grid Company on construction of the “last mile”		Rub./kW	
	Inspection of completion of technical specification by the grid Company		Rub./kW	103.49
	Participation in inspection by authority of Rostekhnadzor of connected facilities of the Applicant		Rub./kW	19.09
	Actual actions for connection and operation of facilities in the power network		Rub./kW	305.10
	C1 rate more than 15 kW, temporary scheme of power supply		Rub./kW	520.57
	Preparation and giving of technical specifications to grid Companies		Rub./kW	92.88
	Development of design documentation by the grid Company on construction of the “last mile”		Rub./kW	

	Inspection of completion of technical specification by the grid Company		Rub./kW	103.49	
	Participation in inspection by authority of Rostekhnadzor of connected facilities of the Applicant		Rub./kW	19.09	
	Actual actions for connection and operation of facilities in the power network		Rub./kW	305.10	
	C2 Standardized tariff rate to cover expenditure on construction of overhead lines calculated per 1 km length (without VAT, prices of 2001) including				
	Up to 150 kW				
	Construction of 1 km of 0.4 kV overhead power line	0.4	Rub./km	131 908.02	
	Construction of 1 km of 0.4 kV insulated overhead power line			141 764.94	
	Construction of 1 km of 6(10) kV overhead power line	6 20		250 140.08	
	Construction of 1 km of 6(10) kV insulated overhead power line			137 302.17	
	More than 150 kW				
	Construction of 1 km of 0.4 kV overhead power line	0.4		-	
	Construction of 1 km of 0.4 kV insulated overhead power line			270 506.24	
	Construction of 1 km of 6(10) kV overhead power line	6 20		484 797.88	
	Construction of 1 km of 6(10) kV insulated overhead power line			285 045.33	
	C3 Standardized tariff rate to cover expenditure on construction of cable lines calculated per 1 km length (without VAT, prices of 2001), including				
	Up to 150 kW				
	Construction of 1 km of 0.4 kV cable line	0.4			196 852.00
	Construction of 1 km of 6(10) kV cable line	6 20		363 044.96	
	More than 150 kW				
	Construction of 1 km of 0.4 kV cable line	0.4		387 718.80	
	Construction of 1 km of 6(10) kV cable line	6 20		715 467.83	
	C4 Standardized tariff rate to cover expenditure on construction of substations (without VAT, prices of 2001), including		Rub./kW		

	Up to 150 kW			
	Construction of transformer substation 6(10) kV to 100 KVA inclusively			308.14
	Construction of transformer substation 6(10) kV 160 kV			249.86
	Construction of transformer substation 6(10) kV 250 kVA			218.07
	Construction of transformer substation 6(10) kV 400 kVA			143.57
	Construction of transformer substation 6(10) kV 630 kVA			163.47
	Construction of 2 transformer substations 6(10) kV 250 kVA			250.87
	Construction of 2 transformer substations 6(10) kV 400 kVA			278.03
	Construction of 2 transformer substations 6(10) kV 630 kVA			
	Construction of 2 transformer substations 6(10) kV 1000 kVA			
	Construction of 2 transformer substations 6(10) kV 1250 kVA			
	More than 150 kW			
	Construction of transformer substation 6(10) kV to 100 KVA inclusively			-
	Construction of transformer substation 6(10) kV 160 kV			-
	Construction of transformer substation 6(10) kV 250 kVA			618.69
	Construction of transformer substation 6(10) kV 400 kVA			439.31
	Construction of transformer substation 6(10) kV 630 kVA			407.17
	Construction of 2 transformer substations 6(10) kV 250 kVA			582.24
	Construction of 2 transformer substations 6(10) kV 400 kVA			476.21
	Construction of 2 transformer substations 6(10) kV 630 kVA			443.63
	Construction of 2 transformer substations 6(10) kV 1000 kVA			337.75
	Construction of 2 transformer substations 6(10) kV 1250 kVA			-

\* - in case of absence of separating by reliability categories

\*\* - rates for unit of maximum capacity are set in current prices

## Tariffs on grid connection 2016

### “Kalmenergo” branch of IDGC of the South PJSC

Date of setting the tariff, date of publication, source of publication	Category of connection		Unit of measurement	Payment rate (VAT excluded)	
	Capacity, kW	Voltage level at connection point, kV			
Name of the “IDGC of the South” PJSC branch: “Kalmenergo”					
Order of Tariff service of Kalmyk region No.108-p/tp dated 25.12.2015 Newspaper “Khalmg unn” No.238 dated 30.12.2015 (17320)	The rates are specified separately (in accordance with the decision of control body):				
	1. Rate of payment for technological connection of privileged categories of consumers				
	2. Rate of payment for technological connection in the context of events				
	3. Rate of payment for technological connection on territorial areas				
	Rate of payment for technological connection for unit of maximum capacity up to 15kW inclusively (not privileged category)		0.4		728.10
	Preparation and giving of technical specifications to grid Companies				95.86
	Development of design documentation by the grid Company on construction of the “last mile”				
	Inspection of completion of technical specification by the grid Company				179.52
	Participation in inspection by authority of Rostekhnadzor of connected facilities of the Applicant				
	Actual actions for connection and operation of facilities in the power network				452.72
	Implementation of activities related to the construction of the "last mile"***				
	Construction of overhead power lines				
	Construction of cable lines				
	Construction of segmentation stations				
	Construction of distribution stations				
Construction of complex transformer substations, distribution transformer substations with voltage level up to 35 kV (in the amount of 50% from total cost)					

	Packaged transformer substation 10/0.4 25 kVA			19 264.01
	Mobile transformer substation 10/0.23 kV10kVA			5 753.53
	Rate of payment for technological connection for unit of maximum capacity up to 15kW inclusively (not privileged category)		Rub./kW	728.10
	Preparation and giving of technical specifications to grid Companies			95.86
	Development of design documentation by the grid Company on construction of the “last mile”			
	Inspection of completion of technical specification by the grid Company			179.52
	Participation in inspection by authority of Rostekhnadzor of connected facilities of the Applicant			
	Actual actions for connection and operation of facilities in the power network	6-20		452.72
	Implementation of activities related to the construction of the "last mile"***			
	Construction of overhead power lines (in the amount of 50% from total cost)			73 275.81
	Construction of cable lines			
	Construction of segmentation stations			
	Construction of distribution stations			
	Construction of complex transformer substations, distribution transformer substations with voltage level up to 35 kV (in the amount of 50% from total cost)			
	Packaged transformer substation 10/0.4 25 kVA			19 264.01
	Mobile transformer substation 10/0.23 kV10kVA			5 753.53
	Rate of payment for technological connection for unit of maximum capacity for category of applicants from 15 to 150 kW		Rub./kW	299.49
	Preparation and giving of technical specifications to grid Companies	0.4		76.20
	Development of design documentation by the grid Company on construction of the “last mile”			
	Inspection of completion of technical specification by the grid Company			73.66

Participation in inspection by authority of Rostekhnadzor of connected facilities of the Applicant			
Actual actions for connection and operation of facilities in the power network			149.63
Implementation of activities related to the construction of the "last mile"***			
Construction of overhead power lines (in the amount of 50% from total cost)			1 123.92
Construction of cable lines			
Construction of segmentation stations			
Construction of distribution stations			
Construction of complex transformer substations, distribution transformer substations with voltage level up to 35 kV (in the amount of 50% from total cost)			
Packaged transformer substation 10/0.4 25 kVA			11 324.02
Mobile transformer substation 10/0.23 kV10kVA			5 017.31
Rate of payment for technological connection for unit of maximum capacity for category of applicants from 15 to 150 kW		Rub./kW	235.75
Preparation and giving of technical specifications to grid Companies			65.31
Development of design documentation by the grid Company on construction of the "last mile"			
Inspection of completion of technical specification by the grid Company			50.76
Participation in inspection by authority of Rostekhnadzor of connected facilities of the Applicant			
Actual actions for connection and operation of facilities in the power network	6-20		119.68
Implementation of activities related to the construction of the "last mile"***			
Construction of overhead power lines (in the amount of 50% from total cost)			12 072.37
Construction of cable lines			
Construction of segmentation stations			
Construction of distribution stations			
Construction of complex transformer substations, distribution transformer			

substations with voltage level up to 35 kV (in the amount of 50% from total cost)			
Packaged transformer substation 10/0.4 25 kVA			11 324.02
Mobile transformer substation 10/0.23 kV10kVA			5 017.31
Rate of payment for technological connection for unit of maximum capacity for category of applicants from 15 to 150 kW	0.4	Rub/kW	69.75
Preparation and giving of technical specifications to grid Companies			18.66
Development of design documentation by the grid Company on construction of the “last mile”			
Inspection of completion of technical specification by the grid Company			17.33
Participation in inspection by authority of Rostekhnadzor of connected facilities of the Applicant			
Actual actions for connection and operation of facilities in the power network			33.76
Implementation of activities related to the construction of the "last mile"***			
Construction of overhead power lines			700.44
Construction of cable lines			
Construction of segmentation stations			
Construction of distribution stations			
Construction of complex transformer substations, distribution transformer substations with voltage level up to 35 kV (in the amount of 50% from total cost)			
Rate of payment for technological connection for unit of maximum capacity for category of applicants from 150 to 670 kW		6-20	Rub./kW
Preparation and giving of technical specifications to grid Companies			10.07
Development of design documentation by the grid Company on construction of the “last mile”			
Inspection of completion of technical specification by the grid Company			8.87

Participation in inspection by authority of Rostekhnadzor of connected facilities of the Applicant			
Actual actions for connection and operation of facilities in the power network			23.86
Implementation of activities related to the construction of the "last mile"***			
Construction of overhead power lines			166.17
Construction of cable lines			
Construction of segmentation stations			
Construction of distribution stations			
Construction of complex transformer substations, distribution transformer substations with voltage level up to 35 kV (in the amount of 50% from total cost)			
Rate of payment for technological connection for unit of maximum capacity for category of applicants more than 670 kW			0.00
Preparation and giving of technical specifications to grid Companies			
Development of design documentation by the grid Company on construction of the "last mile"			
Inspection of completion of technical specification by the grid Company			
Participation in inspection by authority of Rostekhnadzor of connected facilities of the Applicant	6-20		
Actual actions for connection and operation of facilities in the power network			
Implementation of activities related to the construction of the "last mile"***			
Construction of overhead power lines			
Construction of cable lines			
Construction of segmentation stations			
Construction of distribution stations			
Construction of complex transformer substations, distribution transformer substations with voltage level up to 35 kV			

Rate of payment for technological connection for unit of maximum capacity for category of applicants more than 670 kW	35	Rub./kW	19.04	
Preparation and giving of technical specifications to grid Companies			7.84	
Development of design documentation by the grid Company on construction of the "last mile"				
Inspection of completion of technical specification by the grid Company			4.57	
Participation in inspection by authority of Rostekhnadzor of connected facilities of the Applicant			1.69	
Actual actions for connection and operation of facilities in the power network			4.94	
Implementation of activities related to the construction of the "last mile"				
Construction of overhead power lines			887.31	
Construction of cable lines				
Construction of segmentation stations				
Construction of distribution stations				
Construction of complex transformer substations, distribution transformer substations with voltage level up to 35 kV				
Standardized tariff rates for technological connection				
Standardized tariff rates for grid connection of power receivers of consumers of electric energy, excluding construction of power grid facilities, calculated per 1 kW of maximum capacity, including		0.4	Rub./kW	
Up to 15 kW inclusively (not privileged categories)			728.10	
From 15 to 150 kW inclusively			299.49	
From 150 to 670 kW			69.75	
More than 670 kW				
C2i Standardized tariff rate to cover expenditure on construction of overhead lines calculated per 1 km length, etc.				
Up to 15 kW inclusively (not privileged categories)				
0.4kV power lines with self-supporting insulated wire-2 with branches 3*70+1*54.6			94 775.59	
0.22kV insulated power lines with self-supporting insulated wire-2 with branches 3*25+1*54.6			60 329.36	

0.4kV power lines with self-supporting insulated wire-2 with branches 3*50+1*54.6			110 787.91
0.4kV power lines with self-supporting insulated wire-4 2*16			63 993.29
0.4kV power lines with self-supporting insulated wire-4 4*16			62 162.27
0.4kV power lines with self-supporting insulated wire-4 2*25			65 426.71
0.4kV power lines with self-supporting insulated wire-4 50mm <sup>2</sup> with branches from lead line + 16 mm <sup>2</sup>			84 904.07
0.4kV power lines with wire A-35 lead line + branches			72 885.24
0.4kV power lines with wire A-50 lead line + 16mm <sup>2</sup> branches			122 825.63
0.4kV power lines with wire A-25 lead line + 16mm <sup>2</sup> branches			102 852.04
10kV power line with AS-35 wire			50 175.42
10kV power line with AS-50 wire			97 216.08
10kV power line with self-supporting insulated wire-3 with cross-section 50mm <sup>2</sup>			49 822.36
10kV power line with self-supporting insulated wire-3 with cross-section 70mm <sup>2</sup>			53 783.43
10kV power line with self-supporting insulated wire-3 with cross-section 70mm <sup>2</sup> and two links			73 794.85
10kV power line A-50			88 768.94
10kV power line A-70			98 384.32
10kV power line A-70 and two links			132 087.50
10kV power line with wire AS-95			104 179.31
35kV power line with wire AS-70			235 835.63
From 15 to 150 kV inclusively			
0.4kV power lines with self-supporting insulated wire-2 with branches 3*70+1*54.6			94 775.59
0.22kV insulated power lines with self-supporting insulated wire-2 with branches 3*25+1*54.6			60 329.36
0.4kV power lines with self-supporting insulated wire-2 with branches 3*50+1*54.6			110 787.91
0.4kV power lines with self-supporting insulated wire-4 2*16			63 993.29
0.4kV power lines with self-supporting insulated wire-4 4*16			62 162.27
0.4kV power lines with self-supporting insulated wire-4 2*25			65 426.71

0.4kV power lines with self-supporting insulated wire-4 50mm <sup>2</sup> with branches from lead line + 16 mm <sup>2</sup>			84 904.07
0.4kV power lines with wire A-35 lead line + branches			72 885.24
0.4kV power lines with wire A-50 lead line + 16mm <sup>2</sup> branches			122 825.63
0.4kV power lines with wire A-25 lead line + 16mm <sup>2</sup> branches			102 852.04
10kV power line with AS-35 wire			50 175.42
10kV power line with AS-50 wire			97 216.08
10kV power line with self-supporting insulated wire-3 with cross-section 50mm <sup>2</sup>			49 822.36
10kV power line with self-supporting insulated wire-3 with cross-section 70mm <sup>2</sup>			53 783.43
10kV power line with self-supporting insulated wire-3 with cross-section 70mm <sup>2</sup> and two links			73 794.85
10kV power line A-50			88 768.94
10kV power line A-70			98 384.32
10kV power line A-70 and two links			132 087.50
10kV power line with wire AS-95			104 179.31
35kV power line with wire AS-70			235 835.63
From 150 and less than 670 kW			
0.4kV power lines with self-supporting insulated wire-2 with branches 3*70+1*54.6			189 551.18
0.22kV insulated power lines with self-supporting insulated wire-2 with branches 3*25+1*54.6			120 658.71
0.4kV power lines with self-supporting insulated wire-2 with branches 3*50+1*54.6			221 575.82
0.4kV power lines with self-supporting insulated wire-4 2*16			127 986.58
0.4kV power lines with self-supporting insulated wire-4 4*16			124 324.54
0.4kV power lines with self-supporting insulated wire-4 2*25			130 853.42
0.4kV power lines with self-supporting insulated wire-4 50mm <sup>2</sup> with branches from lead line + 16 mm <sup>2</sup>			169 808.14
0.4kV power lines with wire A-35 lead line + branches			145 770.47
0.4kV power lines with wire A-50 lead line + 16mm <sup>2</sup> branches			245 651.25
0.4kV power lines with wire A-25 lead line + 16mm <sup>2</sup> branches			205 704.07
10kV power line with AS-35 wire			100 350.84

10kV power line with AS-50 wire			194 432.16
10kV power line with self-supporting insulated wire-3 with cross-section 50mm <sup>2</sup>			99 644.71
10kV power line with self-supporting insulated wire-3 with cross-section 70mm <sup>2</sup>			107 566.85
10kV power line with self-supporting insulated wire-3 with cross-section 70mm <sup>2</sup> and two links			147 589.69
10kV power line A-50			177 537.87
10kV power line A-70			196 768.64
10kV power line A-70 and two links			264 174.99
10kV power line with wire AS-95			208 358.63
35kV power line with wire AS-70			471 671.25
From 670 to 890 kW			
0.4kV power lines with self-supporting insulated wire-2 with branches 3*70+1*54.6			189 551.18
0.22kV insulated power lines with self-supporting insulated wire-2 with branches 3*25+1*54.6			120 658.71
0.4kV power lines with self-supporting insulated wire-2 with branches 3*50+1*54.6			221 575.82
0.4kV power lines with self-supporting insulated wire-4 2*16			127 986.58
0.4kV power lines with self-supporting insulated wire-4 4*16			124 324.54
0.4kV power lines with self-supporting insulated wire-4 2*25			130 853.42
0.4kV power lines with self-supporting insulated wire-4 50mm <sup>2</sup> with branches from lead line + 16 mm <sup>2</sup>			169 808.14
0.4kV power lines with wire A-35 lead line + branches			145 770.47
0.4kV power lines with wire A-50 lead line + 16mm <sup>2</sup> branches			245 651.25
0.4kV power lines with wire A-25 lead line + 16mm <sup>2</sup> branches			205 704.07
10kV power line with AS-35 wire			100 350.84
10kV power line with AS-50 wire			194 432.16
10kV power line with self-supporting insulated wire-3 with cross-section 50mm <sup>2</sup>			99 644.71
10kV power line with self-supporting insulated wire-3 with cross-section 70mm <sup>2</sup>			107 566.85
10kV power line with self-supporting insulated wire-3 with cross-section 70mm <sup>2</sup> and two links			147 589.69

10kV power line A-50			177 537.87
10kV power line A-70			196 768.64
10kV power line A-70 and two links			264 174.99
10kV power line with wire AS-95			208 358.63
35kV power line with wire AS-70			471 671.25
From 890 to 8900 kW			
C3i Standardized tariff rate to cover expenditure on construction of cable lines calculated per 1 km length, etc.		Rub/km	
Up to 15 kW inclusively (not privileged categories)			
From 15 to 150 kW			
From 150 to 670 kW			
From 670 to 890 kW			
From 690 to 8900 kW			
C4 Standardized tariff rate to cover expenditure on construction of substations, including			
Up to 15 kW inclusively (not privileged categories)			
10/0.4kV Packaged Transformer Substation 25 kVA			3 350.26
10/0.23 kV Mobile Transformer Substation 10 kVA			1 000.61
From 15 to 150 kW inclusively			
10/0.4kV Packaged Transformer Substation 25 kVA			1 969.39
10/0.4kV Packaged Transformer Substation 400 kVA			872.58
C1 Standardized tariff rates for grid connection of power receivers of consumers of electric energy, excluding construction of power grid facilities, calculated per 1 kW of maximum capacity, including		Rub/kW	
Up to 15 kW inclusively (not privileged categories)			728.10
From 15 to 150 kW inclusively			235.75
From 150 to 670 kW			42.80
More than 670 kW			
C2i Standardized tariff rate to cover expenditure on construction of overhead lines calculated per 1 km length, etc.			
Up to 15 kW inclusively (not privileged categories)			
0.4kV power lines with self-supporting insulated wire-2 with branches 3*70+1*54.6			94 775.59
0.22kV insulated power lines with self-supporting insulated wire-2 with branches 3*25+1*54.6			60 329.36

0.4kV power lines with self-supporting insulated wire-2 with branches 3*50+1*54.6			110 787.91
0.4kV power lines with self-supporting insulated wire-4 2*16			63 993.29
0.4kV power lines with self-supporting insulated wire-4 4*16			62 162.27
0.4kV power lines with self-supporting insulated wire-4 2*25			65 426.71
0.4kV power lines with self-supporting insulated wire-4 50mm2 with branches from lead line + 16 mm2			84 904.07
0.4kV power lines with wire A-35 lead line + branches			72 885.24
0.4kV power lines with wire A-50 lead line + 16mm2 branches			122 825.63
0.4kV power lines with wire A-25 lead line + 16mm2 branches			102 852.04
10kV power line with AS-35 wire			50 175.42
10kV power line with AS-50 wire			97 216.08
10kV power line with self-supporting insulated wire-3 with cross-section 50mm2			49 822.36
10kV power line with self-supporting insulated wire-3 with cross-section 70mm2			53 783.43
10kV power line with self-supporting insulated wire-3 with cross-section 70mm2 and two links			73 794.85
10kV power line A-50			88 768.94
10kV power line A-70			98 384.32
10kV power line A-70 and two links			132 087.50
10kV power line with wire AS-95			104 179.31
35kV power line with wire AS-70			235 835.63
From 150 and less than 670 kW			
0.4kV power lines with self-supporting insulated wire-2 with branches 3*70+1*54.6			189 551.18
0.22kV insulated power lines with self-supporting insulated wire-2 with branches 3*25+1*54.6			120 658.71
0.4kV power lines with self-supporting insulated wire-2 with branches 3*50+1*54.6			221 575.82
0.4kV power lines with self-supporting insulated wire-4 2*16			127 986.58
0.4kV power lines with self-supporting insulated wire-4 4*16			124 324.54
0.4kV power lines with self-supporting insulated wire-4 2*25			130 853.42

0.4kV power lines with self-supporting insulated wire-4 50mm <sup>2</sup> with branches from lead line + 16 mm <sup>2</sup>			169 808.14
0.4kV power lines with wire A-35 lead line + branches			145 770.47
0.4kV power lines with wire A-50 lead line + 16mm <sup>2</sup> branches			245 651.25
0.4kV power lines with wire A-25 lead line + 16mm <sup>2</sup> branches			205 704.07
10kV power line with AS-35 wire			100 350.84
10kV power line with AS-50 wire			194 632.16
10kV power line with self-supporting insulated wire-3 with cross-section 50mm <sup>2</sup>			99 644.71
10kV power line with self-supporting insulated wire-3 with cross-section 70mm <sup>2</sup>			107 566.85
10kV power line with self-supporting insulated wire-3 with cross-section 70mm <sup>2</sup> and two links			147 589.69
10kV power line A-50			177 537.87
10kV power line A-70			196 768.64
10kV power line A-70 and two links			264 174.99
10kV power line with wire AS-95			208 358.63
35kV power line with wire AS-70			471 671.25
From 670 to 890 kW			
0.4kV power lines with self-supporting insulated wire-2 with branches 3*70+1*54.6			189 551.18
0.22kV insulated power lines with self-supporting insulated wire-2 with branches 3*25+1*54.6			120 658.71
0.4kV power lines with self-supporting insulated wire-2 with branches 3*50+1*54.6			221 575.82
0.4kV power lines with self-supporting insulated wire-4 2*16			127 986.58
0.4kV power lines with self-supporting insulated wire-4 4*16			124 324.54
0.4kV power lines with self-supporting insulated wire-4 2*25			130 853.42
0.4kV power lines with self-supporting insulated wire-4 50mm <sup>2</sup> with branches from lead line + 16 mm <sup>2</sup>			169 808.14
0.4kV power lines with wire A-35 lead line + branches			145 770.47
0.4kV power lines with wire A-50 lead line + 16mm <sup>2</sup> branches			245 651.25
0.4kV power lines with wire A-25 lead line + 16mm <sup>2</sup> branches			205 704.07
10kV power line with AS-35 wire			100 350.84

10kV power line with AS-50 wire			194 432.16
10kV power line with self-supporting insulated wire-3 with cross-section 50mm <sup>2</sup>			99 644.71
10kV power line with self-supporting insulated wire-3 with cross-section 70mm <sup>2</sup>			107 566.85
10kV power line with self-supporting insulated wire-3 with cross-section 70mm <sup>2</sup> and two links			147 589.69
10kV power line A-50			177 537.87
10kV power line A-70			196 768.64
10kV power line A-70 and two links			264 174.99
10kV power line with wire AS-95			208 358.63
35kV power line with wire AS-70			471 671.25
From 890 to 8900 kW			
C3i Standardized tariff rate to cover expenditure on construction of cable lines calculated per 1 km length, etc.			
Up to 15 kW inclusively (not privileged categories)			
From 15 to 150 kW inclusively			
From 150 to 670 kW			
From 670 to 890 kW			
From 890 to 8900 kW			
C4 Standardized tariff rate to cover expenditure on construction of substations, including			
Up to 15 kW inclusively (not privileged categories)			
10/0.4kV Packaged Transformer Substation 25 kVA			3 350.26
10/0.23 kV Mobile Transformer Substation 10 kVA			1 000.61
From 15 to 150 kW inclusively			
10/0.4kV Packaged Transformer Substation 25 kVA			1 969.39
10/0.4kV Packaged Transformer Substation 400 kVA			872.58
From 150 and less than 670 kW			
C1 Standardized tariff rates for grid connection of power receivers of consumers of electric energy, excluding construction of power grid facilities, calculated per 1 kW of maximum capacity, including	35		
Up to 15 kW inclusively (not privileged categories)			
From 15 to 150 kW inclusively			
From 150 to 670 kW			
More than 670 kW			19.04

	C2i Standardized tariff rate to cover expenditure on construction of overhead lines calculated per 1 km length, etc.			
	Up to 15 kW inclusively (not privileged categories)			
	From 15 to 150 kW inclusively			
	From 150 to 670 kW			
	From 670 to 890 kW			
	From 890 to 8900 kW			
	C3i Standardized tariff rate to cover expenditure on construction of cable lines calculated per 1 km length, etc.			
	C4 Standardized tariff rate to cover expenditure on construction of substations, including			
	C1 Standardized tariff rates for grid connection of power receivers of consumers of electric energy, excluding construction of power grid facilities, calculated per 1 kW of maximum capacity, including	110	Rub/kW	
	Up to 15 kW inclusively (not privileged categories)			
	From 15 to 150 kW inclusively			
	From 150 to 670 kW			
	More than 670 kW			
	C2i Standardized tariff rate to cover expenditure on construction of overhead lines calculated per 1 km length, etc.		Rub/km	
	Up to 15 kW inclusively (not privileged categories)			
	From 15 to 150 kW inclusively			
	From 150 to 670 kW			
	From 670 to 890 kW			
	From 890 to 8900 kW			
	C3i Standardized tariff rate to cover expenditure on construction of cable lines calculated per 1 km length, etc.			
	C4 Standardized tariff rate to cover expenditure on construction of substations, including		Rub/kW	

\* - in case of absence of dividing on reliability categories

\*\* - rates for the unit of maximum capacity are set in actual prices

\*\*\* - when calculating the cost of technological connection for applicants applying for temporary technological connection, the rates for technological connection approved for applicants whose power receivers are connected by a permanent power supply scheme are used

Tariffs on grid connection 2016  
 “Rostovenergo” branch of IDGC of the South PJSC

Date of setting the tariff, date of publication, source of publication	Category of connection		Unit of measurement	Payment rate* temporary scheme (VAT excluded)	Payment rate* constant scheme (VAT excluded)
	Capacity, kW	Voltage level at connection point, kV			
Name of the “IDGC of the South” PJSC branch: “Rostovenergo”					
1. Order of Tariff service of Rostov region No.76/5 dated 24.12.2015 Web portal of legal information <a href="http://pravo.donland.ru">http://pravo.donland.ru</a> No. of publication 614520151 2300056, dated 30.12.2015 2. Order of Tariff service of Rostov region No.83/7 dated 29.12.2015 Web portal of legal information <a href="http://pravo.donland.ru">http://pravo.donland.ru</a> No. of publication 614520151 2300114, dated 30.12.2015	The rates are specified separately (in accordance with the decision of control body):				
	1. Rate of payment for technological connection of privileged categories of consumers				
	2. Rate of payment for technological connection in the context of events				
	3. Rate of payment for technological connection on territorial areas				
	Rate of payment for technological connection for unit of maximum capacity up to 15kW inclusively (not privileged category)	0.4	Rub/kW	913.76	913.76
	Preparation and giving of technical specifications to grid Companies			375.26	375.26
	Development of design documentation by the grid Company on construction of the “last mile”				
	Inspection of completion of technical specification by the grid Company			234.41	234.41
	Participation in inspection by authority of Rostekhnadzor of connected facilities of the Applicant				
	Actual actions for connection and operation of facilities in the power network			304.09	304.09
Implementation of activities related to the construction of the "last mile"***					
Construction of overhead power lines					1 667.57

	Construction of cable lines				1 168.58
	Construction of segmentation stations				
	Construction of distribution stations				
	Construction of complex transformer substations, distribution transformer substations with voltage level up to 35 kV				342.56
	Rate of payment for technological connection for unit of maximum capacity for category of applicants from 15 to 150 kW			913.76	913.76
	Preparation and giving of technical specifications to grid Companies			375.26	375.26
	Development of design documentation by the grid Company on construction of the "last mile"				
	Inspection of completion of technical specification by the grid Company			234.41	234.41
	Participation in inspection by authority of Rostekhnadzor of connected facilities of the Applicant	0.4	Rub/kW		
	Actual actions for connection and operation of facilities in the power network			304.09	304.09
	Implementation of activities related to the construction of the "last mile"***				
	Construction of overhead power lines				1 667.57
	Construction of cable lines				1 168.58
	Construction of segmentation stations				
	Construction of distribution stations				
	Construction of complex transformer substations, distribution transformer substations with voltage level up to 35 kV				342.56
	Rate of payment for technological connection for unit of maximum capacity for	6-20	Rub/kW	913.76	913.76

category of applicants from 15 to 150 kW				
Preparation and giving of technical specifications to grid Companies			375.26	375.26
Development of design documentation by the grid Company on construction of the "last mile"				
Inspection of completion of technical specification by the grid Company			234.41	234.41
Participation in inspection by authority of Rostekhnadzor of connected facilities of the Applicant				
Actual actions for connection and operation of facilities in the power network			304.09	304.09
Implementation of activities related to the construction of the "last mile"***				
Construction of overhead power lines				375.43
Construction of cable lines				3 400.86
Construction of cable lines using horizontal directional drilling				14 177.35
Construction of segmentation stations				109.50
Construction of distribution stations				109.50
Construction of complex transformer substations, distribution transformer substations with voltage level up to 35 kV				342.56
Construction of feeding centres, substations with voltage level 35kV and more				603.28
Rate of payment for technological connection for unit of maximum capacity for category of applicants from 150 to 670 kW	0.4	Rub/kW	913.76	913.76
Preparation and giving of technical specifications to grid Companies			375.26	375.26
Development of design documentation by the grid				

Company on construction of the "last mile"				
Inspection of completion of technical specification by the grid Company			234.41	234.41
Participation in inspection by authority of Rostekhnadzor of connected facilities of the Applicant				
Actual actions for connection and operation of facilities in the power network			304.09	304.09
Implementation of activities related to the construction of the "last mile"***				
Construction of overhead power lines				3 335.14
Construction of cable lines				2 337.16
Construction of segmentation stations				
Construction of distribution stations				
Construction of complex transformer substations, distribution transformer substations with voltage level up to 35 kV				685.12
Rate of payment for technological connection for unit of maximum capacity for category of applicants from 150 to 670 kW			913.76	913.76
Preparation and giving of technical specifications to grid Companies			375.26	375.26
Development of design documentation by the grid Company on construction of the "last mile"				
Inspection of completion of technical specification by the grid Company			234.41	234.41
Participation in inspection by authority of Rostekhnadzor of connected facilities of the Applicant				
Actual actions for connection and operation of facilities in the power network			304.09	304.09
	6-20	Rub/kW		

Implementation of activities related to the construction of the "last mile"***				
Construction of overhead power lines				750.86
Construction of cable lines				6 801.71
Construction of cable lines using horizontal directional drilling				28 354.70
Construction of segmentation stations				219.00
Construction of distribution stations				219.00
Construction of complex transformer substations, distribution transformer substations with voltage level up to 35 kV				658.12
Construction of feeding centres, substations with voltage level 35kV and more				1 206.57
Rate of payment for technological connection for unit of maximum capacity for category of applicants from 150 to 670 kW			913.76	913.76
Preparation and giving of technical specifications to grid Companies			375.26	375.26
Development of design documentation by the grid Company on construction of the "last mile"				
Inspection of completion of technical specification by the grid Company			234.41	234.41
Participation in inspection by authority of Rostekhnadzor of connected facilities of the Applicant				
Actual actions for connection and operation of facilities in the power network			304.09	304.09
Implementation of activities related to the construction of the "last mile"***				
Construction of overhead power lines				750.86
Construction of cable lines				6 801.71
Construction of cable lines using horizontal directional drilling				28 354.70
	6-20	Rub/kW		

Construction of segmentation stations				219.00
Construction of distribution stations				219.00
Construction of complex transformer substations, distribution transformer substations with voltage level up to 35 kV				658.12
Construction of feeding centres, substations with voltage level 35kV and more				1 206.57
Rate of payment for technological connection for unit of maximum capacity for category of applicants more than 670 kW				
Preparation and giving of technical specifications to grid Companies				
Development of design documentation by the grid Company on construction of the "last mile"				
Inspection of completion of technical specification by the grid Company				
Participation in inspection by authority of Rostekhnadzor of connected facilities of the Applicant	35	Rub/kW		
Actual actions for connection and operation of facilities in the power network				
Implementation of activities related to the construction of the "last mile"***				
Construction of overhead power lines				
Construction of cable lines				
Construction of segmentation stations				
Construction of distribution stations				
Construction of complex transformer substations, distribution transformer substations with voltage level up to 35 kV				
Rate of payment for technological connection for unit	110	Rub/kW		

of maximum capacity for category of applicants more than 670 kW				
Preparation and giving of technical specifications to grid Companies				
Development of design documentation by the grid Company on construction of the “last mile”				
Inspection of completion of technical specification by the grid Company				
Participation in inspection by authority of Rostekhnadzor of connected facilities of the Applicant				
Actual actions for connection and operation of facilities in the power network				
Implementation of activities related to the construction of the "last mile"***				
Construction of overhead power lines				
Construction of cable lines				
Construction of segmentation stations				
Construction of distribution stations				
Construction of complex transformer substations, distribution transformer substations with voltage level up to 35 kV				
Standardized tariff rates for payments for technological connection				
Up to 15 kW inclusively (not privileged categories)				
C1 Standardized tariff rates for grid connection of power receivers of consumers of electric energy, excluding construction of power grid facilities, calculated per 1 kW of maximum capacity, including	0.4	Rub/kW	913.76	913.76
Preparation and giving of technical specifications to grid Companies			375.26	375.26
Development of design documentation by the grid				

Company on construction of the “last mile”				
Inspection of completion of technical specification by the grid Company			234.41	234.41
Participation in inspection by authority of Rostekhnadzor of connected facilities of the Applicant				
Actual actions for connection and operation of facilities in the power network			304.09	304.09
From 15 to 150 kW inclusively				
C1 Standardized tariff rates for grid connection of power receivers of consumers of electric energy, excluding construction of power grid facilities, calculated per 1 kW of maximum capacity, including			913.76	913.76
Preparation and giving of technical specifications to grid Companies			375.26	375.26
Development of design documentation by the grid Company on construction of the “last mile”	0.4	Rub/kW		
Inspection of completion of technical specification by the grid Company			234.41	234.41
Participation in inspection by authority of Rostekhnadzor of connected facilities of the Applicant				
Actual actions for connection and operation of facilities in the power network			304.09	304.09
From 15 to 150 kW inclusively				
C1 Standardized tariff rates for grid connection of power receivers of consumers of electric energy, excluding construction of power grid facilities, calculated per 1 kW of maximum capacity, including			913.76	913.76
Preparation and giving of technical specifications to grid Companies	6-20	Rub/kW	375.26	375.26
Development of design documentation by the grid				

Company on construction of the “last mile”				
Inspection of completion of technical specification by the grid Company			234.41	234.41
Participation in inspection by authority of Rostekhnadzor of connected facilities of the Applicant				
Actual actions for connection and operation of facilities in the power network			304.09	304.09
From 150 to 670 kW inclusively				
C1 Standardized tariff rates for grid connection of power receivers of consumers of electric energy, excluding construction of power grid facilities, calculated per 1 kW of maximum capacity, including			913.76	913.76
Preparation and giving of technical specifications to grid Companies			375.26	375.26
Development of design documentation by the grid Company on construction of the “last mile”	0.4	Rub/kW		
Inspection of completion of technical specification by the grid Company			234.41	234.41
Participation in inspection by authority of Rostekhnadzor of connected facilities of the Applicant				
Actual actions for connection and operation of facilities in the power network			304.09	304.09
From 150 to 670 kW inclusively				
C1 Standardized tariff rates for grid connection of power receivers of consumers of electric energy, excluding construction of power grid facilities, calculated per 1 kW of maximum capacity, including	6-20	Rub/kW	913.76	913.76
Preparation and giving of technical specifications to grid Companies			375.26	375.26

Development of design documentation by the grid Company on construction of the “last mile”				
Inspection of completion of technical specification by the grid Company			234.41	234.41
Participation in inspection by authority of Rostekhnadzor of connected facilities of the Applicant				
Actual actions for connection and operation of facilities in the power network			304.09	304.09
More than 670 kW inclusively				
C1 Standardized tariff rates for grid connection of power receivers of consumers of electric energy, excluding construction of power grid facilities, calculated per 1 kW of maximum capacity, including			913.76	913.76
Preparation and giving of technical specifications to grid Companies			375.26	375.26
Development of design documentation by the grid Company on construction of the “last mile”	6-20	Rub/kW		
Inspection of completion of technical specification by the grid Company			234.41	234.41
Participation in inspection by authority of Rostekhnadzor of connected facilities of the Applicant				
Actual actions for connection and operation of facilities in the power network			304.09	304.09
C1 Standardized tariff rates for grid connection of power receivers of consumers of electric energy, excluding construction of power grid facilities, calculated per 1 kW of maximum capacity, including	35	Rub/kW		
Preparation and giving of technical specifications to grid Companies				
Development of design documentation by the grid				

Company on construction of the “last mile”				
Inspection of completion of technical specification by the grid Company				
Participation in inspection by authority of Rostekhnadzor of connected facilities of the Applicant				
Actual actions for connection and operation of facilities in the power network				
C1 Standardized tariff rates for grid connection of power receivers of consumers of electric energy, excluding construction of power grid facilities, calculated per 1 kW of maximum capacity, including	110	Rub/kW		
Preparation and giving of technical specifications to grid Companies				
Development of design documentation by the grid Company on construction of the “last mile”				
Inspection of completion of technical specification by the grid Company				
Participation in inspection by authority of Rostekhnadzor of connected facilities of the Applicant				
Actual actions for connection and operation of facilities in the power network				
C2i Standardized tariff rate to cover expenditure on construction of overhead lines calculated per 1 km length, etc.	0.4	Rub/km		
Up to 150 kW				110 205.65
More than 150 kW				220 411.3
C2i Standardized tariff rate to cover expenditure on construction of overhead lines calculated per 1 km length, etc.	6-20			
Up to 150 kW				181 387.36
More than 150 kW				362 774.73
C2i Standardized tariff rate to cover expenditure on	35			

	construction of overhead lines calculated per 1 km length, etc.				
	C2i Standardized tariff rate to cover expenditure on construction of overhead lines calculated per 1 km length, etc.	110			
	C3i Standardized tariff rate to cover expenditure on construction of cable lines calculated per 1 km length, etc.	0.4			
	Up to 150 kW				145 627.50
	More than 150 kW				291 255.00
	C3i Standardized tariff rate to cover expenditure on construction of cable lines calculated per 1 km length, etc.	6-20			
	Up to 150 kW				253 397.87
	More than 150 kW				506 795.75
	C3i Standardized tariff rate to cover expenditure on construction of cable lines calculated per 1 km length, etc.	6-20	Rub/km		
	Up to 150 kW				4 238 082.5
	More than 150 kW				8 476 165.0
	C3i Standardized tariff rate to cover expenditure on construction of cable lines calculated per 1 km length, etc.	35			
	C3i Standardized tariff rate to cover expenditure on construction of cable lines calculated per 1 km length, etc.	110			
	C4 Standardized tariff rate to cover expenditure on construction of segmentation stations (reclosers, distribution substations, switching substations)	6-20			
	Up to 150 kW				109.50
	More than 150 kW				219.00
	C4 Standardized tariff rate to cover expenditure on construction of transformer substations, distribution transformer substations with voltage level 35 kV	0.4 and 6-20			
	Up to 150 kW				342.56
	More than 150 kW				685.12
	C4 Standardized tariff rate to cover expenditure on construction of feeding centres	6-20			

	with voltage level 35 kV and higher				
	Up to 150 kW				603.28
	More than 150 kW				1 206.57
	C4 Standardized tariff rate to cover expenditure on construction of substations	35 and 110			

\* - in case of absence of dividing on reliability categories

\*\* - rates for the unit of maximum capacity are set in prices of 2001

## 2. Basis of presentation of information in the accounting statements

Accounting statements are prepared in accordance with the accounting policies of the Company for 2016, approved by the order of IDGC of the South PJSC No.863 dated 31.12.2015.

Regulation “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 PJSC arranges and maintains accounting records, prepares financial statements in accordance with the Federal Law No. 402-FZ “On Accounting” dated 6 December 2011; the Regulations on accounting and financial reporting in the Russian Federation, approved by Order of the Ministry of Finance of the Russian Federation No.34H dated 29.07.98; the Regulations on accounting “Corporate accounting policy” Accounting regulation 1/2008 approved by the order of RF Ministry Finance of the RF No.94n dated 31.10.2000, Single corporate accounting principles under the RAS for the Group Russian Grids JSC approved by the Order of Rosseti PJSC No.547 dated 02.09.2013 and other legal documents in the field of accounting.

The Company’s accounting policy was formed on the basis of the following assumptions:

- continuity of operations
- material detachment of the enterprise;
- consistent application of accounting policies;
- temporal determinacy of factors of economic activity.

The materiality guideline in estimating of reporting rates for its compilation and disclosure is a part of total rate in the amount of 5% or more.

To record the assets and liabilities for accounting the Company makes their evaluation in terms of money. The property is evaluated as follows:

- property purchased for a fee shall be evaluated by the amount of expenses actually incurred for its acquisition;
- property produced by departments of the Company shall be evaluated at cost of manufacture (the actual costs associated with the production of the object of property);
- tangible assets, left after the write-off of unfit for recovery and further use of fixed assets and equipment, spare parts, resulting from recovery of fixed assets (reconstruction, modernization, repair) shall be evaluated at the current market value as of the date of disposal of fixed assets or the date of accounting spare parts;
- property received for free and assets identified during the inventory of assets and liabilities shall be evaluated at current market value as of the date of acceptance of property for accounting.

The current market value is the amount of cash that may be received from the sale of the asset as of date of entry in accounting records.

The current market price is formed on the basis of prices that are valid at the given or similar type of property. The data on the current price should be documented or proved by expert opinion. The expert opinion is a report of independent expert or an authorized expert (experts) of the Company, having specialized knowledge and skills. These specialists are appointed by the head of the Company or its authorized representatives as members of the permanent committee for the adoption of accounting or write-off of property.

The property received by the Company under contracts presupposing the fulfillment of obligations (payment) not in cash (in particular, exchange contracts), is estimated at a cost of assets transferred or to be transferred by the Company. The cost of assets transferred or to be transferred by the Company, is established on the

basis of the price at which in similar conditions the Company shall determine the value of similar values.

When evaluating the property purchased for any reasons, the actual cost is formed with the addition of the costs incurred by the Company on bringing the property to a condition suitable for use. Expenditures on state registration of the acquired real estate and vehicles are included in the actual cost of the property, if they are made before the receiving of the object to be recorded as fixed assets. If the expenses incurred for official registration were made later than the time of taking the object to be recorded as fixed assets, they are recognized by the Company as other expenses of the current period.

Evaluation of fixed assets purchased for foreign currency is made in rubles by transferring foreign currencies at the exchange rate of the Central Bank of the Russian Federation actual as of the date of acceptance of the facility for accounting purposes as investments in non-current assets.

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

For non-current assets (excluding intangible assets) changes in the value are allowed in the event of completion of construction, retrofit, renovation, modernization, partial liquidation and revaluation of fixed assets.

The changing of the value of current assets is permitted only if the inventory is obsolete, completely or partially lost their original quality.

For investments that may be determined in the manner prescribed by the current market value, adjustment of the carrying value to the market value is made.

In case by the time of receipt of the property (fixed assets, inventories, etc.) the documents on the cost are absent, the objects they are recorded in the qualified opinion, taking into account the cost of the contract, the costs of shipping, determined according to the overhead rail transport and other transport documents.

When accounting the property as a fixed asset, the amount of the actual costs of its production that was reported as a capital investment in the property, forms the initial cost of fixed assets.

Accounting of investments in non-current assets is usually made for general construction, investments related to specific sites on the technological structure of the costs on the construction project.

Accounting of the costs for the construction project is cumulative from the beginning of construction of the facility in the context of the reporting periods prior to putting into effect or complete production.

In order to determine the process of accounting the capitalized costs in terms of interest on the loans and credits the Company distinguished among projects for investments the investment assets. Investment assets are understood as objects of property, preparation for the usage of which requires considerable time, as well as the high cost of acquisition and (or) construction; the object is specified by the investment programme of the Company; in the current period the work necessary to prepare investment assets to use it as intended is began. It includes technical and administrative works that precedes the beginning of asset forming (activity connected with permitting for beginning of construction). All expenditures on preparation of such object to using are recognized as important.

## 2.1 Recording of fixed assets

The Company acknowledges as fixed assets those that satisfy all of the following conditions simultaneously:

- the assets are expected to be used in production, in the course of production or rendering services or for administrative needs over a long useful life period (12 months of the useful life or normal operating cycle if it exceeds 12 months);
- the assets will bring economic benefits (revenue) in the future, and the entity does not plan to resell the assets later.

Assets fulfilling the above conditions and costing not more than 40000 rubles per item shall be recorded as a part of inventories, with the exception of electric grid equipment, vehicles, mobile and radio sets, sources of backup power supply. For the purposes of safekeeping of these items in the process of production or operation, quantitative record shall be kept.

An inventory item shall be regarded as an accounting unit of fixed assets. An

inventory item of fixed assets shall be understood as an item with all attachments and accessories or a structurally separate item meant for the performance of certain functions of its own. For the purpose of accession record of fixed assets the ledger card (FA-6) shall be used.

Fixed assets are included for accounting purposes at their initial cost which is determined depending on the method of receipt – purchase, production using own resources (construction), gratuitous receipt, etc.

Concerning the fixed assets purchased from leasing, their initial cost is formed from the sum of all payments on leasing contract (total cost of leasing payments and redemption value). The sum leasing payments taken into account during the validity of leasing contract is recorded on debit 01 and credit 02.

Real estate, property rights, which are not registered in the manner prescribed by law, are accepted for accounting as fixed assets with segregation in the analytical accounting.

The costs related to the fulfillment of all types of repairs of fixed assets (current and capital) shall be included in the expenses on ordinary types of activities in the period in which repair works (stages of repair works) have been completed and accepted. Provision for basic funds repairing or repair fund shall not be made.

Useful life of fixed assets items shall be determined with consideration of expected physical depreciation, depending on operation conditions, natural conditions and corrosive medium influence, the system of carrying out repairs. Useful life of fixed assets items shall be determined within the limits stipulated by the decree of the Russian Federation Government No. 1 dated 01.01.2002, according to the list approved by the head of the Company or by an authorized person.

Useful life of fixed assets items shall be determined when taking them on discount on the basis of item certificate, other technical documents or on the basis of appraisal made by Company's technical services by a decision of permanently active commission.

For gratuitously received items as well as for fixed assets acquired with attraction of funds from target financing, at the moment of their inclusion for accounting purposes

the entries of the record account of investments in non-current assets (account 08 “Investments in non-current assets”) shall be made and revenues of future periods shall be recognized (account 98 “Revenues of future periods”) and/or other revenues (account 91 “Other revenues and expenses”) shall be recognized.

The Company shall use a straight-line method of accrual of fixed assets amortization. Amortization in connection with each inventory item shall be accrued monthly by means of appliance of established norms fixed depending on useful life period of the item.

The accrual of amortization of the property received by the Company under a lease contract and entered in hereof balance sheet shall be carried out using the method stipulated by the contract.

Amortization on gratuitously received fixed assets as well as fixed assets acquired with funds targeted financing is calculated according to the established order.

Amortization shall not be accrued: in relation to fixed assets items used for realization of the Russian Federation legislation concerning to the preparedness activity and mobilization, which are not used in output production, in works performance and rendering of services, for administrative needs of an organization or for provision by an organization for a fee in temporary possession and use or/and in temporary use; in relation to units of housing facilities acquired during the period from 01.01.2002 till 01.01.2006 (that do not make profit); in relation to fixed assets items the consumer properties of which do not change in the course of time (plots of land; nature management facilities; objects related to museum pieces and museum collections etc.).

The accrual of amortization shall be suspended in relation to the fixed assets transferred for laying-up. Conservation is recognized as temporary shutdown of object for maximum three months. Expenditures on conservation of objects (inspection, lubrication, booting, fencing etc.), and on temporary termination of operating for the period up to three months are recognized as other expenditures; for the period of reconstruction and modernization, overhaul of objects of fixed assets, if the period of works exceeds 12 months.

Leased fixed assets shall be recorded in the account 01 “Fixed Assets”, but be separated in analytical accounting.

Fixed assets received for operation shall be recorded in the off-balance account 001 “Rented Fixed Assets” according to inventory numbers of the lessor. Fixed assets received on lease shall be recorded in the off-balance account 001 “Rented Fixed Assets” according to inventory numbers of the Company.

## 2.2 Accounting of intangible assets

The recording of intangible assets of the Company shall be kept in accordance with the Regulations on accounting “Recording of Intangible Assets” (Accounting Regulations 14/2007) approved by the Order of the Ministry of Finance of the RF No.153H dated 27.12.2007.

An accounting unit of intangible assets is considered to be an inventory item. An inventory item of intangible assets shall be recognized as a collection of rights arising from a patent, certificate, contract on the forfeiture of the exclusive right to intellectual activity result or to the individualization means, or according to the diverse procedure stipulated by the law, intended for the performance of certain functions of their own.

An intangible asset shall be included for accounting purposes according to actual (original) cost determined as of the date of including hereof for accounting purposes. The actual (original) cost of an intangible asset acquired by the contract specifying the execution of obligations (payment) by non-monetary funds, shall be determined on the basis of assets value, transferred or being subject to transfer by the Company. Assets value, transferred or being subject to transfer by the Company, shall be fixed proceeding from the price at which under comparable conditions the organization usually determines the value of similar assets.

When it is impossible to determine the value of assets, transferred or being subject to transfer by an organization according to such contracts, the value of intangible asset, received by the organization shall be fixed on the basis of the price at which under comparable conditions similar intangible assets are acquired.

The actual (original) cost of an intangible asset at which it has been included for

accounting purposes shall not be changed.

The useful life period of intangible assets shall be determined by the commission of experts and be approved by the head of the Company (or by a person specially authorized by him/her) when taking the item on discount proceeding from the following regulations:

- regarding the rights granted on the basis of patents, certificates and other similar protection documents containing the information on their duration, or having the duration stipulated by the law – proceeding from the period specified in the document;
- regarding the rights acquired on the basis of author`s contracts, assignment contracts and other similar contracts containing concrete terms for which intangible assets are purchased – proceeding from the terms stipulated by the contracts;
- regarding other items of intangible assets – proceeding from the expected useful life period of the item during which the Company will derive economic profits from the usage of the assets;
- items of intangible assets for which it is impossible to determine the useful life period shall be regarded as intangible assets with indeterminate useful life period;
- useful life of business reputation shall be fixed at 20 years (but no more than the duration of an organization).

The Company annually within the framework of inventory shall check the useful life period of an intangible asset with a view to decide whether it needs being specified. In case of a substantial change in the duration of the period during which the Company intends to use the asset the useful life period hereof shall be subject to specification. When calculating the depreciation the new useful life is applied to the residual value of intangible assets.

The revaluation of intangible assets shall not be performed.

Amortized deductions related to all types of intangible assets shall be made based on the straight-line method.

### **2.3 Recognition of expenses on research, development and technological works**

Accounting of research and development, testing and technological works of the

Company is carried out in accordance with the Regulations on accounting “Accounting of research, developmental and technological works” (PBU 17/02), approved by Order of the Ministry of Finance No.115H dated 19.11.2002, as amended. Write-off of costs on R&D activities is carried out using the straight-line method. Period over which expenses on R&D are written off, which gave a positive result is determined for each project, based on the expected use of the results, in which the organization can receive economic benefits (income), but no more 5 years. The depreciable life of every project is approved by the head of the Company (branch).

#### **2.4 Financial investments accounting**

The Company regards as financial investments the assets that do not have a physical nature and are capable to provide economic benefits (return) in the period ahead as interests, dividends or increment of value (as difference between the selling price (paying off) and the cost) as a result of their exchange, usage in repayment of obligations, increase of current market value.

Recording of financial investments shall be carried out based on centralized direction in the Company, by the accounting and tax department of the Company’s executive bodies. Analytical recording of financial investments shall be performed in relation to short-term and long-term financial investments. Investments made with the intention to earn revenue from them in the period of more than a year shall be referred to long-term financial investments. Other financial investments shall be regarded as short-term ones.

In case of insignificance of the amount of expenses connected with purchasing of securities in comparison with amount paid to seller in accordance with agreement, such expenses are recognized as other expenses in the reporting period in which specified securities were assumed to accounting report. If such expenses are essential in comparison with the amount paid to seller in accordance with agreement, such expenses are capitalized as part of initial cost of securities. For other financial investments the total amount of expenses, connected with their purchasing, increases the initial cost of financial investment.

Financial investments in the securities circulating at the share market (stock exchange, auction) the quotations of which are regularly published shall be referred to financial investments which make it possible to determine the current market value. All the rest shall be referred to financial investments which do not make it possible to determine the current market value.

Financial investments, the market value of which is not specified, are recorded in historical cost accounting.

In case of retirement of financial investments, on which the current market value is not assigned, their cost is assigned in the following way: contribution to the charter capitals of other companies (excluding shares of joint-stock companies), loans granted to other companies, deposits in credit organizations, accounts receivable acquired on the basis of assignment of claim, are evaluated on initial cost of each retired unit of financial investments listed above; securities (shares and obligations) are evaluated after retirement on average initial cost that is specified on each type of securities; purchased bills are evaluated after retirement (payment for completed works (goods, services)) on self-cost of unit; other financial investments – on initial self-cost of each retired unit.

In case of retirement of assets taken on discount as financial investments, on the basis of which the current market value is defined, their cost shall be defined proceeding from the last valuation.

Bills issued by the buyers of goods, works and services of the Company, received by a Company from a drawer when settling for these goods, works and services shall not be regarded as financial investments and shall be reflected in accounting and reporting as accounts receivable of buyers and customers ensured by the bills received.

The Company performs inspection of devaluation of financial investments in a mandatory manner for 31 December of the reporting year. Devaluation of financial investments is a sustained material reduction of cost of financial investments lower than amount of economic benefits that the Company is planned to receive from these financial investments.

In case of sustained reduction of cost of financial investments on which market value is not estimated, on the basis of comparison of reporting value of financial investments with calculated value, the Company forms reserve for the devaluation of financial investments.

The Company forms the reserve for the devaluation of financial investments (as a part of other expenses).

## 2.5 Selected methods for recording inventories

The following assets shall be recognized as inventories:

- materials used for rendering the services of transfer and transit of electric power, technological support for the works performance (production of outputs aimed at selling) including special instrument, special implements, special equipment, working clothes;
- intended for selling – goods;
- used for administrative needs of the Company;
- used as raw materials, materials etc., in production of non-current assets for internal requirements.

The valuation of inventories for the accounting purpose shall depend on the reasons for receipt: acquisition for payment, in-house production, gratuitous receipt etc.

The sum of the Company's actual costs on acquisition, with the exception of value-added tax or other repaid taxes shall be regarded as the actual prime cost of materials acquired for payment.

Actual cost of materials purchased for pay includes:

- cost of materials at agreed-upon price;
- non-recoverable taxes paid in connection with purchasing of inventories;
- expenses for agency contracts concluded to perform the purchasing of inventories;
- transportation and procurement costs;
- expenses of bringing materials to the state in which they are suitable for use in the purposes specified by the Company;
- other expenses connected with purchasing of materials.

Nomenclature number or affinity group (depending on the type of inventories) is considered to be an accounting unit of inventories.

Inventories that do not belong to the Company by a possessory right, received hereby under the contract of commission agency, storage contract etc., shall be recorded off the balance in the account 002 "Inventory Holdings Received for Responsible Storage" according to the valuation stipulated by the corresponding contracts and transfer and acceptance documents (certificates, bills of lading etc.).

The cost of working clothes having service life of more than 12 months shall be repaid with the use of the straight-line method taking into account the useful life period defined in conformity with the standards. Writing off shall be carried out starting with the month when working clothes were brought into operation.

Inventories written off to production, sold to outside parties, retiring because of some other grounds (including internal movement between branches and inside the branch), shall be evaluated at the average prime cost of each stock category in the context of warehouses and storage sites.

The average evaluation of actual prime cost of materials shall be carried out by defining the actual prime cost of the material at the moment of hereof issue (rolling valuation).

Inventories (including the spare parts) recorded as received as a result of retirement from fixed assets under restoration shall be regarded as other revenues and be evaluated at the book value of similar spare parts being the latest according to the time of purchase taking into account the percent of actual depreciation of credited items (no less than the cost of scrap metal) in case of lack of this information on current market value.

Inventories used as raw materials, etc. during the production of fixed assets for own use, are recognized in the balance sheet as non-current assets. If at the time of purchase of inventories and till the time of use their appointment is not known, their value is recognized in the balance sheet under the general procedure established for inventories.

## 2.6 Recognition of income and expenditure

The Company divides the revenues into the ones collected from usual kinds of activity and other revenues.

As revenue from the core activities of the Company recognizes the revenue from the sale of goods (works, services) received from the core activities. The Company recognizes the following types of revenues as revenues from basic activity:

- revenues from electric-power transmission services;
- revenues from services related to technological connection to electricity networks;
- revenues from rent;
- revenues from sales of other works and services;
- of industrial character;
- of non-industrial character.

All revenues that are not related to the implementation of works and services on core activities are regarded as miscellaneous income.

Company's revenues in accordance with the accrual basis of accounting shall be recorded in the reporting period in which they took place irrespective of the actual time of receipt of cash assets connected with these facts.

The Company divides the expenses into the ones spent on usual kinds of activity and other expenses.

Expenses on ordinary activities are the costs associated with the manufacture and sale of products, purchase and sale of goods, the costs associated with the production of works and services, the implementation of which is related to normal activities of the Company.

Recognition of expenses on implementation of electric power transmission services and technological connection to the networks is carried out in the context of subdivision that incur expenses that are related to maintaining and operating of transmission lines, switchgears, substations, and other facilities and equipment intended for the transmission and distribution of electricity and performing services of technological connection to the networks, and in terms of expenditure headings.

Expenses incurred by the organization in the reporting period but related to future reporting periods are recognized in the balance sheet in accordance with the terms of the recognition of assets established by normative legal acts on accounting and are subject to writing off in the 'procedure established for the depreciation of assets of this type.

Current expenses of the Company's executive body (excluding allocated expenses) are recognized as administrative expenses. In the report these expenses are specified at page 2220 "Report on financial results".

Selling expenses shall be included in full in the prime cost of rendered services, performed works in its entirety in the reporting year when they were recognized as expenses on usual kinds of activities.

#### 2.7 Selected methods of accounting equity (capital)

The reserve capital is formed by the Company from its profits on the basis of statutory documents and decisions of the founders (shareholders).

In section III of the balance (capital and reserves) in line "Revaluation of fixed assets" is reflected the amount of increase in the value of non-current assets based on their revaluation passed by the opening balance at the Company's reorganization through merger.

As a result of the reorganization of the distribution network companies by joining to IDGC of the South PJSC, held on 30.03.2008 (the transfer act, approved by the Extraordinary General Meeting of Shareholders of "Astrakhanenergo" JSC dated 18 January 2008 (minutes without number dd. 21.01.2008), the transfer act, approved by the Extraordinary General Meeting of Shareholders of "Volgogradenergo" JSC dated 18 January 2008 (Minutes No. 1/08 dd. 28.01.2008.), the transfer act, approved by the Extraordinary General Meeting of Shareholders of "Rostovenergo" JSC dated 18 January 2008 (minutes without number dd. 21.01.2008), the transfer act approved by the Extraordinary General Shareholders' Meeting of "Kalmenergo" JSC dated 18 January 2008 (minutes No. 3 dd. 21.01.2008.), in retained earnings is recognized as part of the difference between the net asset value and the nominal value of shares to which it was joining in the amount of 1 319 417 thousand rubles, in the result

summation (addition or subtraction in the presence of uncovered loss of past years) retained earnings (uncovered loss) of consolidated companies.

The amounts of capital gains from the revaluation are used for price mark-down of the objects of property, which had previously been subjected to revaluation surplus, and only in the amounts accrued for each individual inventory item. At the moment of writing off of the object from the register (for any reason) the amount accumulated on it written off revaluation surplus to retained earnings of the Company.

## 2.8 Selected methods of liabilities accounting

Accounting unit of settlements with suppliers and contractors calculations with suppliers and contractors is accounts payable (receivable) to each supplier (contractor), every contract, every document against payment.

The amount payable is determined on the basis of the price and conditions established by the contract. Along with it, the accounts payable are recognized in the full amount of the contract, whether the advance was paid or there was a prepayment against delivery. The amount of the advance payment is accounted towards performance of obligations under the contract.

In order to assess the payables arising from contracts which provide significant deferral or installment payments, the accounts payable is accounted as equal to the nominal price of the contract minus the amounts paid.

Accounts payable is specified separately.

Borrowing and credit costs are acknowledged as miscellaneous expenses of the reporting period. An exception is interest on loans and credits that are subject for inclusion in the value of investment assets.

Costs (interest) on loans and borrowings for the purposes of division of information by geographical segments (subjects of the federation on the territory of which the rates are established) are distributed among the branches of the Company in accordance with the methodology developed by the Company.

Additional costs on loans and credits are included in miscellaneous expenses in the period in which they were produced.

Prepaid insurance contracts are reflected in the sub-accounts of the account settlements in respect of property and personal insurance and are recognized as expenses of the Company so far as the expiry of the insurance period. The calculation of the monthly write off of expenses is carried out in days.

#### 2.9 Events after the reporting date

In accordance with Accounting Regulations 7/98 “Events After the Reporting Date” the Company shall record in the accounting statements the events after the reporting date which had or can have influence on the financial condition, cash flow or on the results of Company’s functioning and which took place in the period between the reporting date and the date of signing the accounts of a reporting year.

Events after the reporting date shall be recorded in accounting statements by means of ascertainment of data on corresponding assets, liabilities, capital, receipts and expenditures of the Company and the corresponding information shall be disclosed in the explanatory note to balance sheet and financial statements.

#### 2.10 Provisions, Contingent Liabilities and Contingent Assets

The Company recognizes the estimated liability when conditions of recognition are fulfilled in respect of the following obligations (in accordance with Accounting Regulations 8/2010, approved by the order of RF Ministry of Finance No.167n dated 13.12.2010):

- judicial proceedings are not completed as at the balance sheet date, in which the Company acts as plaintiff or defendant, and on which decisions can be taken only in the next reporting periods, leading to an outflow of economic benefits of the Company;

- disagreements with the tax authorities on payments to the budget are not settled;
- the restructuring of the Company, the sale or termination of any activities of the Company, the closure of subdivisions of the Company, or their movement to another geographic region, etc.;

- conclusion of knowingly loss-making contracts;

- payment of employee benefits;

- other similar obligations.

For the purposes of impact assessment shall be analyzed all of the above-mentioned circumstances, the consequences of which exceeds 500 thousand rubles.

The estimated liability is recognized in the accounting records of the Company in the amount necessary for the performance itself (repayment) obligation at the balance sheet date or to transfer the obligation to another person as at the balance sheet date.

Estimated liability (reserve) is created for contingent liabilities, the estimated money value of which exceeds 5 million. This criterion is not applicable to estimated liabilities on employee benefits.

The value of a provision is determined by the Company on the basis of the facts of economic life of the Company, the experience in the performance of similar obligations, and, if necessary, expert opinion. The Company shall provide documentary proof of feasibility of such an assessment. As documentary evidence of the value of estimated liabilities can be used: contracts, certificates and calculations of relevant departments, the conclusion of the legal service of the Company, etc.

Contingent assets and contingent liabilities (including the disacknowledged estimated liabilities) in the accounting records are not recorded and information is disclosed in the notes to the balance sheet and financial results. Disclosure of information in the financial statements is based on calculations compiled by structural subdivisions (departments, agencies, sectors) to which, in accordance with the functions performed, these events refer.

On each reporting date, the Company forms an estimated liability for payment of holidays. The calculation of estimated liability is carried out monthly for each employee, in accordance with the method developed by the Company.

Estimated liability for payment of the annual bonuses by the results of the year is recognized if at the end of the year the conditions set out in the by-laws of the Company, under which workers gets the right to receive such bonuses, are met. A provision for estimated liabilities on payment of the annual bonuses by the results of the year is created on the last day of the reporting year.

Estimated liability for payment of quarterly bonuses by the results of the quarter is recognized if at the end of the quarter the conditions set out in the by-laws of the Company, under which workers gets the right to receive such bonuses, are met. A provision for estimated liabilities on payment of the quarterly bonuses by the results of the quarter is created on the last day of the reporting quarter.

Provision for estimated liability for the payment of monthly remuneration by the results of December is created on the last day of the reporting year, if the conditions set out in the by-laws of the Company, under which workers acquire the right to receive remuneration, are met. A provision for the estimated obligation to pay the monthly remuneration by the results of work in January - November is not created, the current expenses are recognized as at the last day of the month in which the remuneration was actually accrued. A provision for the estimated obligation to pay the remuneration to Board of Directors members for meetings held in the 4<sup>th</sup> quarter of the reporting year, is formed for the last date of the reporting year.

#### 2.11 Information on related parties

In accordance with Accounting Regulations 11/2008 “Information on Related Parties”, requirements of EKUP of Rosseti Group, the Company shall include information on related parties as a separate section in the explanatory note which is a part of accounting statements. In this case the specified data shall not be taken into account when preparing the accounts for internal purposes as well as accounts drawn up for the state statistical observation and for a credit agency or for other special purposes.

The list of related parties the information on which is disclosed in the accounting statements shall be determined by the Company on an independent basis proceeding from the substance of relations between the Company and a related party in consideration of the substance over form requirement.

#### 2.12. Information on segments

The Company allocates the reporting segments in accordance with Accounting Regulations 12/2010. The initial information for the forming of data in context of reporting segments is information on geographical segments because basic risks and

incomes of the Company are identified by the differences in various geographical regions. The secondary information is information on operational segments.

### 2.13. Taxes and levies

The Company calculates and pays taxes and fees in accordance with the legislation of the Russian Federation on taxes and fees, the legislation of territorial subjects of the Russian Federation on taxes and duties, the legislative acts of local governments on taxes and fees.

Taxes and levies calculated and paid by the Company's Executive office in the centralized way:

- value added tax;
- profit tax (including profit tax on revenues in the form of dividends).

Tax record registers are kept with the use of special forms and certificates approved by the Company, on paper and in electronic format of software applied in the Company.

Tax recording is kept with the use of tax ledgers and bills.

#### Corporate tax

The revenue and expenses recognition procedure on method of accrual is adopted in order to perform taxation (articles 271, 272 of the Tax Code of the Russian Federation).

The separate accounting of income and expenses of production support services (objects of housing and municipal, and social and cultural spheres) is implemented in order to perform taxation in accordance with article 275.1 of the Tax Code of the Russian Federation.

Expenses for the payment of holidays are accounted for tax purposes at a time in the period in which they are paid.

The provisions on future expenses for the payment of holidays and remuneration based on the results of work for the year are not created.

Expenses for insurance of employees are considered in accordance with requirements of articles 255, 272 of the Tax Code of the Russian Federation.

Depreciable property is a property, the results of intellectual activity and other intellectual property objects that are owned by the Company, are used to derive income and the cost of which is paid off by accrual of depreciation. Depreciable assets are property with a useful life of more than 12 months and an initial value of more than 100,000 rubles.

On the acquired objects of fixed assets used in the past, the useful life is reduced by the number of years (months) of operation of the property by the previous owners and the objects of fixed assets are to be included in the amortization group (subgroup) into which they were included by the previous owner.

If the period of actual use of these fixed assets by previous owners turns out to be equal to or exceeding the useful life, determined by the classification of fixed assets approved by the Government of the Russian Federation, the useful life is determined independently on the basis of safety requirements and other factors.

For all fixed assets a straight-line method of depreciation is used. The Company includes into composition of the expenses of the reporting (tax) period the following items: capital expenditures in the amount of 30 percent - in respect of fixed assets belonging to the third - seventh depreciation groups, the initial value of fixed assets (except for fixed assets received free of charge), as well as in the amount of 30 percent - for fixed assets belonging to the third - seventh depreciation groups, the costs incurred in cases of completion, additional equipment, reconstruction, modernization, technical re-equipment, partial elimination of fixed assets and amounts of which are identified in accordance with Article 257 of the Tax Code.

#### Value added tax

The following operations are considered to be value added tax objects:

- sale of products (works, services) on the territory of the Russian Federation, including sale of pledged items and transfer of goods (results of operations performed, services) on accord and satisfaction agreement or on novation, and property right transfer. Gratuitous transfer of property right for goods, results of operations performed, services is considered to be sale of goods (works, services);

- transfer of goods (results of operations performed, services) on the territory of the Russian Federation for own needs if expenditure is not written off (including the way of depreciation deductions) on calculation of profit tax;
- performing construction and installation operations for own use (using one's own resources);
- entry of goods to the customs area of the Russian Federation.

Thus, operations on goods (works, services) transfer for the purposes of advertisement, expenditure on purchase (creation) of items that cost over 100 rubles each are considered to be tax objects.

According to paragraph 8 of article 149 of the Tax Code of the Russian Federation when considering transactions subject to VAT, as qualifying, the taxpayers apply the procedure for determining the tax base, which was in force at the date of shipment of goods, regardless of the time of their payment.

When determining the tax base, the revenue from sale of goods (works, services), transfer of property rights is determined on the basis of all revenues associated with the calculations for payment of goods (works, services), property rights, obtained in cash and (or) natural forms, including payment securities.

The tax base for the sale of goods (works, services), according to paragraph 1 of article 154 of the Tax Code of the Russian Federation, is defined as the cost of these goods (works, services), calculated on the basis of prices determined in accordance with article 40 of the Tax Code, subject to excise taxes (for excisable goods) and without inclusion of VAT.

The tax base of the transactions involving the transfer of goods (works, services) for own use, the costs on which are not deductible when calculating income tax, defined as the value of the goods (works, services), calculated on the basis of sales prices of identical (and in their absence - homogeneous) goods (similar works, services), operating in the previous fiscal period, and in their absence - on the basis of market prices taking into account the excise tax (for excisable goods) and without inclusion of VAT.

In case information on market prices is not available, cost of goods, works, services transferred for own needs is assessed on the basis of their cost on the balance sheet. Amount of tax accrued is not included on expenditure structure for the purpose of profit taxation.

If construction and installation operations are performed for own needs, tax base is defined as cost of operations fulfilled calculated on the basis of all taxpayer's actual expenditures in this connection, including expenses of the restructured entity (entity under restructuring).

For tax base computation, only accounting record data of construction and installation operations for the quarter are used.

#### Property tax

Property tax base is defined in conformance with requirements of Chapter 30 of the RF Tax Code and laws of areas, regions, and republics "On Property Tax".

Valuation of property is performed on the basis of book value (written down value estimated according to requirements of accounting). For objects depreciated according to requirements of RA 6/01, book value for tax base calculation is determined as original (replacement) cost less depreciation. In order to calculate replacement cost of the objects, depreciation accrual and deduction are performed each month. Moveable property recorded since January 1, 2013 as fixed assets are qualified as relief since January 1, 2015 (paragraph 25 of Article 381 of the Tax Code of the Russian Federation), and property of the 1<sup>st</sup> and the 2<sup>nd</sup> depreciation groups are not items of taxation (subparagraph 8, paragraph 4, Article 374 of the Tax Code of the Russian Federation).

In order to correctly use tax credits, provided by paragraph 21 of Article 381 of chapter 30 of the Tax Code, the separate accounting of the property which is subject to discounts in accordance with the laws of property tax is performed.

#### Transport tax

Transport tax base is determined according to requirements of Chapter 28 of the RF Tax Code and laws of the RF subjects.

Tax is paid in the area of vehicles' location. Place of state registration is considered to be area of location.

The Company estimates the amount of advance tax payments at the end of each reporting period in the amount of one-fourth of multiplying the corresponding tax base and the tax rate.

Calculations on insurance fees for compulsory pension insurance, mandatory social insurance, compulsory health insurance.

Calculation and payment of insurance fee on mandatory pension insurance, mandatory social insurance, compulsory health insurance (hereinafter referred to as insurance fees) is regulated by the Federal Law of the Russian Federation No. 212-FZ dated 24.07.2009 "On the insurance fees to the pension fund of the Russian Federation, the social insurance fund of the Russian Federation, the Federal compulsory medical insurance fund and territorial compulsory medical insurance funds".

The object of taxation of insurance fees are recognized as payments and other remunerations paid to individuals (citizens of the Russian Federation) on labor and civil contracts, the subject of which is the performance of work, rendering of services, as well as other rewards and benefits accruing to individuals, subject to compulsory social insurance in accordance with federal laws on specific types of insurance.

Personal income tax

Tax base on income of physical persons in relation to whom the Company functions as tax agent are determined in conformance with requirements of Chapter 23 of the RF Tax Code.

Other taxes and fees

Accrual and payment of land tax, water tax, state duty and other taxes and fees shall be fulfilled in accordance with the legislation on taxes and fees, regulating the procedure of calculation and payment of applicable taxes and fees.

2.14. Changes in accounting policies

Changes in the accounting policies of the Company are made in cases of changes in the legislation and (or) legal acts on accounting, the development organization of new accounting methods.

Any change in the accounting policy shall be approved by the organizational and administrative documents of the Company.

Significant changes of accounting policy for tax treatment in 2016:

The Company includes into composition of the expenses of the reporting (tax) period the following items: capital expenditures in the amount of 30 percent - in respect of fixed assets belonging to the third - seventh depreciation groups, the initial value of fixed assets (except for fixed assets received free of charge), as well as in the amount of 30 percent - for fixed assets belonging to the third - seventh depreciation groups, the costs incurred in cases of reconstruction (modernization). The changes were made by the Order No. 565 dd. 16.09.2016.

In 2017 the Company does not plan to make significant changes of the current accounting policy for accounting and tax treatment.

The Company does not have any plans and intentions with respect to the termination of production of any products, services.

### 3. Notes to the balance sheets

#### 3.1. Intangible assets

The Company did not make revaluation of intangible assets in 2016.

Explanation of the presence and movements of intangible assets of the Company as at 31.12.2016 is shown in the notes, table 5.1.1.

#### 3.2 Research, development and technological works (R&D)

Write-off of in the prescribed manner of expenses on R&D, the results of which are used for production and management needs of the organization, in 2016 was carried out with the use of the account 05 "Amortization of intangible assets".

There are no unexecuted documents on research, development and engineering works in the Company in 2016.

Information about the presence and movement of the R&D results and costs of unfinished research and developments is provided in the tables 5.2.1., 5.2.2.

The following works are part of the R&D results as of 31.12.2016:

#	R&D	Initial cost	Depreciation	Depreciated book value
1.	Climatic zoning map	5 507	5 507	0
2.	The concept of intelligent automated control system of distribution network based on the principles of “smart grids”	400	220	180
3.	A mathematical model to determine the performance indicators of transport of electrical energy	7 627	7 150	477
4.	Examination of non-linear and traction loads of 110kV grids	10 170	9 534	636
5.	Experimental-industrial prototype device of short time circuit neutral network based on recloser	1 011	1 011	0
6.	Experimental-industrial prototype device of short time circuit neutral network based on recloser	1 651	1 651	0
7.	Regulations on energy management in affiliates of Rosseti PJSC	4 995	3 746	1 249
8.	Construction Standards for determining the cost of repair and maintenance of electrical installations	10 218	5 620	4 598
9.	Technical specifications and characteristics of DC control power sources in power distribution station 6-10 kV	2 669	2 469	200
	Total	44 248	36 908	7 340

### 3.3 Fixed assets, including income-bearing investments in tangible assets

The presence and movement of fixed assets during the reporting period is reflected in the table 5.3.1.

#### Fixed assets in the process of state registration

	Inventory number	Fixed assets	Group of fixed assets	in operation (yes/no)	Initial cost
1.	300000022187	Power distribution station f. 33 substation Funtovo (Yaksativi village)	vehicles, equipment, transportation	yes	4 367 411.00

2.	300000022188	Power distribution station 9 f. 12,35 substation Funtovo (Osypnoi Bugor village)	vehicles, equipment, transportation	yes	4 371 915.00
3.	300000023438	Power line-110 kV (AC 240/32), L - 1909 м	installations	yes	23 150 000.00
4.	300000023959	Cable line-110kV 170 (Cable line 110kV Astrakhan combined-cycle plant 235- central power distribution station)	installations	yes	93 769 174.31
5.	300000023959	Cable line-110kV 170 (Cable line 110kV Astrakhan combined-cycle plant 235- central power distribution station)	installations	yes	111 001 683.91
6.	300000023960	Cable line -110 kV 466 (Cable line 110 kV Astrakhan combined-cycle plant - 235-Buzanskaya)	installations	yes	59 185 963.30
7.	300000023961	Cable line -110kV 463 (Cable line 110 kV Astrakhan combined-cycle plant - 235-Kiri-Kili No. 1)	installations	yes	54 354 961.58
8.	300000023983	Power line -110 kV combined cycle gas turbine power plant – Kapustin Yar-1 (substation Kapustin Yar - pylon No. 1) wire AC-150/24, L=0,034 km	installations	yes	288 429.01
9.	300000023984	Power line -110 kV combined cycle gas turbine power plant - Kapustin Yar-1 (pylon No. 10 - combined cycle gas turbine power plant) wire AC-150/24, L=0,067 km	installations	yes	585 013.89
10.	300000023985	Power line -110 kV combined cycle gas turbine power plant - Kapustin Yar -1 (pylon No. 1 - pylon No. 10) wire AC- 15 0/24, L= 1,107 km	installations	yes	9 374 270.18
11.	300000023986	Power line -110 kV combined cycle gas turbine power plant - Kapustin Yar -2 (substation Kapustin Yar-pylon No. 1/wire AC- 150/24, L=0,032 km	installations	yes	244 124.85
12.	300000023987	Power line -110 kV combined cycle gas turbine power plant - Kapustin Yar -2 (pylon No. 11 - combined cycle gas turbine power plant - Kapustin Yar) wire AC-150/24, L-0,051 km	installations	yes	389 073.98
13.	300000023988	Power line -110kV combined cycle gas turbine power plant - Kapustin Yar -2 (pylon No. 1/pylon No. 2) L=0,095km;	installations	yes	8 941 072.73

		(pylon No.2- pylon No.11) L=0,095 km; wire AC-150			
14.	300000023989	Power line -110 kV combined cycle gas turbine power plant - Sovetskaya (pylon No. 1/ pylon No.10) wire AC-150/24, L = 1.137 km	installations	yes	9 342 160.54
15.	300000023990	Power line -110kV combined cycle gas turbine power plant - Sovetskaya (pylon No. 10 - combined cycle gas turbine power plant) wire AC-150/24, L=0,030 km	installations	yes	146 495.00
16.	300000024347	Power line -35kV substation Ilinka 1,2 - 8 km	installations	yes	15 330 000.00
17.	300000025207	Administrative building IRES	buildings	yes	1 788 031.72
18.	300000025208	Garage building	buildings	yes	2 026 484.46
19.	345100005766	Building of transformer substation 1057	buildings	yes	82 958.81
20.	345100005766	Building of 6kV distribution point	buildings	yes	238 665.88
21.	345100011768	Building of transformer substation-25	buildings	yes	231 514.24
22.	345100011832	Building of transformer substation-1374	buildings	yes	654 869.31
23.	345100011853	Building of transformer substation-219	buildings	yes	40 501.70
24.	345100011855	Building of transformer substation-1262	buildings	yes	28 832.99
25.	345100011890	Building of transformer substation-1571	buildings	yes	199 253.52
26.	345100011949	Building of transformer substation-289	buildings	yes	186 002.60
27.	345100011956	Building of transformer substation-3204	buildings	yes	351 390.08
28.	345100012013	Building of transformer substation-A1280	buildings	yes	60 296.07
29.	345100012033	Building of distribution substation-2010	buildings	yes	221 589.37
30.	345100012055	Building of transformer substation-1548	buildings	yes	276 930.51
31.	345100012057	Building of transformer substation-1134	buildings	yes	103 257.68
32.	345100012103	Building of transformer substation-1383	buildings	yes	597 312.20
33.	345100012114	Building of transformer substation-1498	buildings	yes	636 423.90
34.	345100012123	Building of distribution substation-1480	buildings	yes	1 122 316.23
35.	345100012167	Building of transformer substation-3203	buildings	yes	560 197.65

36.	345100012188	Building of transformer substation-3112	buildings	yes	338 887.72
37.	345100012206	Building of transformer substation-1158	buildings	yes	261 507.93
38.	345100012210	Building of transformer substation-1275	buildings	yes	486 275.82
39.	345100012216	Building of transformer substation-1275	buildings	yes	148 833.41
40.	345100012229	Building of transformer substation-488	buildings	yes	1.00
41.	345100012262	Building of transformer substation-A1622	buildings	yes	390 952.86
42.	345100012280	Building of transformer substation-1105	buildings	yes	341 379.78
43.	345100012298	Building of transformer substation-1486	buildings	yes	425 597.31
44.	345100012301	Building of transformer substation-1443	buildings	yes	96 775.77
45.	345100012341	Building of transformer substation-1645 mr 302	buildings	yes	453 960.29
46.	345100012342	Building of transformer substation-1644 mr 302	buildings	yes	449 382.66
47.	345100012365	Building of transformer substation-1299	buildings	yes	205 487.41
48.	345100012412	Building of distribution substation-1260	buildings	yes	920 791.68
49.	345100012468	Building of transformer substation-2536	buildings	yes	1.00
50.	345100012470	Building of transformer substation-559	buildings	yes	1.00
51.	345100012496	Building of transformer substation-1377	buildings	yes	632 574.34
52.	345100012528	Building of transformer substation-2021	buildings	yes	1.00
53.	345100012545	Building of distribution substation-302	buildings	yes	1 206 761.21
54.	345100012560	Building of transformer substation-1381	buildings	yes	546 506.50
55.	345100012597	Buildings of transformer substation-2217	buildings	yes	747 088.17
56.	345100012610	Building of distribution substation-1380	buildings	yes	1 468 238.88
57.	345100012618	Building of transformer substation-1361	buildings	yes	417 275.09
58.	345100012633	Building of transformer substation-1409	buildings	yes	1.00
59.	345100012640	Building of transformer substation-3213	buildings	yes	639 205.28
60.	345100012659	Building of distribution substation-10 kV 2560	buildings	yes	277 816.45

61.	345100012663	Building of transformer substation-A1227	buildings	yes	578 503.92
62.	345100012677	Building of transformer substation-1026	buildings	yes	378 586.31
63.	345100012712	Building of distribution substation-2570	buildings	yes	1 347 048.56
64.	345100012729	Building of transformer substation-1206	buildings	yes	69 100.82
65.	345100012731	Building of transformer substation-A1231	buildings	yes	133 877.48
66.	345100012733	Building of transformer substation-A141	buildings	yes	73 074.53
67.	345100012735	Building of transformer substation-A1234	buildings	yes	172 280.45
68.	345100012737	Building of transformer substation-A296	buildings	yes	65 258.35
69.	345100012750	Building of transformer substation-1002	buildings	yes	282 881.60
70.	345100012873	Building of transformer substation-N105	buildings	yes	215 086.83
71.	345100012906	Building of transformer substation-2403	buildings	yes	518 941,50
72.	345100012926	Building of distribution substation-A1620	buildings	yes	783 809.30
73.	345100012945	Building of transformer substation-771	buildings	yes	28 601.99
74.	345100013120	Building of transformer substation-1343	buildings	yes	311 220.16
75.	345100013134	Building of transformer substation-1490	buildings	yes	651 156.82
76.	345100013199	Building of transformer substation-424	buildings	yes	1.00
77.	345100013202	Building of transformer substation-425	buildings	yes	1.00
78.	345100013213	Building of transformer substation-1651	buildings	yes	426 336.66
79.	345100013215	Building of distribution substation-3130	buildings	yes	1 281 846.80
80.	345100013624	Building of transformer substation-2281	buildings	yes	320 653.74
81.	345100013627	Building of transformer substation-A136	buildings	yes	389 056.54
82.	345100013634	Building of transformer substation-1286	buildings	yes	510 003.15
83.	345100013652	Building of transformer substation-N1060	buildings	yes	307 795.29
84.	345100013713	Building of transformer substation-No.3280	buildings	yes	638 726.82
85.	345200300200	110kV Power line substation Zenzevatka	installations	yes	1 666 493.71

86.	345200306310	110kV Power line No. 440 NS-2 Olkhovka	installations	yes	225 889.50
87.	345200306311	110kV Power line Beregovaya substation	installations	yes	335 664.79
88.	345200306793	110kV Power line branch lines to Aleshniki substation	installations	yes	634 709.00
89.	345200306895	110kV Power line Krasniy Yar substation – Ovrazhnaya substation	installations	yes	8 443 300.00
90.	345200306898	110kV Power line “Ovrazhnoe” substation – Platovskaya substation	installations	yes	11 806 900.00
91.	345200307149	35kV Power line Vyazovka-Bolshevik	installations	yes	14 091 502.20
92.	345200404927	35/10 kV Aleshniki substation	Machines, equipment, vehicles	yes	1 636 477.23
93.	345200405054	35/10 kV Ovrazhnaya substation	Machines, equipment, vehicles	yes	15 082 902.00
94.	345200405057	110/35/10 kV Platovskaya substation	Machines, equipment, vehicles	yes	16 156 459.86
95.	345200405343	35kV Outdoor switchgear Vyazovka substation	Machines, equipment, vehicles	yes	20 519 537.92
96.	345300013883	35/10kV Outdoor switchgear 35/10kV ROSSIYA substation	Machines, equipment, vehicles	yes	2 893 580.00
97.	345500006326	Installation of 110/10kV Outdoor switchgear Razvilka-2 substation	installations	yes	1 234 215.27
98.	345500006327	Razvilka-2 substation control building	buildings	yes	4 075 434.19
99.	345500018058	Festivalnaya substation control building	buildings	yes	12 019 787.82
100	345500018238	Branch line from 110kV power line No.8 to Vileiskaya substation	installations	yes	2 339 418.00
101	345500018239	Branch line from 110kV power line No.11 to Vileiskaya substation	installations	yes	7 719 418.00
102	345500018885	Construction part of 110 outdoor switchgear “Razvilka-2” substation	installations	yes	7 337 503.55
103	345500019317	Building of 6kV closed switchgear “Sportivnaya” substation	buildings	yes	23 150 413,70
104	080700001075	Office building	buildings	yes	3 649 950.00
105	080700001076	Checkpoint room	buildings	yes	277 002.00
106	080700001077	Warehouse No. 1	buildings	yes	1 048 968.00
107	080700001078	Carpenter’s workshop	buildings	yes	945 452.00
108	080700001079	Boiler house	buildings	yes	64 022.00
109	080700001080	Office building	buildings	yes	5 406 256.00
110	080700001081	Warehouse No. 2	buildings	yes	2 498 662.00
111	080700001082	Transformer substation	buildings	yes	589 445.00
112	080700001083	Transformer substation No. 2	buildings	yes	298 819.00

113	080700001085	Transformer substation No. 5	buildings	yes	273 884.00
114	080700001087	Transformer substation No. 6	buildings	yes	784 781.00
115	080700001089	Transformer substation No. 7	buildings	yes	197 422.00
116	080700001092	Transformer substation No. 8	buildings	yes	136 501.00
117	080700001094	Transformer substation No. 10	buildings	yes	548 698.00
118	080700001098	Transformer substation No. 12	buildings	yes	202 649.00
119	080700001100	Transformer substation No. 13	buildings	yes	271 680.00
120	080700001106	Transformer substation No. 14	buildings	yes	229 540.00
121	080700001109	Transformer substation No. 15	buildings	yes	1 111 633.00
122	080700001111	Transformer substation No. 17	buildings	yes	321 959.00
123	080700001113	Transformer substation No. 18	buildings	yes	1 310 883.00
124	080700001116	Transformer substation No. 19	buildings	yes	278 233.00
125	080700001118	Transformer substation No. 22	buildings	yes	271 750.00
126	080700001121	Transformer substation No. 23	buildings	yes	277 458.00
127	080700001123	Transformer substation No. 24	buildings	yes	544 562.00
128	080700001126	Transformer substation No. 26	buildings	yes	769 869.00
129	080700001129	Transformer substation No. 27	buildings	yes	318 718.00
130	080700001131	Transformer substation No. 28	buildings	yes	671 978.00
131	080700001133	Transformer substation No. 29	buildings	yes	770 518.00
132	080700001135	Transformer substation No. 30	buildings	yes	179 443.00
133	080700001137	Transformer substation No. 37	buildings	yes	1 141 986,00
134	080700001141	Transformer substation No. 39	buildings	yes	802 537.00
135	080700001143	Transformer substation No. 42	buildings	yes	380 159.00
136	08070000)151	Transformer substation No. 43	buildings	yes	991 548.00
137	080700001153	Transformer substation No. 44	buildings	yes	441 298.00
138	080700001157	Transformer substation No. 49	buildings	yes	178 668.00
139	080700001160	Transformer substation No. 53	buildings	yes	963 540,00
140	080700001168	Transformer substation No. 55	buildings	yes	517 609.00
141	080700001170	Transformer substation No. 56	buildings	yes	446 007.00
142	080700001175	Transformer substation No. 61	buildings	yes	299 804.00
143	080700001178	Transformer substation No. 62	buildings	yes	288 839.00
144	080700001180	Transformer substation No. 62a	buildings	yes	611 755,00
145	080700001182	Transformer substation No. 63	buildings	yes	325 245.00
146	080700001184	Transformer substation No. 65	buildings	yes	225 616.00
147	080700001186	Transformer substation No. 70	buildings	yes	758 378.00
148	080700001188	Transformer substation No. 71	buildings	yes	259 428,00
149	080700001191	Transformer substation No. 73	buildings	yes	367 598.00
150	080700001194	Transformer substation No. 74	buildings	yes	372 464.00
151	080700001196	Transformer substation No. 87	buildings	yes	838 284.00
152	080700001200	Transformer substation No. 88	buildings	yes	971 549.00
153	080700001203	Transformer substation No. 93	buildings	yes	898 584.00
154	080700001206	Transformer substation No. 94	buildings	yes	510 003.00
155	080700001210	Transformer substation No. 99	buildings	yes	346 428.00
156	080700001212	Transformer substation No. 100	buildings	yes	475 129.00
157	080700001215	Transformer substation No. 105	buildings	yes	857 121.00
158	080700001217	Transformer substation No. 106	buildings	yes	567 826,00
159	080700001219	Transformer substation No. 113	buildings	yes	591 462.00

160	080700001222	Transformer substation No. 114	buildings	yes	610 948.00
161	080700001224	Transformer substation No. 115	buildings	yes	237 459.00
162	080700001227	Transformer substation No. 116	buildings	yes	597 858.00
163	080700001229	Transformer substation No. 117	buildings	yes	345 988.00
164	080700001231	Transformer substation No. 120	buildings	yes	647 851.00
165	080700001234	Transformer substation No. 122	buildings	yes	462 996.00
166	080700001237	Transformer substation No. 125	buildings	yes	834 195.00
167	080700001239	Transformer substation No. 136	buildings	yes	646 966,00
168	080700001243	Transformer substation No. 137	buildings	yes	667 755.00
169	080700001247	Transformer substation No. 143	buildings	yes	371 229,00
170	080700001249	Transformer substation No. 145	buildings	yes	395 206.00
171	080700001251	Transformer substation No. 146	buildings	yes	446 007.00
172	080700001253	Transformer substation No. 147	buildings	yes	696 944.00
173	080700001256	Transformer substation No. 148	buildings	yes	799 358.00
174	080700001258	Transformer substation No. 149	buildings	yes	705 995.00
175	080700001261	Transformer substation No. 150	buildings	yes	488 629.00
176	080700001263	Transformer substation No. 161	buildings	yes	488 427.00
177	080700001267	Transformer substation No. 166	buildings	yes	351 647.00
178	080700001269	Transformer substation No. 171	buildings	yes	650 975.00
179	080700001271	Transformer substation No. 179	buildings	yes	870 209.00
180	080700001273	Transformer substation No. 181	buildings	yes	997 425.00
181	080700001276	Transformer substation No. 180	buildings	yes	828 776.00
182	080700001282	Transformer substation No. 182	buildings	yes	794 530.00
183	080700001284	Transformer substation No. 184	buildings	yes	507 944.00
184	080700001286	Transformer substation No. 186	buildings	yes	244 410.00
185	080700001288	Transformer substation No. 188	buildings	yes	818 834.00
186	080700001290	Transformer substation No. 189	buildings	yes	512 983.00
187	080700001293	Transformer substation No. 192	buildings	yes	518 508.00
188	080700001295	Transformer substation No. 195	buildings	yes	247 165.00
189	080700001297	Transformer substation No. 196	buildings	yes	1 410 918.00
190	080700001299	Transformer substation No. 196a	buildings	yes	309 376.00
191	080700001301	Transformer substation No. 203	buildings	yes	857 452.00
192	080700001304	Transformer substation No. 206	buildings	yes	527 623.00
193	080700001307	Transformer substation No. 207	buildings	yes	459 718.00
194	080700001310	Transformer substation No. 208	buildings	yes	623 347.00
195	080700001312	Transformer substation No. 210	buildings	yes	772 025.00
196	080700001314	Transformer substation No. 216	buildings	yes	401 011.00
197	080700001317	Transformer substation No. 217	buildings	yes	1 083 630.00
198	080700001319	Transformer substation No. 229	buildings	yes	538 788.00
199	080700001321	Transformer substation No. 230	buildings	yes	1 013 483.00
200	080700001324	Transformer substation No. 235	buildings	yes	856 584.00
201	080700001326	Transformer substation No. 236	buildings	yes	1 084 315.00
202	080700001330	Transformer substation No. 238	buildings	yes	580 786.00
203	080700001334	Transformer substation No. 249	buildings	yes	696 944.00
204	080700001337	Transformer substation No. 251	buildings	yes	587 841.00
205	080700001339	Transformer substation No. 252	buildings	yes	1 106 939.00
206	080700001341	Transformer substation No. 253	buildings	yes	606 691.00

207	080700001343	Transformer substation No. 260	buildings	yes	511 012.00
208	080700001346	Transformer substation No. 267	buildings	yes	766 805.00
209	080700001348	Transformer substation No. 269	buildings	yes	512 983.00
210	080700001353	Transformer substation No. 271	buildings	yes	1 583 703.00
211	080700001357	Transformer substation No. 273	buildings	yes	343 418.00
212	080700001359	Transformer substation No. 282	buildings	yes	530 334.00
213	080700001361	Transformer substation No. 289	buildings	yes	336 733.00
214	080700001364	Transformer substation No. 290	buildings	yes	441 430.00
215	080700001367	Transformer substation No. 291	buildings	yes	806 791.00
216	080700001369	Transformer substation No. 292	buildings	yes	599 227.00
217	080700001371	Transformer substation No. 300	buildings	yes	530 334.00
218	080700001374	Transformer substation No. 301	buildings	yes	545 631.00
219	080700001376	Transformer substation No. 315	buildings	yes	511 012.00
220	080700001379	Transformer substation No. 320	buildings	yes	1 456 699.00
221	080700001385	Transformer substation No. 330	buildings	yes	530 334.00
222	080700001389	Transformer substation No. 340	buildings	yes	696 944.00
223	080700001391	Transformer substation No. 345	buildings	yes	512 983.00
224	080700001393	Transformer substation No. 361	buildings	yes	463 808.00
225	080700001396	Transformer substation No. 362	buildings	yes	670 547.00
226	080700001399	Transformer substation No. 364	buildings	yes	442 795.00
227	080700001401	Transformer substation No. 368	buildings	yes	848 305.00
228	080700001404	Transformer substation No. 377	buildings	yes	696 944.00
229	080700001406	Transformer substation No. 380	buildings	yes	1 005 903.00
230	080700001408	Transformer substation No. 392	buildings	yes	581 104.00
231	080700001411	Transformer substation No. 408. building	buildings	yes	646 935.00
232	080700001447	Built in diesel power plant	buildings	yes	14 516 258.00
233	080700001448	Transformer substation No. 51	buildings	yes	446 007.00
234	080700001449	Transformer substation No. 52	buildings	yes	446 007,00
235	080700001552	Distribution station No. 1	buildings	yes	510 509.00
236	080700001584	Distribution station No. 2	buildings	yes	894 040.00
237	080700001608	Distribution station No. 3	buildings	yes	1 995 581.00
238	080700001646	Distribution station No. 4	buildings	yes	1 521 722.00
239	080700001688	Central power distribution station (Eastern)	buildings	yes	1 510 361.00
240	080700001074	Land plot, territories of settlements – for distribution network station	other	yes	8 476 685.00
241	610900004200	Branch of 110kV power line R-4- AS6 on AS15 substation	installations	yes	10 316 967.52
242	610900000343	Building of 110kV Substation AS-15	buildings	yes	28 455 940.33
243	612000002404	Internal territory of modular distribution transformer substation Vodokanal	installations	yes	209 162.46
244	611000001853	110kV power line S2-Sh44- NZNP	installations	yes	43 234 616.52
245	611000008503	110kV power line H8-NZNP	installations	yes	28 644 630.14

246	611000009208	Branch of 110kV power line from 1c 110kV power line S2-NGRES 1.2 to GSR	installations	yes	17 381 219.31
247	611000009209	Branch of 110kV power line from 2c 110kV power line S2-NGRES 1.2 to GSR	installations	yes	21 158 033,37
248	611200010858	Branch of 35kV power line from to "Port-Katon" 35kV power line "A32-A6"	installations	yes	74 283 717.06
249	611200599101	Substation building lit. M	buildings	yes	196 885.20
250	611200599103	Garage building lit. V	buildings	yes	174 499.60
251	611200599104	Garage building lit. B	buildings	yes	195 205.85
252	611200599105	Guard house lit. D	buildings	yes	380 873.00
253	612500017311	Building for temporary accommodation of security staff at 23, Levoberezhnaya street	buildings	yes	1.00
Total					917 063 261.48

As of 31.12.2016 the Company had on preservation status the fixed assets, with the total value of 492 363 thousand rubles, among which 457 637 thousand rubles – constructed and/or reconstructed fixed assets by the Company under a contract of technological connection to electric networks of "KTK-R" CJSC. Objects transferred to conservation because of absence of consumption of electric energy by the applicant of technological connection as of December 2017.

As the part of fixed assets of the Company there are a fully depreciated fixed assets of recoverable amount of 5 380 882 thousand rubles.

The useful live and depreciation methods applied to groups of fixed assets are presented in the Explanatory Notes (Table 5.3.2.).

Change in the value of fixed assets as a result of completion, refitting, reconstruction and partial liquidation for 2016 and 2015 is presented in the Explanatory Notes (Table 5.3.3.).

Revaluation of fixed assets in 2016 was not carried out.

Other use of fixed assets is presented in the Explanatory Notes (Table 5.3.4.).

The balance sheet line 1150 "Fixed assets" includes assets under construction.

The presence and movement of unfinished capital investments is reflected in the Explanatory Notes, table 5.3.5.

Line "Fixed assets" also includes advance payments for capital construction and purchased goods and materials for capital construction of 424 and 235 946 thousand

rubles as of 31 December 2016 (31 December 2015 – 1 391 and 253 206 thousand rubles) (the Explanatory Notes, table 5.3. 6.).

### 3.4 Financial Investments

The structure of the investments as of 31.12.2016:

Long-term investments of the Company in securities, excluding provision for impairment and including accumulated market adjustment, as at the end of the reporting year was 147 910 thousand rubles, which mainly represent investments in subsidiaries and affiliates of IDGC of the South PJSC in the amount of 141 080 thousand rubles, or 95% of total financial investments.

Revaluation of financial investments at current market value due to changes in the value of the stock price of “Volgogradenergosbyt” PJSC and “FGC UES” PJSC on the “MICEX Stock Exchange” CJSC amounted 2 611 thousand rubles for 2016.

Short-term investments of the Company as at 31.12.2016 – promissory notes of VTB Bank in the amount of 172 pieces that amount 779 257 thousand rubles. Promissory notes are received from “Volgogradenergosbyt” PJSC in repayment of debt for the services on electric energy transmission.

### 3.5 Inventories

IDGC of the South PJSC in accordance with the regulations, approved by Order No. 838 dated 09.12.2014 (earlier – by Order No. 757 dd. 12.12.2012) the inventories are evaluated at the following groups (types):

- The emergency reserve - special stock of inventory, consisting of equipment and materials intended for rescue and recovery operations associated with massive damage of the electric networks owned by the branches of IDGC of the South, and their components and the violation of power supply to large power consumers, operational support priority actions to restore the normal operation of power facilities and electricity supply to consumers as soon as possible;

- Fund for reallocation and sales – part of the stock of unclaimed within the approved programmes of the branches;

- Illiquid assets to be written off - the goods, morally or physically worn out or lost their original properties, not suitable for use in IDGC of the South are to be written off;

- Illiquid assets for sale - products that are not suitable for use in IDGC of the South, which can be used outside of IDGC of the South, are to be sold;

- Current stock - the part of the stock planned to be written off for the production within the approved production programmes of the current year;

- Involved stock - the part of the stock planned to be written off in the production within the approved production programmes in future periods.

According to the estimates, starting from 01.01.2013 the quarterly report is formed based on the type of reserve, on the basis of which is organized a systematic process of redistribution of unclaimed materials and equipment between the branches, sale of unclaimed materials and equipment and the sale of illiquid assets and write-off of non-liquid assets. Affiliates also plan to involve inventories in repair and operation activity that allows to increase quality of planning of these programmes.

Also in accordance with the requirements of the order of IDGC of the South PJSC No. 165 dd. 20.03.2014, all applications for the supply of materials and equipment shall be agreed by the Department of logistics and procurement (tested for ability to meet requirements from existing stocks).

The service "Managing the supplies of material and technical resources in 1C: Enterprise 8.2" was also developed and implemented as part of the formation of the need for material and technical resources for 2016. Development and implementation of this service provided the construction of information environment that unite main processes connected with providing inventories for production and economic activities of the Company and its branches, as well as stock management. Due to the implementation of measures on stocks management in the Company, a significant economic effect is achieved.

The presence and movement of inventories, the cost of unpaid inventories are reflected in the Explanatory notes in table 5.5.1, 5.5.2.

### 3.6 Receivables and payables

## Accounts receivable

As of December 31, 2016 accounts receivable of the Company amounted to 12 992 602 thousand rubles (minus provision for doubtful debts), including debt amounting 9 035 447 thousand rubles (minus provision for doubtful debts).

### Accounts receivable of IDGC of the South PJSC as at 31.12.2016

Name	31.12.2014	31.12.2013	change, %
Buyers and customers	11 407 742	9 055 588	26.0%
including transmission service consumers	11 219 488	8 831 321	27.0%
Advances paid	28 563	70 535	-59.5%
Other receivables	1 556 297	1 281 127	21.5%
Total	12 992 602	10 407 250	24.8%

During 2016 there was an increasing of accounts receivable by 2 585 352 thousand rubles or 24.8%, including overdue - by 2 234 057 thousand rubles.

As of 31 December 2016 the amount of provision for doubtful debts was 7 163 554 thousand rubles, decrease compared with the beginning of 2016 amounted to 1 708 273 thousand rubles, or 19.3%.

### Provision for doubtful debts as at 31.12.2016

Name	31.12.2016	31.12.2013	change, %
Buyers and customers	6 291 926	7 997 626	-21.3%
including transmission service consumers	5 875 816	7 541 821	-22.1%
for grid connection	48 899	54 297	-9.9%
payment for other types of activity	367 211	401 508	-8.5%
Advances paid	9 628	3 512	174.2%
Other receivables	862 000	870 689	-1.0%
Total	7 163 554	8 871 827	-19.3%

By the results of inventory accounting in 2016, the overdue accounts receivable in the amount of 1 729 493 thousand rubles recognized as doubtful, is specified allocated in reserve on doubtful debts.

The largest share (82%) in the amount of the provision for doubtful debts of the Company is overdue accounts receivable for electric power transmission services. In this case, from the total provision for doubtful debts as of 31.12.2016 the share of the branches of the Company was:

1. "Astrakhanenergo" branch – 6.89%
2. "Bolgogradenergo" branch – 76.34%

3. "Kalmenergo" branch – 12.98%
4. "Rostovenergo" branch – 3.55%
5. Executive Office – 0.23%.

The most part of overdue accounts receivable for electricity transmission services for the counterparties:

1. "Astrakhanenergo" branch:

"Astrakhan energy selling company" PJSC – 2 254 062 thousand rubles;

2. "Volgogradenergo" branch:

"Volgogradenergosbyt" PJSC – 3 679 615 thousand rubles;

Municipal production plant "Volgograd regional electric grids" – 3 247 393 thousand rubles;

"Khimprom" JSC – 1 053 076 thousand rubles;

3. "Rostovenergo" branch:

"TNS Energo Rostov-on-Don" PJSC – 2 112 868 thousand rubles;

"Donenergo" JSC – 1 424 547 thousand rubles;

4. "Kalmenergo" branch:

"KalmEnergoKom" PJSC – 944 947 thousand rubles.

Analysis of the growth of receivables for electricity transmission services in the context of contractors:

1. Branch "Astrakhanenergo":

As at 31.12.2016, the receivables of the branch amounted 2 439 682 thousand rubles, including overdue – 1 981 618 thousand rubles. The decreasing in accounts receivable for 2016 amounted to 554 594 thousand rubles. The main debtors of the branch are:

- guaranteeing supplier "Astrakhan Energy Selling Company" PJSC: the debt as of 31.12.2016 amounted 2 254 062 thousand rubles, including overdue – 1 824 440 thousand rubles. The decreasing of debt for 2016 amounted to 556 440 thousand rubles.

As part of work of "IDGC of the South" PJSC on decreasing of overdue accounts receivable the meetings between "IDGC of the South" PJSC and "Astrakhan Energy

Selling Company” PJSC with participation of representatives of “LUKOIL” PJSC (management company – “AESK” PJSC) were held, the issue on settlement of disputes 07.09.2016 and 09.12.2016 was considered, and in accordance with disputes the following agreements were achieved:

- 1) revision of data bases on points of electric energy delivery to consumers of “AESK” PJSC;
- 2) settlement of disputes for rendered services on electric energy transmission;
- 3) on possibility of concluding amicable agreements on arbitration disputes with “AESK” PJSC

In 2016 “IDGC of the South” PJSC settled disputes with “Astrakhan Energy Selling Company” PJSC for services on electric energy transmission in amount of 1 328 764.4 thousand rubles including:

- for 2011 – 148 030.7 thousand rubles;
- for 2012 – 85 358.2 thousand rubles;
- for 2013 – 448 448.8 thousand rubles;
- for 2014 – 276 709.8 thousand rubles;
- for 2015 – 368 286.2 thousand rubles;
- for 2016 – 1 932.7 thousand rubles;

As a result, the level of overdue accounts receivable of “AESK” PJSC decreased by 919 040.7 thousand rubles including level of contested overdue accounts receivable decreased by 1 052 492.2 thousand rubles. Disputes were settled in behalf of “IDGC of the South” PJSC in the amount of 197 284.3 thousand rubles, and in behalf of “AESK” PJSC in the amount of 1 131 480.0 thousand rubles.

Decreasing of debt is caused by settlement of disputes in the calculation of amounts of services on electric energy transmission in regard to population and by contractor’s violation of contractual conditions on terms of payments in undisputed portion of accruals.

Debt is claimed from “Astrakhan Energy Selling Company” PJSC in a judicial proceeding.

- “Oboronenergosbyt” JSC, debt in the amount of 174 255 thousand rubles as

at 31.12.2016, including overdue – 155 357 thousand rubles.

Increasing of debt in 2016 amounted 295 thousand rubles.

Debt formation is connected with contractor's non-payments because of lack of budget financing of "Oboronenergosbyt" JSC. The debt is covered by litigation.

For 2016 the amounts of the principal debt were redeemed at the following periods:

on case No. A40-171028/15-153-1257 for June 2015 in the amount of 10 582.7 thousand rubles;

on case A40-138361/15-155-940 for April 2015 in the amount of 15 289.9 thousand rubles;

on case A40-166986/15-39-1220 for May 2015 in the amount of 10 003.8 thousand rubles;

on case A40-100090/15-126-782 for February 2015 in the amount of 23 829.6 thousand rubles;

on case A40-233356/15-122-364 for August 2015 in the amount of 11 998.0 thousand rubles;

on case A40-226925/15-161-1659 for September 2015 in the amount of 10 900.6 rubles;

on case A40-121002/15-16-711 for March 2015 in the amount of 21 191.3 thousand rubles;

on case A40-209616/15-134-1728 for July 2015 in the amount of 11 702.6 thousand rubles.

The amounts of the principal debt were not redeemed at the following periods:

on case A40-51477/16-1-378 for December 2015 in the amount of 21 451.0 rubles;

on case A40-263/16-50-4 for October 2015 in the amount of 16 977.4 thousand rubles;

on case A40-46662/16-138-392 for November 2015 in the amount of 20 033.1 thousand rubles.

2. "Volgogradenergo" branch:

As at 31.12.2016, the receivables of the “Volgogradenergo” branch on electric energy transmission amounted 9 562 221 thousand rubles, including overdue – 8 681 674 thousand rubles (including contested – 968 279 thousand rubles (or 11.15% from overdue), recognized – 7 713 395 thousand rubles (or 88.85% from overdue)). The decrease in accounts receivable for 2016 amounted to 170 550 thousand rubles.

The main debtors of the branch are:

- guaranteeing supplier “Volgogradenergosbyt” PJSC which account receivables as of 31.12.2016 amounted 3 679 615 thousand rubles, including overdue – 3 317 506 thousand rubles. The decrease in accounts receivable for 2016 amounted to 245 555 thousand rubles.
- territorial network organization Municipal production plant “Volgograd regional electric grids”: receivables as of 31.12.2016 is 3 247 393 thousand rubles, including overdue - 3 030 440 thousand rubles. The growth of debt for 2016 amounted to 143 509 thousand rubles. Overdue of Municipal production plant “Volgograd regional electric grids” is recovered taking into account the Company’s bankruptcy process.
- Volgograd JSC “Khimprom”, accounts receivables as of 31.12.2016 amounted 1 053 076 thousand rubles, including overdue – 1 050 927 thousand rubles. Overdue of Volgograd JSC “Khimprom” is recovered taking into account the Company’s bankruptcy process. In 2016 the contractor paid 4 516 thousand rubles. Debt for July 2016 is approved by the court decision that came into effect.

### 3. "Kalmenergo" branch:

As at 31.12.2016, the receivables of branch amounted 1 090 424 thousand rubles, including overdue – 976 550 thousand rubles. The decrease of receivables of the branch for 2016 amounted to 65 616 thousand rubles.

The main debtor of the branch is the territorial network organization of "KalmEnergoKom" JSC which receivables as of 31.12.2016 amounted 944 947

thousand rubles, for 2016 the debt has decreased by 130 867 thousand rubles, overdue amounts 130 867 thousand rubles.

In accordance with the Report on results of auction dd. 19.12.2016 between “IDGC of the South” PJSC and “KalmEnergoKom” JSC an agreement of sale and purchase of electric grid facilities was concluded as of 19.12.2016.

#### 4. "Rostovenergo" branch:

As at 31.12.2016, the receivables of the branch amounted 4 022 977 thousand rubles, including overdue – 2 367 960 thousand rubles. The increase in accounts receivable for 2016 amounted to 1 171 822 thousand rubles.

The main debtors of the branch are:

- a guaranteeing supplier "TNS energo Rostov-on-Don" PJSC which receivables as of 31.12.2016 amounted 2 112 868 thousand rubles, including overdue amounting 1 058 360 thousand rubles. The growth of receivables for 2016 amounted 761 777 thousand rubles.
- “Donenergo” JSC which receivables as of 31.12.2016 amounted 1 424 547 thousand rubles, including overdue – 1 099 486 thousand rubles. The growth of receivables for 2016 amounted 419 354 thousand rubles.
- “Oboronenergosbyt” JSC which receivables as of 31.12.2016 amounted 1 396 thousand rubles, including overdue – 1 210 thousand rubles.

The growth of debt for 2016 in the amount of 607 thousand rubles is connected with contractor’s non-payments because of lack of budget financing of “Oboronenergosbyt” JSC. The debt is covered by litigation.

The amount written-off irrecoverable accounts receivable as of 2016 with expired limitation period amounted to 4 239 thousand rubles.

#### Accounts payable

As of 31.12.2016 Company’s accounts payable amounted 13 691 928 thousand rubles (including long-term debt – 118 948 thousand rubles). By the results of 2016 the accounts payable have increased by 3 900 162 thousand rubles or by 39.8%. The share in liability structure makes 30.5%.

The accounts payable of “IDGC of the South” PJSC as of 31.12.2016.

Name	31.12.2016	31.12.2015	changes, %
Supplier and contractors	10 411 233	7 535 000	38.2%
Including grid companies for the services on electric energy transmission	7 200 097	5 067 606	42.1%
Bills payable	-	-	
Salaries payable	293 457	248 132	18.3%
Budget and funds	168 318	137 076	22.8%
Taxes and fees	377 952	452 453	-16.5%
Advances received:	1 108 592	1 074 933	3.1%
Long-term	105 836	118 409	-10.6%
Short-term	1 002 756	956 526	4.8%
Including advances for grid connection	880 836	1 053 799	-16.4%
Long-term	105 836	118 409	-10.6%
Short-term	775 000	935 390	-17.1%
Payable dividends to participants (founders)	1 812	94	1 827.7%
Other accounts payable	1 330 564	343 578	287.3%
Long-term	13 112	505	2 496.4%
Short-term	1 317 452	343 073	284%
Total	13 691 928	9 791 766	39.8%

The main share in accounts payable belongs to accounts payable to suppliers and contractors in the amount of 10 411 233 thousand rubles or 76.0% of total debt.

The largest share in the amount of debt to suppliers and contractors, at rate of 69%, has accounts payable for the services of electric energy transmission, which at 31.12.2016 amounted to 7 200 097 thousand rubles, the growth in 2016 amounted to 2 132 491 thousand rubles.

The reasons for the increase of accounts payable are the growth of accounts receivable due to non-fulfillment of contractual obligations by guaranteeing suppliers and distribution companies for payment of services for electric energy transmission, disclosure in accounting report the accounts payable on the entered into force legal suits for payment of services of the distribution grid companies "Energiya" JSC and payment of purchased electric energy to compensate losses for "TNS energo Rostov-on-Don" PJSC, "Astrakhan Energy Sale Company" PJSC, "Volgogradenergosbyt" PJSC, as well as additional charge for the payment of electric energy losses.

By the results of 2016 the write-off of accounts payable with expired period of limitation of legal action was made in the amount of 4 309 thousand rubles.

### Borrowings

In 2016, the Company attracted long-term and short-term loans to finance investment operations and refinance previous loans and borrowings.

Bank	2016			
	Beginning balance	Attracted	Paid	Ending balance
Short-term credits and loans				
Sberbank of Russia (JSC)				
Overdraft credit agreement No. 2115-009 dd. 14.09.2015	-	247 996	247 996	-
Sberbank of Russia, PJSC				
Contract No. 13-174 dd. 18.12.2013	500 000	-	500 000	-
Contract No. 13-180 dd. 19.12.2013	500 000	-	500 000	-
Contract No. 13-181 dd. 23.12.2013	500 000	-	500 000	-
Contract No. 13-182 dd. 23.12.2013	348 999	-	348 999	-
Contract No. 14-125 dd. 08.08.2014	-	1 000 000*	-	1 000 000
Contract No. 14-126 dd. 08.08.2014	-	1 000 000*	-	1 000 000
Contract No. 14-127 dd. 08.08.2014	-	300 000*	-	300 000
Contract No.14-48 dd. 21.03.2014	-	500 000*	-	500 000
Contract No.14-49 dd. 21.03.2014	-	500 000*	-	500 000
Contract No.14-50 dd. 21.03.2014	-	550 000*	-	550 000
Contract No.14-51 dd. 21.03.2014	-	900 000*	-	900 000
Contract No.14-52 dd. 21.03.2014	-	900 000*	-	900 000
Contract No. 18 dd. 18.06.2013	550 000	-	550 000	-
Contract No. 46/3 dd. 24.09.2014	500 000	-	500 000	-
Contract No. 47/2 dd. 24.09.2014	485 000	-	485 000	-
Contract No. 48/4 dd. 24.09.2014	177 132	-	177 132	-
Contract No. 76 dd. 24.09.2014	500 000	-	500 000	-

29.08.2013				
Contract No. 81 dd. 06.09.2013	350 000	-	350 000	-
Contract No. 98 dd. 29.11.2013	500 000	-	500 000	-
Contract No. 16 dd. 22.04.2013	1 000 000	-	1 000 000	-
Contract No. 15 dd. 22.04.2013	900 000	-	900 000	-
Contract No. 17 dd. 22.04.2013	900 000	-	900 000	-
General agreement No. 5400/287 dd. 29.06.2016	-	1 528 109		1 528 109
Contract No. 83/596 dd. 07.07.2011	842 322	-	842 322	-
Contract No. 84/597 dd. 07.07.2011	1 000 000	-	1 000 000	-
Contract No. 120/919 dd. 01.11.2011	2 045 300	-	2 045 300	-
Verdraft credit agreement No 15-50 dd. 17.08.2015	-	1 309 967	1 309 967	-
Interest on loan against bonds	31 441	676 899	673 200	35 140
Short-term interest	-	983 258	981 161	2 097
Long-term interest	-	1 213 179	1 204 964	8 215
Total short-term credits and loans	11 630 194	11 609 407	16 016 040	7 223 561
Sberbank (JSC)				
Credit agreement No. 2116- 024 dd. 03.08.2016	-	1 342 322	-	1 342 322
Credit agreement No. 2116- 025 dd. 03.08.2016	-	337 600	337 600	-
Credit agreement No. 2116- 034 dd. 07.10.2016	-	500 000	-	500 000
Credit agreement No. 2116- 035 dd. 07.10.2016	-	1 000 000	-	1 000 000
Sberbank, PJSC				
Contract No. 14-125 dd. 08.08.2014	1 000 000	-	1 000 000*	-
Contract No. 14-126 dd. 08.08.2014	1 000 000	-	1 000 000*	-
Contract No. 14-127 dd. 08.08.2014	300 000	-	300 000*	-
Contract No. 14-48 dd. 21.03.2014	500 000	-	500 000*	-
Contract No. 14-49 dd. 21.03.2014	500 000	-	500 000*	-
Contract No. 14-50 dd. 21.03.2014	550 000	-	550 000*	-
Contract No. 14-51 dd. 21.03.2014	900 000	-	900 000*	-

Contract No. 14-52 dd. 21.03.2014	900 000	-	900 000*	-
General agreement No. 5400/290 dd. 29.06.2016	-	1 800 000	-	1 800 000
General agreement No. 5400/291 dd. 29.06.2016	-	985 000	-	985 000
Contract No. 15-74 dd. 07.09.2015	500 000	-	-	500 000
Contract No. 15-75 dd. 07.09.2015	500 000	-	-	500 000
Contract No. 15-76 dd. 07.09.2015	500 000	-	-	500 000
Contract No. 15-77 dd. 07.09.2015	500 000	-	-	500 000
Contract No. 15-78 dd. 07.09.2015	400 000	-	-	400 000
Contract No. 15-79 dd. 07.09.2015	353 378	51 322	-	407 700
Contract No. 5400/264 dd. 07.04.2016	-	500 000	-	500 000
Contract No. 5400/266 dd. 07.04.2016	-	500 000	-	500 000
Contract No. 5400/267 dd. 07.04.2016	-	500 000	-	500 000
Contract No. 5400/268 dd. 07.04.2016	-	500 000	-	500 000
Contract No. 5400/269 dd. 07.04.2016	-	900 000	-	900 000
Contract No. 5400/270 dd. 07.04.2016	-	900 000	-	900 000
Bonded loan	5 000 000		-	5 000 000
Total long-term credit and loans	13 403 378	9 816 244	5 987 600	17 232 022
Total credit and loans	25 033 572	21 425 651	22 003 640	24 455 583

\* In connection with the maturing of the debt within 12 months after the reporting date (under the loan agreements with Sberbank of Russia PJSC), the long-term liability was transferred into the short-term liability.

In the structure of the loan portfolio as of 31.12.2016 the long-term loans make 70.59% of the total loan portfolio.

The structure of the loan portfolio by maturity, taking into account the expected attraction

Maturity year	2017	2018	2019	2020
Loans	7 178 109	5 589 700	6 642 322	5 000 000

The accrued and paid interest

In 2016 there were 2 873 336 thousand rubles accrued as interest on credits and loans, including credits 2 196 437 thousand rubles, on the bonded loan – 676 899 thousand rubles.

In 2016, the interest has been paid in the amount of 2 859 325 thousand rubles, including interest on credits – 2 186 125 thousand rubles, on the bonded loan – 673 200 thousand rubles.

Bank	2016			
	Beginning balance	Accrued	Paid	Ending balance
Short-term credits				
Gazprombank (JSC)	-	698	698	-
Sberbank, PJSC	-	982 560	980 463	2 097
Total short-term credits	-	983 258	981 161	2 097
Long-term credits				
Sberbank PJSC	-	1 154 189	1 151 088	3 101
Gazprombank JSC	-	58 990	53 876	5 114
Total on long-term credits	-	1 213 179	1 204 964	8 215
On bounded loan	31 441	676 899	673 200	35 140
Total long-term liabilities	31 441	1 890 078	1 878 164	43 354
Total	31 441	2 873 336	2 859 325	45 452

The average rate on borrowings as at the beginning of the year was 10.97% per annum and as at the end of the year – 11.83% per annum.

Increasing in the average interest rate due to the attraction of credits in 2016, with the purpose of refinancing of loans with higher interest rates than under existing loans due to worsening credit market conditions.

Out of the total amount of accrued interest, the amount of capitalized interest on investment activities amounted to 104 758 thousand rubles.

Payment of commissions of banks (payment for reservation of funds) in 2016 amounted to 57 000 thousand rubles.

There were no lease agreements in the Company in 2016.

Payments to the budget and extra-budgetary funds

In accordance with the accounting policy, "IDGC of the South" for tax purposes shall calculate and pay taxes and fees in accordance with the legislation of the Russian Federation on taxes and fees, the legislation of the territorial subjects of the

Russian Federation on taxes and duties or regulations of local governments on taxes and fees.

Payments to the budget:

Indicator	2016					
	Overdue as of 01.01.2016		Accrued	Paid	Overdue as of 31.12.2016	
	debits	credits	credits	debits	debits	credits
VAT	-	330 673	1 842 644	1 935 362	-	237 955
Property tax	-	64 386	310 029	302 433	-	71 982
Profit tax	523 830	-	-302 878	-171 942	654 776	-
Land tax	183	1 900	7 946	7 765	76	1 974
Personal income tax	1	52 953	762 725	754 623	12	61 066
Transport tax	-	2 461	10 213	9 819	-	2 855
Other taxes and fees	5 573	80	28 678	25 644	4 579	2 120
Total taxes:	529 587	452 453	2 659 357	2 863 704	659 433	377 952
Penalties on taxes	668	-	8 631	8 631	668	-
Fines on taxes	248	-	1 444	1 449	303	-
Total:	530 503	452 453	2 669 432	2 873 834	660 404	377 952

Accounts receivable on income tax at the end of the reporting period was formed due to the fact that the tax base for 2016 is less than the tax base for the first 9 months of 2016. Offset and (or) returns of receivables in accordance with Article 88 of the Tax Code will be carried out after 3 months from the date of the tax return – after 28 June 2017.

Accounts receivable is considered as current, the repayment of which will be carried out on the terms of payment of taxes established by the legislation of the Russian Federation.

The financial statements include the detailed amount of the deferred tax asset and deferred tax liability.

For 2016 the income tax amounted to 41 080 thousand rubles. In accounting by Accounting Regulations 18/02 the sum of the tax is reflected as follows:

- nominal income – 188 359 thousand rubles;
- permanent tax liabilities – 250 003 thousand rubles;
- deferred tax assets – 72 554 thousand rubles;
- deferred tax liabilities – 93 118 thousand rubles

As part of extraordinary expenses in 2016 for profit tax losses of the past years in the amount of 390 438 thousand rubles were taken into account on the basis of subparagraph 13 of paragraph 1 of Article 265 of the Tax Code of the Russian Federation (as of the date of entry into force of a court decision).

Deferred tax assets and deferred tax liabilities written off in connection with the disposal of assets and liabilities (sale and liquidation of fixed assets, special clothing, reserve of remuneration) amounted to 8 706 thousand rubles and 335 thousand rubles.

#### Distribution of taxes by budget levels

Indicator	2016					
	Liability as of 01.01.2016		Accrued	Paid	Liability as of 31.12.2016	
	debits	credits	credits	debits	debits	debits
Taxes - total:	530 503	452 453	2 669 432	2 873 834	660 404	377 952
Federal budget	50 014	383 706	1 811 077	1 953 110	46 296	237 955
Budget of territorial entities of the RF	480 307	66 847	850 411	912 959	614 032	138 024
Municipal treasury	182	1 900	7 944	7 765	76	1 973

#### Insurance payments to compulsory insurance funds

Indicator	2016					
	Liability as of 01.01.2016		Accrued	Paid	Liability as of 31.12.2016	
	debits	credits	credits	debits	debits	credits
Social security system	296	9 999	183 721	180 409	92	13 107
Settlements in respect of pension provision	0	101 479	1 271 319	1 248 288	-	124 510
Settlements in respect of compulsory medical insurance	0	25 598	303 980	298 877	-	30 701
Total insurance payments	296	130 076	1 759 020	1 727 574	92	168 318
Fines	4	0	42	38	-	-
Penalties	-	-	-	-	-	-
Payments to non-budgetary fund - total	300	137 076	1 759 062	1 727 612	92	168 318
Unified social tax	-	-	-	-	-	-
Tax sanction	-	-	-	-	-	-
Unified social tax and Tax sanction - total	-	-	-	-	-	-
Total for account 69:	300	137 076	1 759 062	1 727 612	92	168 318

#### 3.7 Contingencies and estimated liabilities

The Company recognizes the estimated liability for unused vacation pay, remuneration by the results of activity in 2016, remuneration for the work results for the 4<sup>th</sup> quarter of 2016, remuneration by the results of activity in December 2016 and lawsuit proceedings unaccomplished as of the reporting date (Explanatory Notes, table 5.7 .1.).

#### Provision for estimated liabilities on lawsuit proceedings

Contractor	Beginning balance	Accrued provision	Recovered provision	Provision used	Ending balance
Astrakhan Energy Selling Company, PJSC	817 140	395 164	460 713	89 119	662 472
Volgogradenergosbyt JSC	436 913	192 063	88 571	<b>275 235</b>	271 250
TNS Energo Rostov-on-Don, PJSC	176 654	322 864	307 916	<b>109 414</b>	82 188
Energiya, JSC	505 200	454 508	813 312	<b>146 396</b>	-
Municipal Unitary Enterprise Taganrogenergo	-	3 088	-	-	3 088
Yadro, LLC	-	1 377	-	-	1 377
Total	1 935 907	1 375 064	1 670 532	620 064	1 020 375

In the reserves for the estimated liabilities on pending litigation, accrued on disagreements and penalties for the purchase of electric energy in order to compensate losses for distribution companies:

Disagreements on purchase of electric energy for compensation of energy losses were accrued in the part of provision for estimated liabilities:

“Astrakhan Energy Selling Company” PJSC – 395 164 thousand rubles;

“Volgogradenergosbyt” PJSC – 198 063 thousand rubles;

“TNS Energo Rostov-on-Don” PJSC – 322 864 thousand rubles.

Territorial grid companies:

“Energiya” JSC – 454 508 thousand rubles;

Municipal unitary enterprise “Taganrogenergo” – 3 088 thousand rubles.

For unreasonable gain on services of water consumption:

“Yadro” LLC – 1 377 thousand rubles.

These sums were included in the reserve on the basis of consideration of the results of similar court judgments, estimates of the probability of satisfying the claims not in favor of the Company at the meetings of the committees working with receivables

and payables that were held during 2016. Expected deadline for the fulfilment of the obligation accrued on distribution companies – 2017-2018.

As at 31.12.2016, compared to 31.12.2015, there has been a growth in balances of reserves for estimated liabilities associated with remuneration by the results of the year (quarter, month) by 119 577 thousand rubles or 15.5%, associated with future vacation payments by 13 701 thousand rubles or 5.5%, due to growth in average wages and the calculation of insurance payments in association with readjustment of minimum monthly wage in 2016. Expected deadline for the fulfilment of the obligation – 2017.

As at 31.12.2016, compared to 31.12.2015, there was a decrease of reserve balance by 915 532 thousand rubles or 47.3% in the estimated liabilities on unaccomplished lawsuit proceedings, including by using a reserve on disagreements on services on electric energy purchasing on compensation for losses by 620 783 thousand rubles or 262.6% in 2016, on disagreements for services on electric energy transmission in the third parties' networks by 498 809 thousand rubles or 158.6% in 2016.

The Company made changes in comparable data on the estimated liabilities for 2015 in regard of writing off (decreasing) the amounts of the accrued reserve for legal proceedings in the amount of 4 364 thousand rubles, related to the correction of the mistake of the past period recognized as significant. Full information on corrections is specified in paragraph 5.6 “Information on corrections in accounting report”.

#### Estimated liabilities for 2015 (comparatives)

Name	Opening balance	Recognized	Settled	Wrote-off as excessive	Ending balance
1	3	4	5	6	7
Estimated liabilities – total	2 458 025	2 276 629	(1 797 908)	(227 309)	2 709 437
including					
Payment of future vacation	222 236	598 375	(573 554)	-	247 057
Payment of remuneration by the results of the year	355 734	333 369	(316 045)	(39 726)	333 332
Legal proceedings in progress at the reporting date	1 713 750	952 136	(550 940)	(179 039)	1 935 907
Claims of tax authorities by the results of tax	-	-	-	-	-

inspections in progress at the reporting date					
Other estimated liabilities	166 305	392 749	(357 369)	(8 544)	193 141

Expected amounts of counter claims or amounts of claims to third parties for reimbursement of expenses that the Company incurs in fulfillment of obligations, as well as assets recognized under such requirements, are not available.

In August 2016, the Company registered the Programme of Exchange-traded bonds of series 001P of documentary interest-bearing non-convertible bearer bonds with mandatory deposit with a total nominal value of all issues of exchange-traded bonds placed under the Programme to 25 000 million rubles inclusive with maturity on the date that does not come later 10 920 (ten thousand nine hundred and twentieth) day from the date of beginning of placement of the stock exchange bonds as part of the programme of exchange bonds placed on public subscription.

### 3.8 Deferred taxes

Accounting of deferred tax liabilities and deferred tax assets is carried out on the basis of primary accounting documents and tax ledgers. In analytical accounting the temporary differences are taken into account on a basis of the types of assets and liabilities and liabilities in evaluation of which a temporary difference has occurred. The financial statements include the detailed sum of the deferred tax asset and deferred tax liability. (Explanatory Notes, table 5.7.2.).

### 3.9 Provision

In 2016, the Company has neither received or nor issued the collateral for obligations. In 2016, collaterals in the form of bank guarantees in the amount of 692 596 thousand rubles. As of 31.12.2016 as part of provisions for liabilities and payments received, a bank guarantee was recognized in the amount of 695 018 736 thousand rubles:

Bank that provided a guarantee	# and date of contract	Sum of guarantee
Joint-Stock Commercial Bank “RosEuroBank”	1263/T-G/16 dd. 29.09.2016	5 084 746
	1567/Ya-G/15 dd. 11.11.2015	134 079
	286/Ya-G/16 dd. 15.03.2016	1 672 464
	348/Ya-G/16 dd. 01.04.2016	906 415
	517/Ya-G/16 dd. 10.05.2016	354 776
	573/Ya-G/16 dd. 16.05.2016	624 445
“Alfa-Bank” JSC	00XT3R0013 dd. 18.02.2016	77 844

	00XT3R0049 dd. 22.08.2016	419 736
	00XT3R0051 dd. 29.08.2016	737 421
	00XT3R0052 dd. 05.09.2016	1 456 739
	00XT3R0055 dd. 12.09.2016	413 245
ANKOR Savings BANK	721/16/EG dd. 01.06.2016	2 796 641
Bank VTB 24, PJSC	724/1798-00064/G dd. 10.10.2016	920 400
K2 Bank	127104706-2016 dd. 06.05.2016	1 175 391
Bank “Petrokommerz”, JSC	BP-3513812 dd. 29.09.2015	2 781 060
	BP-5847745 dd. 26.10.2015	3 566 150
“AK BARS” BANK, PJSC	9102/5/2016/117-03 dd. 18.07.2016	981 433
	9102/5/2016/117-04 dd. 22.11.2016	1 025 830
“Promsvyazbank” PJSC	27740 dd. 02.11.2016	1 057 700
“Moscow-City” Bank, PJSC	4/0177 dd. 19.04.2016	63 521 918
	4/0198 dd. 18.08.2016	61 591
Raiffeisenbank, JSC	12296/GI/161124 dd. 24.11.2016	2 236 541
	12303/GI/161124 dd. 24.11.2016	7 087 218
	12305/GI/161124 dd. 24.11.2016	1 437 829
osenergobank KB, JSC, Rostov branch	253 dd. 14.09.2016	32 262 664
	254 dd. 14.09.2016	11 934 916
Sberbank of Russia, PJSC	16/7003/0000/715 dd. 18.03.2016	1 208 450
	49/8618/0312/023 dd. 11.07.2016	1 077 702
	49/8618/0312/038 dd. 19.08.2016	99 142
	54/8621/0019/373 dd. 12.05.2016	269 824 699
	54/8621/0019/380 dd. 26.05.2016	269 824 699
Sovcombank, PJSC	92981 dd. 13.10.2016	2 292 121
	308007 dd. 03.11.2016	2 574 084
	69652/1 dd. 04.09.2016	1 088 650
URALSIB Bank, PJSC	P77/485 dd. 05.09.2016	2 300 000

As of 31.12.2016 the Company does not have pledged assets (Table 5.8.).

### 3.10 Government assistance

During the reporting period the Company did not received government grants, provided to business entities (except credit organization), that are legal entities in accordance with the legislation of the Russian Federation (hereafter - organizations), and are recognized as growth of economic benefit of specified organization in the result of assets income (monetary assets, other property).

### 3.11 Information on presence of valuables being accounted on off-balance accounts

In accordance with the order of the Russian Ministry of Finance No. 34n dated 29.07.1998 “Regulations on accounting and financial reporting in the Russian Federation” in the annex to the balance sheet of the Company the following information shall be disclosed: information on the presence and movement of

property which is temporarily in use (disposal) of the Company, and also on particular business transactions:

The assets received for operating lease are recorded on off-balance account 001 "Leased fixed assets" with the inventory numbers of the lessor. The fixed assets received on lease are accounted for on off-balance account 001 "Leased fixed assets" with the Company's inventory numbers.

Intangible assets received for use, are recorded on off-balance account "Intangible assets acquired for use" in the assessment determined on the basis of the amount of remuneration specified in the contract.

Values accepted for safekeeping are recorded in the accounting records and recognized in the financial statements in the prices stipulated in the acceptance delivery act or in the accounts of payment demands.

Raw materials of the customer, accepted for processing, are recorded at the prices stipulated in the contracts.

Goods accepted for commission are reflected in accounting and reporting in the prices stipulated in acceptance certificates. (Explanatory Notes, table 5.12.)

#### 4. Notes to the statement of financial results

Revenues and expenses of the Company for the financial year are reflected in the income statement separately from ordinary activities (regulated and unregulated) in other income and expenses with explanations on the types and quantities.

Revenue from electricity transmission, grid connection to the network and from other services rendered by the Company are recognized on the basis of the Acts of executed works (services) on the date of signing the Act.

The recognition of revenue from the sale of products and other assets is carried out by the Company at the time of transfer of ownership of the property to the buyer. Moment of transfer of ownership is determined in accordance with the terms of contracts, usually at the time of product shipment.

Revenues of the Company in accordance with the principle of accrual are recognized in the accounting period in which they took place, irrespective of the actual time of receipt of funds related to these facts.

Other revenues are revenues that are not related to the processes of production and circulation. These revenues include revenues from the receipt of interest and penalties, compensation for damages incurred by the Company, gratuitous receipt of property, write-off of unclaimed accounts payable, the currency differences, etc.

The revenues arising as a consequence of force majeure of economic activity (natural disasters, fire, accidents, nationalization, etc.) are also recognized as other revenues:

- the insurance compensation;
- losses from extraordinary events (fires, accidents, etc.)
- disposal value of unsuited property.

Current expenditures of the executive office of the Company minus allocated are recognized as management costs. These expenses for the purpose of management accounting (tariff formation, etc.) are distributed by activity types and geographical segment (subjects of the federation, the territory where the tariffs are formed) in accordance with the methodology developed by the Company.

Business expenses in the full amount are recognized in the cost of services provided, completed works in the reporting year, they were recognized as expenses on ordinary activities. (Explanatory notes, tables 2.1., 2.2., 2.3., 5.11.)

Profit and loss from ordinary activities for 2016 are shown in the table below:

Indicator	Revenue from sales	Cost of goods sold	Gross profit (loss)
Revenue from electricity transmission	30 768 277	26 834 896	3 933 381
Revenue from grid connection	469 889	124 121	345 768
Rental income	48 767	32 287	16 480
Other activities (industrial character)	115 208	93 466	21 742
Other activities (non-industrial character)	11 999	27 247	(15 248)

## 5. Other explanations

### 5.1. Inventory of property and liabilities

Inventory of property and liabilities is held by the Company in accordance with Article 11 of the Federal Law No.402-FZ dated 06.12.2011 “On Accounting” and the Guidelines for the inventory of property and financial liabilities, approved by

Order of the RF Ministry of Finance No.49 dated 13.06.1995 in order to ensure the reliability of accounting data and financial statements.

All types of property and liabilities are subject to inventory, including property (regardless of location), owned by the Company on the right of ownership, the volume of work in progress, in-progress investments in current and non-current assets, accounts payable and capital items, property not owned by the Company, but included in off-balance sheet accounts (those in custody, received for sale on commission contract, lease, etc.).

The procedure for conducting inventory (amount of inventories in the reporting year, the date and time, the list of assets and liabilities that are subject to checking) are determined by the orders of the Company.

The inventory of fixed assets is held by the Company annually, inventory of library funds is conducted once every five years.

The inventory is carried out by special stocktaking teams which are approved by order of the Company, and for the branches by in order of the Company's branches. Discrepancy between the actual property and accounting records are specified in accounting in accordance with the paragraph 28 of the Regulations on Accounting and Reporting in the Russian Federation approved by Order of the Ministry of Finance of the Russian Federation No. 34n dated 29.07.1998.

According to the results of the inventory the following amounts of the materials, equipment, finished products and goods as of 03.10.2016 are revealed:

In the “Volgogradenergo” branch, surplus rolled metal was revealed in warehouses for the amount of 4 576 rubles 47 kopecks. The reason is the discrepancy between the actual weight of the balances showed on the electronic scales and the initial acceptance of rolled metal from the supplier and the release of it into production at the estimated weight, as this order was applied by the manufacturer and the branch due to the absence at the time of delivery and acceptance of the electronic scales. The central inventory commission of the branch decided to reflect the amount of surplus in other income.

There was also a shortage in the amount of 3 521 rubles 17 kopecks because of the damage. The central inventory commission of the branch decided to reflect the amount of shortage in other income.

According to the account 10.07 “Materials transferred for processing” the contractors did not confirm the availability of materials for the amount of 7 263 192 rubles 10 kopecks.

During the inventory as of 01.11.2016:

According to the results of inventory of intangible assets, intangible assets received for use, purchasing of fixed assets, leased fixed assets, fixed assets in operation and fixed assets in operational management, the surpluses and shortages have not been revealed.

In “Volgogradenergo” branch it was revealed that a one-story brick building 35/10 substation Kuptsovo with two cold outbuildings (inventory number 345200100083), located at: village Kuptsovo, Kotovski district, Volgograd region, listed in the accounting records on the basis of the certificate of state registration of the Company's ownership rights dated 26.09.2008 registration No. 34-34-15/004/2008-971, there are certificates of state registration of the ownership of the building by citizens Gansha A.A. and Tyshchenko S.R. that live there.

The shortage was revealed as a result of the theft of a set of technical equipment “Satcon” at the Oktyabrskaya substation (inventory No. 345300019223) and the electricity meter “Mercury” 230AR-02R (inventory No. 345300017174) for a total amount of 32 244.87 rubles. On the revealed theft the report was filed to the RF Ministry of Internal Affairs in Bykovsky district.

Partial shortage was revealed at the facility Electric Transmission Line-35 Koltsevaya (inventory No. 345300013328), at which as a result of the commission inspection, it was revealed that the line is in a technically failed condition and was looted by the third parties. According to the abovementioned fact, criminal cases were initiated, and subsequently closed, in connection with the expiration of the statute of limitations of criminal prosecution. Share of stolen property amounts 43.93% of the initial value of fixed assets, which is 5 253 453.87 rubles.

In “Rostovenergo” branch there was revealed a partial shortage for 110kV substation R19 T-1 25t. kVA-reserve (inventory No. 610900004674), on which the fact of external influence on the equipment was revealed. According to the abovementioned fact, an application was filed in Police Station-8 of the Office of the Ministry of Internal Affairs of the Russian Federation in Rostov-on-Don on 13.07.2016 No. 21683. A decision on refusing to open a criminal case was received on 23.07.2016 due to the absence of crime event. Share of equipment that was put out of operation is determined in the amount of 60.00% of the initial value of fixed assets, that amounts 1 694 380.58 rubles.

Partial shortage for the object 110kV substation BT-3 T-1 16 t. kVA-reserve (inventory No. 610900004669), at which as a result of the commission survey inspection the fact of the third-party impact on the equipment was revealed. According to the abovementioned fact, an application was filed in Internal Affairs Agencies of Russian Federation Ministry of the Interior in Aksaiskiy district No. 10196 dd. 14.07.2016. A decision on refusing to open a criminal case was received on 28.10.2016 due to the absence of crime event. Share of equipment that was put out of operation is determined in the amount of 60.00% of the initial value of fixed assets, that amounts 12 705 722.37 rubles.

## 5.2 Segment information (Accounting Regulations 12/2010)

As primary information for the purpose of generating data by reportable segments is considered geographical segment information, as the risks and profits of the Company are determined by differences in the activity of the various geographical regions. Each business unit of the Company operates in a separate geographic region. The secondary is the information for the operating segments. (Explanatory notes, table 5.13.).

Buyers that make minimum 10% of the Company's total revenue

Buyer (customer)	Total revenue	Including: electricity transmission	Including: other services
Astrakhan Energy Selling Company, PJSC	3 929 945	3 928 248	1 667
TNS Energo Rostov-on-Don, PJSC	8 842 857	8 835 707	7 150

### 5.3. Discontinuing operation (Accounting Regulations 16/02)

Information on discontinuing operation as of the date of making the report is absent.

### 5.4. Information on participation in joint activity (Accounting Regulations 20/03)

Joint activity participant, the subject of joint activities	Amount of investment as of 31.12.2016	Target of investments (profit, other goals)	Financial result as of the reporting period
RusHydro JSC	7 838	Construction of generating capacities for 22MW pilot wind-power plant in Kalmykia; Provision of Kalmykia with its own capacities; Use of unconventional renewable power sources; production of electric energy and its selling for the purposes of gaining an income.	Construction in progress
Rosseti JSC	40 425	Construction of generating capacities for pilot Elista hydro power station of 320MW; production of electric energy and its selling for the purposes of gaining an income.	Construction in progress
Total	48 263		

Construction of Kalmytskaya wind power plant (hereinafter – the wind power plant) was performed under the contract of joint activity No.29 dated 15.09.1993, signed between RAO "UES of Russia" and "Kalmenergo" JSC. After the reorganization of RAO "UES of Russia" and the reform of the industry in general, "RusHydro" PJSC and "IDGC of the South" PJSC became legal successor of the contract. The contract has expired on 31.12.2010.

The Parties have in common share ownership 14 facilities of unaccomplished contract of the wind power plant. Construction of the wind power plant was terminated at an early stage due to the lack of funding. It is not planned to finish the construction works in this facility at the expense of "RusHydro" PJSC or "IDGC of the South" PJSC. For "IDGC of the South" PJSC, the production of electric energy does not correspond to the principal activity. "IDGC of the South" PJSC and "RusHydro" PJSC plan to sell this property to the third party.

In response to instructions from the Order of the RF Ministry of Energy No.D-9-14 dated 07.02.1992, the Decision of the Government of the Russian Federation No.389 dated 20.04.1995 "On the stabilization of the economy of the Republic of

Kalmykia” and Decree of the Government of the Russian Federation No.303 dated 14.03.1997 “The federal target programme of social and economic development of the Republic of Kalmykia and the national and cultural revival of the Kalmyk people” since 1993 under the agreement on joint activity between RAO “UES of Russia” JSC and “Kalmenergo” JSC No.28 dated 15.09.1993 was launched a construction of combined-cycle power plant Elista (Elista CCGT) 320 MW.

Project documentation for construction of Elista combined-cycle electric generating plant 320 MW (4 units 80 MW each) was prepared by “Selenergoproekt” JSC in Moscow in 1992, project documentation for the technological equipment was prepared by the company “Module” JSC of Kirov plant in St. Petersburg.

Construction was carried out from 1993 to 2001. Construction consisted of two stages by 160 MW, the first stage included start-up facilities – one 80 MW block.

In 2001, the construction of Elista combined-cycle electric generating plant was discontinued due to lack of funding from RAO “UES of Russia” JSC and “Kalmenergo” JSC.

Because of the reorganization of RAO “UES of Russia” JSC and “Kalmenergo” JSC the successors to the agreement on joint activities became “Rossetti” PJSC and “IDGC of the South” PJSC. According to the act of reconciliation on 30.06.2012 the funds of the parties are: from the part of “Rossetti” PJSC - 40 323 thousand rubles (49.94%), from the part of “IDGC of South: PJSC - 40 425 thousand rubles (50.06%). The contract of a joint construction was terminated on 31.12.2010.

Completion of construction of Elista combined-cycle electric generating plant at the expense of “Rossetti” PJSC and “IDGC of the South” PJSC is not planned, because the production of electricity is not the main activity of “Rossetti” PJSC and “IDGC of the South” PJSC.

Due to the termination of these agreements, as well as the activity on construction of Elista combined-cycle electric generating plant and Kalmykia wind power plant, as well as due to absence of necessity in construction of these plants, due to the fact that the property in joint ownership is outdated and the equipment cannot be used without revaluation in accordance with the new environmental requirements, due to

impossibility to return or sale the property, in 2012 the Company made an investment depreciation reserve under joint operating agreements in the amount of 48 263 thousand rubles.

#### 5.5. Information on cash flows (Accounting Regulations 23/2011)

As a part of the funds for the purposes of the Statement on cash flows the Company recognizes:

- cash in hand;
- money on accounts, special, transit, exchange accounts, accounts of corporate cards and other bank accounts;
- amounts in transit (balanced).

Financial documents are not recognized as cash and are not included in the statement of cash flows.

As cash equivalents the Company recognizes deposits with maturities up to 3 months and bills of commercial banks with maturity time 3 months or less.

Cash flows that characterize mainly not the Company's activities, but the activities of its counterparties, and (or) when the proceeds from one individual cause the corresponding payments to other persons are recognized by the Company and briefly reflected in the statement of cash flows. Transient cash flows include:

- cash flow from commission merchant or agent (except payment for the services themselves);
- indirect taxes as a part of revenues from customers, payments to suppliers and contractors and payments to the budget system of the Russian Federation and compensation from it;
- payments for the reimbursement of utility bills, and the implementation of these lease payments and other similar terms;
- receipts from staff for the trips that are purchased by the Company from third-party organizations and payments to third parties for the acquisition of the permit;
- reimbursement of the costs of the event, and payments for the organization of the event;
- sums wrongly received from third parties and written off by the bank;

- refunds of previously made payments for these incorrect details and for other reasons;
- received and returned sums of collateral for requests of bidders and participants of auctions;
- payment of sick-leaves and allowances at the expense of Social Insurance Fund and the corresponding receipts from the Social Insurance Fund.

The statement on cash flows of the Company includes an indirect tax (VAT) in the part of revenues from customers, payments to suppliers and contractors and payments to the budget system of the Russian Federation or compensation from it.

The company did not perform highly liquid investments (cash equivalents) that can be easily converted to in a-priori known amounts of cash and which are subject to an insignificant risk of changes in value for the period from 01.01.2016 to 31.12.2016.

In the report on cash flows of the Company in line 4129 “Wages” the payment on insurance to non-budgetary funds are disclosed, payments for 2016 amount 1 681 998 thousand rubles, for 2015 – 1 509 529 thousand rubles.

Cash flows between the Company and its subsidiaries, affiliated companies, and between the Company and the parent company “Rosseti” PJSC are disclosed in the Statement of Cash Flows.

Company’s untapped line of credit.

Creditor bank	Number and data of contract	Amount of unutilized limits	Interest rate, %
Sberbank of Russia, Public Joint-Stock Company	15-50 dd. 17.08.2015	750 000 000	11.01
Sberbank of Russia, Public Joint-Stock Company	5400/287 dd. 29.06.2016	371 891 166	KS+2.5%
Gazprom Bank, Joint-Stock Company	2115-009 dd. 14.09.2015	82 900 000	10.50
Gazprom Bank, Joint-Stock Company	2116-025 dd. 03.08.2016	500 000 000	11.00
ROSSIYA, Joint-Stock Bank	No.00.02-1-2/01/188/14	400 000 000	12.00
ROSSIYA, Joint-Stock Bank	No.00.02-1-2/01/189/14	500 000 000	12.00
SMP Bank JSC	70-2014/KL dd. 28.08.2014	300 000 000	12.00

**The sum of minimum cash balance on accounts of the Company as of 31.12.2016**

**amounted 592 052 thousand rubles.**

#	Grounds (additional agreement, confirmation of transaction)	Starting date of transaction	Expiration date of transaction	Interest rate	Amount of minimum precautionary balance
1	2	3	4	5	6
1	Verification No. 41 (Agreement No. 17 on general conditions for raising funds dd. 02.10.2012)	1.12.2016	09.01.2017	6.50	140 000
2	Verification No. 78 (General agreement No. M1-579962/2013/021 on procedure for keeping the minimum permanent balance on the client's accounts dd. 27.12.2013)	0.12.2016	09.01.2017	8.00	94 700
3	Verification No. 76 (General agreement No. M1-579962/2013/021 on procedure for keeping the minimum permanent balance on the client's accounts dd. 27.12.2013)	0.12.2016	12.01.2017	8.00	60 480
4	Verification No. 75 (General agreement No. M1-579962/2013/021 on procedure for keeping the minimum permanent balance on the client's accounts dd. 27.12.2013)	9.12.2016	12.01.2017	9.2	262 120
5	Verification No. 141 (Agreement No. 64 on general conditions for raising funds dd. 07.11.2014)	0.12.2016	09.01.2017	5.57	34 752
6	Verification No. 41 (Agreement No. 17 on general conditions for raising funds dd. 02.10.2012)	1.12.2016	09.01.2017	6.50	140 000
7	Verification No. 78 (General agreement No. M1-579962/2013/021 on procedure for keeping the minimum permanent balance on the client's accounts dd. 27.12.2013)	0.12.2016	09.01.2017	8.00	94 700
Total					592 052

Total amount of free credit limit as of 31.12.2016 amounts 2 904 791 thousand rubles.

In 2016 the Company attracted funds on conditions of overdraft in Gazprombank JSC in the amount of 247 996 thousand rubles and in Sberbank of Russia PJSC in the amount of 1 309 967 thousand rubles.

The main conditions of credit agreement in overdraft form with Sberbank PJSC:

Overdraft limit – 750 000 000.00 rubles;

Maximum allowable period of continuous overdraft debt – 45 days;

Interest rate – maximum 13.03% per annum.

Terms of agreement in overdraft form – 24 months.

Basic conditions of credit agreement in the overdraft form with Gazprombank JSC:

Overdraft limit – Using of the overdraft limit is made in the amount not exceeding 50 (Fifty) percent of the average monthly value of net credit turnover on the accounts of the Borrower in the Bank, calculated for three previous calendar months, but cannot exceed 750 000 000 (Seven hundred and fifty million) rubles. The overdraft limit is recalculated each month.

The maximum allowable period for continuous overdraft debt – 45 days;

Interest rate – maximum 13.00% per annum;

Terms of agreement in overdraft form – 24 months.

As of 31.12.2016 the third-party guarantees received or not used by the Company for receiving credits, funds in letters of credit opened in favor of the Company, funds (or equivalents) that are not allowed to use by the Company are absent.

As of 31.12.2016 the Company's bank accounts are arrested for total amount of 34 937 thousand rubles.

	Sum of arrested account	Bank	Bank account number
LLC Managing company "Stavropolenergiya-invest"	34 752	Astrakhan Sberbank branch No.8625	40702810605000003020
FGC UES, PJSC	185	SMP Bank, JSC	40702810108300000131

The arrest was imposed for the execution of possible future civil suits in the framework of the investigation of criminal case No. 137132900638 dd. 12.07.2013, initiated against the activities of the supplier of "IDGC of the South" PJSC – Stavropolenergiyainvest, LLC. The arrest is imposed in accordance with decrees of Industrial court of Stavropol. The Company doesn't own the information on possible date of end of investigation and conclusions on this case.

The arrest of funds for the benefits of "FGC UES" PJSC is imposed as part of enforcement proceedings 8751/15/99001-SD, release of the arrest is possible after

expiration of specified consolidated enforcement proceedings. As of today it is impossible to forecast the date of ending of consolidated enforcement proceedings.

#### Information on the cash flows by segments for 2016

Indicator	DGC of the South	Executive body	Astrakhanenergo	Volgogradenergo	Kalmenergo	Rostovenergo
Balance of cash flows from current transactions	1 333 360	(805 774)	(487 514)	1 126 410	(853 662)	2 353 900
Balance of cash flows from investment activities	(1 636 822)	59 444	(430 639)	(209 658)	(375 948)	(680 020)
Balance of cash flows from financial transactions	(587 490)	(589 624)	595	-	-	1 539
Balance of cash flows for the reporting period	(890 952)	(1 335 954)	(917 558)	916 752	(1 229 610)	1 675 418

#### 5.6. Information on corrections made to the financial statements (Accounting Regulations 22/2010)

Due to the correction of an error in the accounting (financial) statements, there were amendments in accordance with the requirements of Accounting Regulations 22/2010 “Correcting of errors in the financial accounting and reporting” in connection with the following circumstances:

Incorrect calculation of the volume of services rendered on household consumers in 2015 based on estimated consumption - average monthly consumption and standards of utility tariffs for power supply. This calculation was based on the requirements of the Basic Provisions for the Operation of Retail Electricity Markets approved by Decree of the RF Government No. 442 dd. 04.05.2012 and the Rules for the providing of public utilities to owners and users of premises in block of flats and residential houses approved by Resolution of the RF Government No. 354 dd. 06.05.2011.

As a result, the volume of rendered services on electricity transmission to consumers of “Astrakhan Energy Selling Company” PJSC was formed by the Company with disagreements.

Based on the recalculations, the branch of “IDGC of the South” PJSC – “Astrakhanenergo” determined the absence of grounds for the most part of disagreements on consumer citizens, and for the most part of legal entities a legal assessment of the disagreements was made within the framework of case proceedings No. A06-5028/2015 (January, 2015), which came into force at 04.05.2016.

In accordance with the decisions of the courts, in the course of legal proceedings, the expert inspections on the amount of electricity consumption by consumers were carried out, as a result the net electricity supply for individual months of 2015 is determined as less than estimated values of net electricity supply of the Company and the selling company.

In order to exclude the growth of penalties, it was decided to adjust the revenue for the indicated periods.

By the decision of the Commission for accounts receivable control and payable of the Company (Minutes No. 8 dd. 18.01.2017) and decision of the Company's Board of Directors (Minutes No. 216/2017 dd. 23.01.2017), the adjustment (decrease) in revenue for 2015 in the amount of 315 176 966.65 rubles with VAT is approved.

Since the recognition of decrease in the amount of electricity transmission is inextricably connected with increasing of losses during the same period, disagreements with “Astrakhan Power Selling Company” PJSC under the contract for purchase of electric energy to compensate losses for the period February-December 2015 in the amount of 381 081 480.52 rubles including VAT are the subject to settlement and entail additional charges of expenses.

In addition, during the period of 2015-2016, the accounts receivables with disagreements for the electricity transmission services of “Astrakhan Power Selling Company” PJSC for certain periods of 2015 were considered doubtful by the Company as doubtful. The reserve of doubtful debts for it in 2015 is calculated in the amount of 4 440 814.29 rubles, during 2016 – 1 736 932.30 rubles. The estimated reserve for legal proceedings regarding the differences in compensation for

electricity losses for the period of 2015 in 2015 is accrued in the amount of 4 364 508.28 rubles, in 2016 in the amount of 18 475 106.47 rubles.

In order to correct the error in the accounting report of the Company – settlement of revenue, expenses for the period of 2015, estimated reserves related to this transaction, adjustments of value added tax and profit tax by the Company's accounting and reporting department, the Company analyzed the impact of these corrections on indicators of Statement of Financial Results for 2016.

Taking into account that the influence on the indicators “Gross profit”, “Sales profit” exceeds 10%, and the influence on the indicator “Net profit” exceeds 2%, which corresponds to the accounting policy of the Company, the decision to recognize this error of 2015 as essential and to correct it retrospectively was made.

In connection with the introduction of additions to the Accounting Policy of the Company in terms of changing the presentation of the indicators “VAT on advances received”, “VAT on advances issued”, “Money documents” (reclassification of the article “VAT on advances received” from the articles “Accounts receivable” in the articles “Other current assets”, the reclassification of the item “VAT on advances issued” from the line “Accounts payable” in the articles “Other long-term / short-term liabilities”, the reclassification of “money documents” from the articles “Account receivable” in articles “Monetary funds”) and ensure comparability of data as of 31.12.2015, as of 31.12.2014 the produced amounts of the abovementioned indicators in the balance sheet as of 31.12.2015 and 31.12.2014 were reclassified.

Correction of errors in Balance sheet:

Indicator	Code	31.12.2016	31.12.2015 from the report for 2015	Changes	31.12.2015	31.12.2014 from the report for 2015	Changes	31.12.2013 according to data from report for 2014
<b>ASSETS</b>								
<b>I. NON-CURRENT ASSETS</b>								
Intangible assets	110	1 689	6	-	6	9	-	9
Purchasing of intangible assets	111	-	-	-	-	-	-	-

Results of researches and development	120	17 040	18 190	-	18 190	26 438	-	26 438
researches and development	121	9 700	820	-	820	-	-	-
Intangible development assets	130	-	-	-	-	-	-	-
Tangible development assets	140	-	-	-	-	-	-	-
Fixed assets	150	28 564 113	28 897 473	-	28 897 473	29 986 795	-	29 986 795
Natural resource management	151	30 511	22 373	-	22 373	22 035	-	22 035
Buildings, vehicles and equipment, constructions	152	25 030 267	26 190 347	-	26 190 347	27 434 158	-	27 434 158
Other types of fixed assets	153	196 043	233 066	-	233 066	295 324	-	295 324
Construction in progress	154	3 070 922	2 197 090	-	2 197 090	2 003 822	-	2 003 822
Construction and purchasing of fixed assets	155	424	1 391	-	1 391	8 913	-	8 913
Materials used for production of fixed assets	156	235 946	253 206	-	253 206	222 543	-	222 543
Interest-bearing investments in material assets	160	-	-	-	-	-	-	-
Property for leasing	161	-	-	-	-	-	-	-
Property provided under a lease agreement	162	-	-	-	-	-	-	-
Financial investments	170	147 910	144 929	-	144 929	155 011	-	155 011
Investments in subsidiaries	171	141 080	140 710	-	140 710	151 711	-	151 711
Investments in associated companies	172	-	-	-	-	-	-	-
Investments in other companies	173	6 830	4 219	-	4 219	3 300	-	3 300

More than 12 months	174	-	-	-	-	-	-	-
Financial investments	175	-	-	-	-	-	-	-
Deferred tax assets	180	433 756	369 907	-	369 907	356 989	-	356 989
Other non-current assets	190	103 546	125 059	-	125 059	165 062	-	165 062
TOTAL in section 1	100	29 268 054	29 555 564	-	29 555 564	30 690 304	-	30 690 304
<b>II. CURRENT ASSETS</b>								
Stock	210	913 275	720 902	-	720 902	649 191	-	649 191
Values	211	741 784	718 504	-	718 504	637 593	-	637 593
Expenses in work in progress	212	-	-	-	-	-	-	-
Finished products and goods for resale	213	39	2 398	-	2 398	9 809	-	9 809
Shipped goods	214	71 452	-	-	-	1 789	-	1 789
Other stocks and expenses	215	-	-	-	-	-	-	-
Purchased values	220	2 983	13 207	-	13 207	62 366	-	62 366
Accounts receivable	230	12 992 602	10 687 246	279 996)	10 407 250	9 330 109	(168 397)	9 161 712
12 months after reporting date	231	4 644	22 053	-	22 053	102 499	-	102 499
Buyers and customers	3101	2 694	2 112	-	2 112	5 916	-	5 916
Bills receivable	3102	-	-	-	-	-	-	-
Advances paid	3103	1 912	7 290	-	7 290	2 364	-	2 364
Other accounts receivable	3104	38	12 651	-	12 651	94 219	-	94 219
12 months after reporting date	232	12 987 958	10 665 193	279 996)	10 385 197	9 227 610	(168 397)	9 059 213
Buyers and customers	3201	11 405 048	9 364 212	310 736)	9 053 476	7 855 569	-	7 855 569
Bills receivable	3202	-	-	-	-	-	-	-
Companies on dividends	3203	-	-	-	-	-	-	-
Share capital payment	3204	-	-	-	-	-	-	-
Advances paid	3205	26 651	63 245	-	63 245	240 487	-	240 487
Other accounts receivable	3206	1 556 259	1 237 736	30 740	1 268 476	1 131 554	(168 397)	963 157

Money equivalents	240	779 257	403 000	-	403 000	-	-	-
Less than 12 months	241	-	-	-	-	-	-	-
Other short-term financial investments	242	779 257	403 000	-	403 000	-	-	-
Monetary funds and money equivalents	250	690 528	1 581 079	89	1 581 168	716 955	-	716 955
Funds	251	-	6	-	6	181	-	181
Payment accounts	252	682 485	1 576 092	-	1 576 092	711 240	-	711 240
Currency accounts	253	-	-	-	-	-	-	-
Other monetary funds	254	8 043	4 981	89	5 070	5 534	-	5 534
Other tangible assets	260	271 034	50 919	167 123	218 042	32 148	168 397	200 545
TOTAL in section II	200	15 549 679	13 456 353	112 784)	13 343 569	10 790 769	-	10 790 769
BALANCE	600	44 817 733	43 011 917	112 784)	42 899 133	41 481 073	-	41 481 073
LIABILITIES								
III. CAPITAL AND RESERVES								
Authorized capital (reserve capital, authorized funds, contributions of partners)	310	4 981 110	4 981 110	-	4 981 110	4 981 110	-	4 981 110
Capital (before registration of changes)	311	143 909	-	-	-	-	-	-
Own shares purchased from shareholders	320	-	-	-	-	-	-	-
Revaluation of non-current assets	340	14 652 936	14 691 709	-	14 691 709	14 710 817	-	14 710 817
Additional funds (without revaluation)	350	-	-	-	-	-	-	-
Reserve funds	360	157 574	150 095	-	150 095	150 095	-	150 095
Unallocated profit	370	(16 010 534)	(14 550 384)	338 080)	(14 888 464)	(14 719 067)	-	(14 719 067)
Past years	371	(14 999 266)	(14 550 384)	338 080)	(14 888 464)	(14 719 067)	-	(14 719 067)
Reporting period	372	(1 011 268)	-	-	-	-	-	-

TOTAL in section III	300	3 924 995	5 272 530	338 080)	4 934 450	5 122 955	-	5 122 955
<b>IV. LONG-TERM LIABILITIES</b>								
Borrowed funds	410	17 232 022	13 403 378	-	13 403 378	19 744 299	-	19 744 299
More than 12 months after reporting date	411	12 232 022	8 403 378	-	8 403 378	19 744 299	-	19 744 299
12 months after reporting date	412	5 000 000	5 000 000	-	5 000 000	-	-	-
Deferred tax liabilities	420	776 603	362 562	-	362 562	318 893	-	318 893
Estimated liabilities	430	-	-	-	-	-	-	-
Other liabilities	450	118 948	118 463	451	118 914	80 889	360	81 249
TOTAL in section IV	400	18 127 573	13 884 403	451	13 884 854	20 144 081	360	20 144 441
<b>V. SHORT-TERMS LIABILITIES</b>								
Borrowed funds	510	7 223 561	11 630 194	-	11 630 194	5 123 128	-	5 123 128
During 12 months after reporting date	511	7 188 421	11 598 753	-	11 598 753	4 810 228	-	4 810 228
Loans payable within 12 months after reporting date	512	35 140	31 441	-	31 441	312 900	-	312 900
Accounts payable	520	13 572 980	9 451 866	220 986	9 672 852	8 554 588	(8 615)	8 545 973
Suppliers and vendors	521	10 411 233	7 207 769	327 731	7 535 500	6 256 387	-	6 256 387
Bills payable	522	-	-	-	-	-	-	-
Wages payable	523	293 457	248 132	-	248 132	229 592	-	229 592
Debts to state non-budgetary funds	524	168 318	137 076	-	137 076	122 268	-	122 268
Taxes and fees payable	525	377 952	550 524	(98 071)	452 453	648 039	-	648 039
Advances received	526	1 002 756	956 524	-	956 524	1 025 367	-	1 025 367
Debt to participants (founders) on income payment	527	1 812	94	-	94	88	-	88
Other bills payable	528	1 317 452	351 747	(8 674)	343 073	272 847	(8 615)	264 232

Income of future periods	530	35 632	59 123	-	59 123	78 296	-	78 296
Estimated liabilities	540	1 931 821	2 713 801	(4 364)	2 709 437	2 458 025	-	2 458 025
Other liabilities	550	1 171	-	8 223	8 223	-	8 255	8 255
TOTAL in section V	500	22 765 165	23 854 984	224 845	24 079 829	16 214 037	(360)	16 213 677
BALANCE	700	44 817 733	43 011 917	112 784)	42 899 133	41 481 073	-	41 481 073

Correction of errors in the Report on financial results:

Indicator	Code	For 12 months of 2016	For 12 months of 2015 from the report of 2015	Changes	For 12 months of 2015
Revenue, including	2110	31 414 140	30 365 033	(267 099)	30 097 934
Revenue from electric energy transmission	2111	30 768 277	29 675 051	(267 099)	29 407 952
Revenue from technological connection	2112	469 889	499 600	-	499 600
Revenue from organization of operation and development of UES of Russia in regards to distribution electric grid complex	2113	-	-	-	-
Revenue from resale of electric energy and capacity	2114	-	-	-	-
Revenue from participation in other organizations	2115	-	-	-	-
Rental revenue	2116	48 767	53 569	-	53 569
Revenue from sale of other production, goods, works, industrial services	2117	115 208	119 754	-	119 754
Revenue from sale of other production, goods, works, industrial services	2118	11 999	17 059	-	17 059
Cost of sales, including:	2120	(27 122 017)	(25 454 356)	(277 738)	(25 732 094)
Cost of electric energy transmission	2121	(26 834 896)	(25 181 353)	(277 738)	(25 459 091)
Cost of technological connection	2122	(124 121)	(121 294)	-	(121 294)
Cost of organization of operation and development of UES of Russia in regards to distribution electric grid complex	2123	-	-	-	-
Cost of resale of electric energy and capacity	2124	-	-	-	-
Cost of participation in other organizations	2125	-	-	-	-
Cost of lease	2126	(32 287)	(39 256)	-	(39 256)
Cost of other production, goods, works, industrial services	2127	(93 466)	(81 686)	-	(81 686)

Cost of other production, goods, works, industrial services	2128	(27 247)	(30 767)	-	(30 767)
Gross profit (loss)	2100	4 302 123	4 910 677	(544 837)	4 365 840
Selling expenses	2210	-	-	-	-
Administrative expenses	2220	(705 719)	(644 233)	-	(644 233)
Profit (loss) from sales	2200	3 596 404	4 266 444	(544 837)	3 721 607
Revenues from participation in other organizations	2310	3 298	12 497	-	12 497
Interest receivable	2320	95 461	62 232	-	62 232
Interest payable	2330	(2 768 578)	(2 558 783)	-	(2 558 783)
Other revenues	2340	5 110 867	3 451 821	8 805	3 460 626
Other expenses	2350	(6 979 247)	(4 743 217)	-	(4 743 217)
Profit (loss) before taxation	2300	(941 795)	490 994	(536 032)	(45 038)
Current income tax	2410	(41 080)	(362 407)	197 952	(164 455)
Including permanent tax liabilities (assets)	2421	250 003	281 469	(90 745)	190 724
Changes of deferred tax liabilities	2430	(93 118)	(43 970)	-	(43 970)
Changes of deferred tax assets	2450	72 554	26 709	-	26 709
Other	2460	(7 829)	38 249	-	38 249
Net profit (loss)	2400	(1 011 268)	149 575	(338 080)	(188 505)

#### 5.7. Information on related parties (Accounting Regulations 11/2008)

The related parties of the Company are entities of “Rosseti” Group PJSC, subsidiaries of the Company, the Board of Directors and the Management Board and other legal entities and individuals.

A complete list of affiliated entities is shown in the official website of “IDGC of the South” PJSC: <http://mrsk-yuga.ru/pages/show/listpersons>.

#### Non-governmental pension fund

Non-state pension fund of electric power industry and the Company is governed by agreements on non-state pension provision of employees. On balances of the accounts of non-state pension fund for 2016, interest in the amount of 27 thousand rubles for 2016 and 83 thousand rubles for 2015 were accrued.

#### Transactions with related parties (excluding VAT):

Name of related parties (type of relations)	2016	2015
Services are rendered to the Company:		
“Rosseti” PJSC (services)	166 586	161 636
“FGC UES” PJSC (services on transmission of electric energy, lease)	6 556 780	6 225 926
“Kalmenergosbyt” JSC (purchased electric energy to compensate losses, purchased electric energy for economic needs)	218 305	168 333
“IT Energy Service” LLC (services)	15 368	13 293
“FOCL-power lines” JSC (services)	14 727	4

TOTAL	6 971 766	6 569 192
Service rendered by the Company:		
“Rosseti” PJSC (lease)	1 641	1 641
“Energoservice Yuga” JSC (lease)	169	112
“FGC UES” JSC (lease and other)	11 867	11 873
“Kalmenergosbyt” JSC (services on power transmission, lease)	463 362	416 545
“Kubanenergo” PJSC (lease and other)	12 088	30 947
“Electrisetservice UNPG” JSC (services on technological connection)	1	-
“Sokolovskoe Subsidiary Agricultural Enterprise” JSC (services on technological connection)	-	104
TOTAL:	489 128	461 222
Other revenues		
“Kubanenergo” JSC (selling of fixed assets, selling of inventories and reserves, penalties)	13 155	-
“FGC UES” PJSC (selling of fixed assets)	14 517	-
“FGC UES” PJSC (dividends)	126	6
“Energoservice Yuga” JSC (dividends)	3 170	1 761
“Kalmenergosbyt” JSC	-	161
“Rosseti” PJSC (selling of fixed assets, other)	-	8 004
TOTAL:	30 968	9 958
Other expenses		
“Kalmenergosbyt” JSC	211	1 949
“FGC UES” PJSC	875 206	83 776
“IDGC of the North Caucasus” PJSC	1 166	-
“Kubanenergo” PJSC	13 109	-
“Lenenergo” PJSC	1 966	-
“Agricultural enterprise named after Grechko A.A.” JSC	100	-
“IDGC of the Centre” PJSC	-	10 323
“IDGC of the Centre and Volga region” PJSC	-	3 628
“Tyumenenergo” JSC	-	2 021
“IDGC of Volga” PJSC	-	1 555
“Mobile gas-turbine power plants” JSC	-	2 334
TOTAL:	891 758	105 586
Dividends payable:		
“Rosseti” PJSC	73 402	-
Interest on bond issue accrued to pay:		
“Rosseti” PJSC	678 899	355 091

### Settlements with related parties.

**As of 31 December 2016 accounts payable and receivable on settlements with related parties are the following:**

Name of related parties	As of 31 December 2016	As of 31 December 2015
Company’s account receivable, payments of which are expected more than in 12 months after the reporting date		
“FGC UES” PJSC	1 912	6 503

Company's account receivable, payments of which are expected within 12 months after the reporting date		
"Recreation Centre Energetic" JSC	108 808	108 808
"Kubanenergo" PJSC	90 849	164 272
"Kalmenergosbyt" JSC	86 979	38 049
"FGC UES" PJSC	19 909	18 336
"FOCL-power lines" JSC	990	-
"Mobile gas-turbine power plants" JSC	166	166
"PSKh named after Grechko A.A." JSC	-	12 780
TOTAL:	309 613	348 914
Company's bills payable, payments of which are expected within 12 months after the reporting date		
"FGC UES" PJSC	7 127 366	4 699 243
"Kubanenergo" PJSC	67 683	14
"Rosseti" PJSC	9 375	9 375
"FOCL-power lines" JSC	5 738	-
"IT Energy Service" LLC	4 536	3 857
"IDGC of the North Caucasus" PJSC	459	-
"IDGC of Volga" PJSC	-	1 835
"IDGC of the Centre" PJSC	-	1 778
"Electroservice UNPG" JSC	-	1
"FOCL-power lines" JSC	-	5
TOTAL:	7 215 157	4 716 108
Debts on long-term loans		
"Rosseti" PJSC (bonded loan, main loan)	5 000 000	5 000 000
"Rosseti" PJSC (interest debt payable)	35 140	31 441

#### Loans granted to related parties

The Company did not grant loans to related parties in 2016.

#### 5.8. Payment of remuneration

Payment of remuneration and compensation to the members of the Board of Directors shall be carried out in accordance with the Regulation on the payment of remunerations and compensations to members of the Board of Directors of Open Joint Stock Company "Interregional Distribution Grid Company of South" in the new editions, approved by the Annual General Meeting of Shareholders of "IDGC of the South" JSC dd. 19.06.2015 (Minutes of meeting No.13 dd. 22.06. 2015).

The total remuneration paid to the members of the Board of Directors in 2016, including all types of remuneration (salary, bonus, compensation costs and other) amounted 8 284 thousand rubles.

In accordance with the employment agreements between the Company and Management Board members, the remuneration to members of the Board shall be

paid in the amount and manner prescribed by the Regulations on material incentives and benefits of Top Managers of "IDGC of the South" PJSC in the new edition; approved by the Board of Directors on 14.06.2011 (Minutes of meeting No.67/2011 dated 16.06.2011).

On the basis of the decisions of the Board of Directors of "IDGC of the South" PJSC (Minutes of meeting No.13/2008 dated 22.05.2008, Minutes of meeting No.20/2008 dated 01.12.2008, Minutes of meeting No.22/2009 dated 11.02.2009, Minutes of meeting No.38/2009 dated 25.12.2009, Minutes of meeting No. 39/2010 dated 05.02.2010, Minutes of meeting No. 44/2010 dated 28.04.2010, Minutes of meeting No. 49/2010 dated 28.06.2010, Minutes of meeting No. 50/2010 dated 08.07.2010, Minutes of meeting No. 53/2010 dated 01.09.2010, Minutes of meeting No. 55/2010 dd. 29.10.2010, Minutes of meeting No. 57/2010 dated 24.12.2010, Minutes of meeting No.65/2011 dated 01.06.2011, Minutes of meeting No. 71/2011 dated 30.08.2011, Minutes of meeting No. 72/2011 dated 19.09.2011, Minutes of meeting No. 77/2011 dd. 26.12.2011, Minutes of meeting No.92/2012 dated 30.07.2012, Minutes of meeting No. 104/2013 dd. 01.03.2013, Minutes of meeting No. 116/2013 dated 03.10.2013, Minutes of meeting No.131/2014 dated 23.04.2014, Minutes of meeting No. 141/2014 dated 18.08.2014, Minutes of meetings No. 200/2016 dd. 12.09.2016 on determining the number of members of the Management Board and the election of members to the Management Board, and in accordance with Article 21 of the Charter of "IDGC of the South" PJSC, Articles 15 and 57 of the Labour Code additional agreements to the labour contracts are concluded with the members of the Management Board for the implementation of duties of a member of the collegial executive body - the Management Board.

From the date of establishment of the Management Board of "IDGC of the South" PJSC (19.05.2008) till 31.08.2011 for implementation of their duties the members of the Management Board of the Company were paid a monthly remuneration in the amount of 5 (five) minimum monthly tariff rates of a first category established by the industrial tariff agreement in electric power complex of the Russian Federation.

Starting from 01.09.2011 for implementation of their duties the members of the Management Board are paid monthly remuneration in the amount of 11% from the salary of a top manager.

The total remuneration paid to the members of the Board of "IDGC of the South" PJSC for 2016, including all types of remuneration (salary, bonus, and other compensation costs), amounted 54 080 thousand rubles, for 2015 – 75 706 thousand rubles.

Questions of material incentives to Director General of the Company are regulated in accordance with the terms of the employment contract and in accordance with the Regulations on material incentives for the General Director of "IDGC of the South" PJSC (as amended); approved by the Board of Directors (Minutes of meeting No.67/2011 dated 16.06 2011) as amended (Minutes of meeting No.85/2012 dated 26.04.2012, No.102/2012 dated 13.01.2013, No.153/2015 dd. 10.03.2015).

Remunerations paid to management staff (Director General of the Company and deputies Director General of the Company):

Types of remunerations	2016	2015
Short-term remunerations payable during the reporting period and 12 months after the reporting date:		
Salaries for the reporting period	50 800	44 715
Accrued taxes for salaries and other mandatory payments in correspondent budgets and non-budgetary funds for the reporting period	20 333	17 577
Annual paid vacation for work in the reporting period	8 677	7 343
Payment for medical care, medical services, public services etc, payments in favor of main administrative staff	7 312	5 703
Other short-term remunerations (bonus)	52 045	45 150
<b>TOTAL</b>	<b>139 167</b>	<b>120 488</b>

5.9. Information on transactions in foreign currencies (Accounting Regulations 3/2006)

In 2016 the Company did not make transactions with foreign currency.

5.10. Information on energy efficiency (Federal Law No.261-FZ dated November 23, 2009).

The information is provided in accordance with the Federal Law No. 261-FZ dated November 23, 2009 “On energy saving and increasing energy efficiency, and on amending certain legislative acts of the Russian Federation”.

Expenses on power resources of “IDGC of the South” PJSC in 2016:

1) purchase of electric energy in order to compensate for losses in the networks of branches of "IDGC of South" PJSC – 6 388 785 thousand rubles without VAT.

Costs for the purchase of electric energy in order to compensate for losses in the networks of branches of "IDGC of the South" PJSC are calculated in accordance with the terms of service contracts with the guarantee suppliers, on the basis of actually existing volumes within the limit of unregulated price according to paragraph 108 (1) of the Regulations on functioning of retail electricity markets, approved by the RF Government Decree No. 530 dated 31.08.2006 (as amended).

2) purchase of electric energy for needs of administrative buildings of structural divisions of the branches of "IDGC of South" PJSC – 219 090 thousand rubles.

Costs for the purchase of electric energy for domestic needs were calculated according to electricity meters on the basis of the contracts for electricity supply concluded with energy suppliers (power supply companies) within the limits of unregulated prices according to paragraph 108 (1) of the Regulations on functioning of retail electricity markets, approved by the RF Government Decree No. 530 dated 31.08.2006 (as amended).

3) purchase of heat energy for needs of buildings and constructions of structural units of the branches of "IDGC of the South" PJSC – 18 564 thousand rubles.

Costs for the purchase of heat energy were calculated according to meters based on the contract signed with heating energy suppliers (power supply companies).

4) purchase of gas for needs of buildings and structures of production departments of the branches of "IDGC of South" PJSC – 6 104 thousand rubles.

Costs for the purchase of gas were calculated according to metering devices on the basis of gas supply contracts concluded with suppliers of energy resources.

#### 5.11. Information on risk management

With a view to the integrated management of all possible risks, "IDGC of the South" PJSC has introduced and started to use an integrated system of internal control and risk management, which is an integral part of the overall management system.

Risk management is regulated by the following local regulations:

Risk management policies and internal control policy approved by the Board of Directors (Minutes of meeting No. 180/2016 dated 14.03.2016; Minutes of meeting No. 182/2016 dd. 31.03.2016); they define the development strategy of the internal control and risk management of the Company.

Methods of operational risks evaluation, Form UR-1 "Operational Risk Passport" and the Instruction for application and filling-in of the Operational Risk Passport, approved by the Order No. 512 dd. 11.08.2015, define approaches to the classification and evaluation of risks, including the risk structure, methods and algorithms of risks evaluation.

Instruction on planning and implementation of risk management activities and the Standard form of the action plan (form UR-2), approved by the Order No. 777 dd. 11.12.2015, were developed in order to improve the quality and effectiveness of the risk management process in the Company, as well as increasing the responsibility of risk owners and departments for the implementation of the risk management function.

By the Minutes of meeting of the Audit Committee of the Board of Directors of "IDGC of the South" PJSC No. 37 dd. 25.09.2014 the Registers of key operational risks and operational risks of the main business processes with fixation of risk owners were approved. By the order of "IDGC of the South" PJSC No. 926 dd. 30.12.2014 "On organization of work on risk management in the Company" the Registers of key operational risks, operational risks of the main and other business processes and established the personal responsibility of the risk owners for the organization of work on risk management were approved.

Within the framework of the current risk management system in the Company, the owners of risks, set by the order of "IDGC of the South" PJSC No. 926 dd. 30.12.2014 (with changes in accordance with Order No. 76 dd. 09.02.2015), on a quarterly basis the identification and evaluation of risks, and implementation of risk management activities, risk monitoring. The risk management plan is developed annually by risk owners. This plan is submitted for approval by the Company's Management Board.

For more information on the risks inherent to the Company is disclosed in the quarterly reports of the issuer at: <http://mrsk-yuga.ru/pages/show/ezhekvaral-nyy-otchet-emitenta>.

#### 5.12. Events after the reporting date (Accounting Regulations 7/98)

Information on conducting of additional emission of shares of “IDGC of the South” PJSC

On 06.06.2016 by the annual general meeting the shareholder of the Company it was decided to increase the authorized capital of the Company by placing by public subscription the ordinary shares in the amount of 11 615 110 154 items at nominal value of 10 (Ten) kopecks each for a total amount at the nominal value of 1 161 511 015 rubles 40 kopecks.

On 04.08.2016 the Bank of Russia registered a resolution on additional issue and a prospectus for securities. In accordance with conditions of the decision on additional issue, the validity period of the pre-emptive right of purchasing of Company’s shares by the shareholders was set – up to 13.10.2016. In accordance with decision of Company’s Board of Directors dd. 13.10.2016 the validity period of the pre-emptive right of shares purchasing was prolonged till 22.12.2016.

Within the frameworks of implementation of specified right, the shareholders contributed 143 909 thousand rubles in authorized capital of the Company.

Until the moment of state registration of changes in the Company's charter capital, this transaction is reflected in the capital section of the balance sheet at line 1311 "Capital (before registration of changes)".

In accordance with the decision of Company’s Board of Directors dd. 17.01.2017, the period of validity of open subscription for additional issue of shares expires on 15.03.2017.

Information on the assignment of status of a guaranteeing electricity supplier.

Since January 1, 2017, “IDGC of the South” PJSC has been granted the status of a guaranteeing supplier on the territory of the Republic of Kalmykia in relation to the area of operation of the formerly operating guaranteeing company “Southern Interregional Energy Company” JSC on the basis of Order of the Ministry of Energy

of the Russian Federation No. 1400 dd. 23.12.2016 “On assigning the status of guaranteeing supplier of territorial grid organization”.

Status of the guaranteeing supplier was assigned from January 1, 2017 and up to the effective date of the decision on granting the status of a guaranteeing supplier to the winner of tender in respect of area of activity of the guaranteeing supplier of “Southern Interregional Energy Company” JSC, but not more than for 12 months.

According to the excerpt from the Federal Information Registry of guaranteeing suppliers and areas of their activity, the boundaries of the areas of activity of “Southern Interregional Energy Company” JSC as the guaranteeing supplier is the Republic of Kalmykia - within the territory corresponding to the boundaries of the balance of electrical networks formerly owned by “Kalmyk Power Company” JSC.

#### 5.13. Information on continuity of operations.

The accounting (financial) statements of "IDGC of the South" PJSC for 2016 have been prepared on a going concern basis, which assumes that the Company is able to sell its assets and discharge its liabilities in the normal course of business for the foreseeable future. As reflected in the accounting (financial) statements of the Company's net loss for 2016 amounted to 937 275 thousand rubles (2015 - net loss amounted 188 505 thousand rubles), and a working capital deficit (excess of current liabilities over current assets) as of 31 December 2016 totaled 7 141 914 thousand rubles. Short-term liabilities of the Company as at 31 December 2016 amounted to 22 711 176 thousand rubles, including the obligations on borrowed funds in the amount of 7 223 561 thousand rubles.

As of 31 December 2016 the Company has a loan agreement signed with "Sberbank" PJSC, “Joint-stock bank Rossiya” JSC, "SMP Bank" JSC, “Gazprombank” JSC on revolving lines of credit with the unused portion of the credit line in the amount of 2 904 761 thousand rubles.

Taking into account the planned refinancing of short-term loans in the amount of 7 178 109 thousand rubles in 2017, according to our estimates, the net cash flow from operating activities of the Company in 2017 will be sufficient to meet our obligations payable in 2017.

The value of net assets of “IDGC of the South”, PJSC as of December 31, 2016 is less than the authorized capital by 1 020 483 thousand rubles. The main reason for the decrease of the Company's net assets lower than level of the Authorized capital is the creation of reserves for doubtful debts and estimated liabilities. In connection with this circumstance, the management of “IDGC of the South”, PJSC takes all necessary measures to reduce the amount of overdue accounts receivable and restore the reserves of doubtful debts.

The management of “IDGC of the South” PJSC takes measures provided by Federal Law No. 208-FZ “On joint-stock companies”. A plan of measures has been developed and approved for improving the efficiency of operations and improving the financial and economic state of “IDGC of the South” PJSC.

Thus, in spite of the shortage of working capital, the Company's management believes that the Company will be able to meet all its current obligations during 2017.

#### 5.14. Business environment

Economic reforms and development of legal, tax and regulatory infrastructure are being carried out in Russia in accordance with the market economy. Stability of the Russian economy mainly depends on these reforms as well as on the effectiveness of measures taken by the Government in the field of economic, financial and monetary policy.

In 2016, as in previous periods, the Company carried out financial and economic activities in the conditions of negative impact of the following factors caused by the consequences of the global economic crisis, the presence of the accumulated smoothing of the necessary gross proceeds as a result of limiting the growth of tariffs for electricity transmission services, debt of the Company's counterparties for services rendered for the transmission of electricity, lack of sustainable growth of electric energy consumption.

The Company's management believes that it is taking appropriate measures to support the sustainability of the Company in the current environment.

Director General

Ebzeev B.B

Chief Accountant

Savin G.G.

February 22, 2017

## **Appendix No.2**

Auditor's report on consolidated financial statements of  
**Public Joint-Stock Company**  
**“Interregional grid Distribution Company of the South”**  
for 2016

March 2017

**Auditor's report on consolidated financial statements of Public Joint-Stock  
Company “Interregional grid Distribution Company of the South”**

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## **Independent auditor's report**

### **To the shareholders of IDGC of the South PJSC**

#### **Details of the audited entity**

Public Joint-Stock Company "Interregional grid Distribution Company of the South". (abbreviated name: **IDGC of the South PJSC**)

Address: 49, Bolshaya Sadovaya street, Rostov-on-Don, Russia 344002.

State Registration Number 1076164009096.

### **The auditor**

#### **Limited Liability Company RSM RUS**

Address: 4 Pudovkina street, Moscow 119285

Telephone: +7 (495) 363-28-48; Fax: +7 (495) 981-41-21

State Registration Number 1027700257540.

Limited Liability Company RSM RUS is a Member of Self-regulatory organization Non-profit Partnership Audi Association “Sodruzhestvo” (certificate No.6938, Principal Number of Registration Entry 11306030308), address:21/4 Michurinskiy Prospekt 119192, Moscow.

### **Opinion**

We have audited the consolidated financial statements of IDGC of the South PJSC and its subsidiaries (hereinafter – the Group), which comprise the consolidated statement of financial state as of 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under the standards are further described in the Auditor's Responsibilities for the Audit of the consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for

Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Russian Federation, and we have fulfilled our other ethical responsibilities in accordance with these requirements and IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Aspects of Audit**

Key aspects of audit are the aspects that, in our professional opinion, were of most significance in our audit of the consolidated financial statements of the current period. These aspects were studied in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these aspects.

### **Impairment of Non-Current Assets**

In our opinion, this issue was one of the most significant in our audit, because a significant share of property, plant and equipment in total assets of the Group, high level of subjectivity of assumptions used to determine a value in use of property, plant and equipment as well as materiality of judgments and estimates made by the management.

The majority of the Group's property, plant and equipment is specialized facilities and is rarely sold on the open market, except as part of a continuing business. The market for similar property, plant and equipment is not active in the Russian Federation and does not provide a sufficient number of sales transactions for use of a market-based approach for determination of the fair value of the property, plant and equipment.

Therefore, the value in use for property, plant and equipment as at 31 December 2016 was determined using projected cash flows method. This method considers the future net cash flows expected to be generated through the usage of property, plant and equipment during the operating activities and upon disposal, to determine the recoverable amount of these assets.

We have carried out procedures of analysis and testing of the model used in making the estimates, assessment of adequacy of assumptions underlying the estimates,

including assumptions in respect of projected revenue, tariffs solutions, discount rates etc.

We have also reviewed the relevant controls in respect of the estimates, consideration by management of estimation uncertainty and changes in approaches as compared to the previous period. We have reviewed the actual outcomes of the use of the model to obtain sufficient and appropriate audit evidence about whether the management in making the estimates complied with IFRS requirements, the methods used in estimates of tests are appropriate and are applied consistently and the changes in estimates are reasonable based on information available at the date of preparation of the accounts.

For testing the model of estimate and underlying assumptions, we have engaged an expert in accordance with the procedure established by ISA.

We have evaluated the accuracy and sufficiency of disclosures to the consolidated financial statements of information about determination of the value of property, plant and equipment, including information about uncertainties taken into consideration when making impairment test estimates.

Information on non-current assets is disclosed in Notes 12 and 13 to the consolidated financial statements.

### **Impairment of Accounts Receivable**

In our opinion, this issue was one of the most significant in our audit due to significant balances of the Group's accounts receivable as at 31 December 2016, and because the management estimate of collectability of the receivables is based on the assumptions, in particular, forecasting financial solvency of the Group's customers.

We have performed evaluation of the adequacy of the Group's policy on reviewing accounts receivable and determining if accounts receivables impairment allowance should be established, as well as procedures of confirming the reasonableness of the estimates made by the management of the Group, including review of accounts receivable payments, review of maturity dates and overdue debts, review of customers' financial solvency.

We performed audit procedures in respect of the information used by the Group to determine the impairment of accounts receivable, accounts receivable ageing structure, tested the accuracy of accrued accounts receivables impairment allowance based on the estimates documented by the management.

Information on accrued accounts receivables impairment allowance is disclosed by the Group in Notes 2, 17 and 25 to the consolidated financial statements.

### **Recognition and Measurement of Revenue**

Recognition and measurement of revenue were among the most significant matters in our audit due to certain imperfection of mechanisms of operation of retail electricity market and it leads to disagreements between electric grid companies and energy supply companies in respect of volume of electricity consumption and capacity. The assessment by the Group's management of favorable outcome of the dispute resolution is, to a large extent, subjective and is based on the assumptions of dispute resolution.

We evaluated the internal control over revenue recognition, reviewed the accuracy of determined revenue amounts based on concluded contracts for electricity transmission and other work (services), on a sample basis obtained confirmations of accounts receivable balances from the counterparties, reviewed and evaluated existing procedures for confirming the volume of electricity transmitted and outcomes of litigations in respect of disputed amounts for the provided services, and also performed other procedures to obtain sufficient and appropriate audit evidence, in order to confirm the accuracy, in all material respects, of the amounts of revenues recognized in the consolidated financial statements.

Revenue is disclosed in Notes 3, 7 and 8 to the consolidated financial statements.

### **Recognition, Measurement and Disclosure of Provisions and Contingent Liabilities**

Recognition, measurement and disclosure of provisions and contingent liabilities in respect of litigations and claims of counterparties (including territorial electric grid companies and energy supply companies) were among the most significant matters in our audit because they require a lot of management judgments in respect of

significant amounts in dispute in the course of litigations and claim settlements.

The audit procedures included review of court rulings made by courts of different levels, review of adequacy of management judgments and documents confirming the assessment of possibility of outflow of economic resources following dispute resolutions, conformity of the prepared documentation with the existing contracts and compliance with the law.

Accrued provisions and contingent liabilities of the Group are disclosed in Notes 24 and 28 to the consolidated financial statements.

### **Presenting the changed data, changing accounting approaches and correcting errors**

The correction of the recognition of revenue for 2015 is one of the most significant audit issues for the current period due to the fact that this issue has a significant impact on the Group's report.

To resolve the differences, the Group reviewed the amount of electricity transferred to "Astrakhan Energy Selling Company" PJSC, which resulted in a change in the amount of revenue for electricity transmission services rendered. Since the recognition of the reduction in the volume of electricity transmission is inextricably linked with the increase in losses for the same period, the disagreements over the contract for the purchase of electricity to compensate losses for the same period are also subject to settlement and entail the additional cost and financial result of the Group for 2015.

The audit procedures included assessment of the analysis of the documents that led to the adjustment, analysis of decisions made by the courts, as well as an analysis of the appropriateness of the adjustment and the adequacy of the disclosure in the Group's accounts for 2016.

Information on changes in the data, changes in accounting policies and corrections of the Group's errors are disclosed in Note 2 to the consolidated financial statements.

### **Formation of the financial result of the activity**

The formation of the financial result for 2016 is one of the most significant audit issues for the current period due to the fact that in 2016 there was a significant

deterioration in the Group's financial results compared to the previous reporting period. Audit procedures included evaluation and analysis of the financial performance of the Group, including sending requests to management for the formation on financial results, comparison of income and expenses for certain items with the previous period and with budgets, as well as analysis of deviations from the indicators of the previous reporting period and the budget. We also received explanations of the management regarding the reasons for material deviations of certain items of the Profit or loss statements and other comprehensive income for the 12 months of 2016 as compared to the 12 months of 2015.

Information on the analysis of the reasons for the financial result of the Group is disclosed in Notes 2, 9, 25 to the consolidated financial statements.

### **Responsibilities of Management and the Audit Committee of the Board of Directors for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the 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.

When preparing the consolidated financial statement, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Audit Committee of the Board of Directors is responsible for overseeing the Group's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objective is to obtain reasonable assurance that the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance

is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements,

including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee of the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee of the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with the Audit Committee of the Board of Directors all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee of the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Management Board Chairperson**

Dantser N.A.

Audit Certificate No. 05-000015. Issued following Resolution of self-regulatory organization Not-for-Profit Partnership "Russian Collegium of Auditors" dated 15 November 2011 No. 24. Permanent award.

ORNZ in the Register of auditors and audit organizations - 21706004215

**Manager responsible for the audit**

Mikhalyk R.F.

Audit Certificate No. 03-000591. Issued following Resolution of self-regulatory organization Not-for-Profit Partnership "Moscow Chamber of Auditors" dated 13 February 2013 No. 188. Permanent award.

ORNZ in the Register of auditors and audit organizations - 20103037931

**IDGC of the South PJSC****Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2016**

(in thousands of Russian rubles, unless otherwise stated)

	Note	Year ended 31 December of 2016	Year ended 31 December of 20135 (recount)
Revenues and state grants	8	31 565 799	30 389 789
Operating expenses	9	(32 343 360)	(27 808 038)
Other operating expenses	9	2 646 540	318616
Results of operating activities		1 868 979	2 900 367

Financial income	10	100 073	63 157
Financial expenditures	10	(2 857 780)	(2 597 594)
Net financial income		(2 757 707)	(2 534 437)
(Loss) / income before tax		(888 728)	365 930
Income tax expense	11	(457 298)	(17 576)
(Loss) / Income for year		(1 346 026)	348 354
Other comprehensive income			
Items that will never be reclassified to profit or loss:			
Revaluation of defined benefit pension plan	22	(3 532)	(18 343)
		<b>(3 532)</b>	<b>(18 343)</b>
Items that may be reclassified to profit or loss:			
Net value of the change in fair value of financial assets available for sale		1 052	297
Related income tax		(210)	(59)
		<b>842</b>	<b>238</b>
Other comprehensive income, net of income tax		<b>(2 690)</b>	<b>(18 105)</b>
Total comprehensive (loss) / income		<b>(1 348 716)</b>	<b>330 249</b>
(Loss) / income accrued to:			
Owners of the Company		<b>(1 346 026)</b>	<b>348 354</b>
Total comprehensive (loss) / income accrued to:			
Owners of the Company		<b>(1 348 716)</b>	<b>330 249</b>
(Loss) / income for share – basic and diluted (in rubles)	20	<b>(0.027)</b>	<b>0.007</b>

This consolidated financial statements were approved and signed on behalf of

Company's managing board on 15 March 2017:

Director General

B.B. Ebzeev

Chief accountant

G.G. Savin

The consolidated statement of profit and loss and other comprehensive income is to be read in accordance with the notes to, and forming part of, the consolidated financial statements set out on pages 11 to 55.

## **IDGC of the South PJSC**

### **Consolidated statement of financial state as of 31 December 2016**

(in thousands of Russian rubles, unless otherwise stated)

	Note	31 December 2016	31 December 2015 (recounted)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Fixed assets	12	20 575 783	20 929 765
Intangible assets	13	148 101	138 921
Trade and other receivables	17	26 558	20 947
Investments in financial and other assets	14	6 830	4219
Deferred tax assets	15	791 043	1 561 217
<b>Total non-current assets</b>		<b>21 548 315</b>	<b>22 655 069</b>
<b>Current assets</b>			
Inventories	16	773 315	748 026
Income tax receivable		656 356	524 117
Trade and other receivables	17	13 747 826	10 695 260
Cash and cash equivalents	18	702 084	1 587 751
<b>Total current assets</b>		<b>15 879 581</b>	<b>13 555 154</b>
<b>TOTAL ASSETS</b>		<b>37 427 896</b>	<b>36 210 223</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	19	4 981 110	4 981 110
Reserve for issue of shares	19	143 909	-
Capital reserves		(207 443)	(204 753)
Unallocated (loss)/profit		(8 022 855)	(6 534 733)
<b>Total capital</b>		<b>(3 105 279)</b>	<b>(1 758 376)</b>
<b>Long-term liabilities</b>			
Credits and loans	21	17 232 022	13 403 378
Trade and other receivables	23	118 948	118 463
Liabilities on employee benefits	22	107 195	98 322
<b>Total long-term liabilities</b>		<b>17 458 165</b>	<b>13 620 163</b>
<b>Short-term liabilities</b>			
Credits and loans	21	7 223 561	11 630 194

Trade and other receivables	23	14 831 074	10 781 799
Reserves	24	1 020 375	1 935 907
Current income tax liabilities		-	536
<b>Total short-term liabilities</b>		<b>23 075 010</b>	<b>24 348 436</b>
<b>TOTAL LIABILITIES</b>		<b>40 533 175</b>	<b>37 968 599</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>37 427 896</b>	<b>36 210 223</b>

The consolidated statement of financial state is to be read in accordance with the notes to, and forming part of, the consolidated financial statements set out on pages 11 to 55.

**“IDGC of the South” JSC Consolidated statement of changes in capital for year ended 31 December 2016 (in thousands Russian rubles, unless otherwise defined)**

**Capital attributable to the owners of the company**

	Share capital	Stock issue reserve	Revaluation reserve on financial assets for sale	Revaluation reserve on pension plans with fixed payments	Unallocated profit	Total equity
<b>Balance at 1 January 2015</b>	<b>4 981 110</b>	-	<b>1 069</b>	<b>(187 717)</b>	<b>(6 883 087)</b>	<b>(2 088 625)</b>
Profit for the year	-	-	-	-	348 354	348 354
Net amount of change of fair value of financial assets for sale	-	-	297	-	-	297
Revaluation reserve on pension plans with fixed payments	-	-	-	(18 343)	-	(18 343)
Income tax on other total profit	-	-	(59)	-	-	(59)
<b>Total comprehensive profit for the year</b>	-	-	<b>238</b>	<b>(18 343)</b>	<b>348 354</b>	<b>330 249</b>
<b>Balance at 31 December 2015</b>	<b>4 981 110</b>	-	<b>1 307</b>	<b>(206 060)</b>	<b>(6 534 733)</b>	<b>(1 758 376)</b>
<b>Balance at 1 January 2016, reflected earlier</b>	<b>4 981 110</b>	-	<b>1 307</b>	<b>(206 060)</b>	<b>(6 195 780)</b>	<b>(1 419 423)</b>
<b>Effect of recalculation (after-tax) (note 2)</b>	-	-	-	-	<b>(338 953)</b>	<b>(338 953)</b>
<b>Recalculated balance as of 31 January 2016</b>	<b>4 981 110</b>	-	<b>1 307</b>	<b>(206 060)</b>	<b>(6 531 733)</b>	<b>(1 758 376)</b>
Loss for the year	-	-	-	-	<b>(1 346 026)</b>	<b>(1 346 026)</b>
Net amount of change of fair value of financial assets for sale	-	-	1 052	-	-	1 052
Revaluation reserve on pension plans with fixed payments	-	-	-	(3 532)	-	(3 532)
Income tax on other total profit	-	-	(210)	-	-	(210)

<b>Total comprehensive expenses for the year</b>	-	-	<b>842</b>	<b>(3 532)</b>	<b>(1 346 026)</b>	<b>(1 348 716)</b>
Transactions with owners recorded directly in equity						
Stock issue reserve		143 909	-	-	-	<b>143 909</b>
Dividends	-	-	-	-	(142 096)	<b>(142 096)</b>
<b>Total transactions with owners recorded directly in equity</b>	-	143 909	-	-	<b>(142 096)</b>	<b>1 813</b>
<b>Balance at 31 December 2016</b>	<b>4 981 110</b>	143 909	<b>2 149</b>	<b>(209 592)</b>	<b>(8 022 855)</b>	<b>(3 105 279)</b>

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 11 to 55.

## **IDGC of the South PJSC**

### **Consolidated statement of cash flows for year ended 31 December 2016**

(in thousands of Russian rubles, unless otherwise stated)

<b>Operating activities</b>	<b>Notes</b>	<b>Year ended 31 December 2016</b>	<b>Year ended 31 December 2015 (recount)</b>
<b>Loss / income before tax</b>		(888 728)	365 930
Adjustments for:			
Depreciation and amortization	9	2 200 940	2 347 253
Allowance for impairment of accounts receivable and advances issued	9	(1 573 527)	92 372
Financial expenditures	10	2 857 780	2 597 594
Financial income	10	(100 073)	(63 157)
Impairment of fixed assets	9	438 811	44 209
Loss on disposal of property, plant and equipment	9	44 532	47 608
Loss on disposal of affiliated company		(11 160)	-
Other non-cash transaction		17 874	(59 208)
<b>Cash flows from operating activities before changes in working capital and provisions</b>		<b>2 986 449</b>	<b>5 372 601</b>
Change in:			
accounts receivable and prepaid expenses		(1 462 489)	3 061 602
inventories		(8 274)	1 985
trade and other accounts payable		3 885 213	(2 759 964)
reserves	24	(915 532)	22 157
employee benefit liabilities		(3 411)	(493)
<b>Cash flows from operations before income tax and interest paid</b>		<b>4 481 956</b>	<b>5 897 888</b>
Income tax return		(242 668)	(820 569)
Interest paid		(2 859 324)	(2 641 930)
<b>Net cash flows from operating activities</b>		<b>1 379 964</b>	<b>2 435 389</b>

<b>Investing activities</b>			
Acquisition of property, plant and equipment		(1 825 588)	(1 785 388)
Acquisition of intangible assets		(26 197)	(8 115)
Proceeds from disposal of property, plant and equipment		78 423	8 223
Dividends received		128	7
Interest received		96 072	62 593
<b>Net cash flows used in investing activities</b>		<b>(1 677 162)</b>	<b>(1 722 680)</b>
<b>Financing activities</b>			
Proceeds from loans and borrowings		12 902 315	8 229 885
Repayment of loans and borrowings		(13 494 315)	(8 090 278)
Proceeds from issue of shares		143 909	-
Paid dividends		(140 378)	-
<b>Net cash flows from financing activities</b>		<b>(588 469)</b>	<b>139 607</b>
Net (decrease)/increase in cash and cash equivalents		(885 667)	852 316
Cash and cash equivalents at the beginning of the year	18	<b>1 587 751</b>	<b>735 435</b>
Cash and cash equivalents at the end of the year	18	<b>702 084</b>	<b>1 587 751</b>

The consolidated statement of cash flow is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 11 to 55.

## **IDGC of the South PJSC**

### **Notes to consolidated financial statements for year ended 31 December 2016**

(in thousands of Russian rubles, unless otherwise stated)

#### **1. The Group and its operations**

##### **General information**

Public Joint Stock Company (former Open Joint Stock Company) “Interregional Distribution Grid Company of South” (hereinafter referred to as the “Company” or IDGC of South PJSC) was set up on 28 June 2007 on the basis of Resolution no. 192 of the Russian Open Joint-Stock Company RAO “United Energy Systems of Russia” (hereafter, “RAO UES”) dated 22 June 2007.

The Company’s registered office is located at 49, Bolshaya Sadovaya str., Rostov-on-Don, Russia, 344002.

The Company’s postal address is 49, Bolshaya Sadovaya Str., Rostov-on-Don, Russia, 344002.

As part of the reform process, a merger of the Company with the entities listed below was effected on 31 March 2008 in accordance with the Resolution no. 266 of the

Board of Directors of RAO UES dated 30 November 2007 and Resolution no. 1795pr/9 of the Board of Administration of RAO UES dated 25 December 2007: JSC “Astrakhanenergo”, JSC “Kalmenergo”, JSC “Rostovenergo”, JSC “Volgogradenergo”. The merger was effected through conversion of shares issued by the Company in exchange for shares in the merged entities. As a result of the merger, the above-mentioned entities ceased to exist as separate legal entities and the Company became their legal successor.

The subsidiaries of the Company are disclosed in Note 5.

The Company’s and its subsidiaries’ (together referred to as the “Group”) principal activity is the transmission of electricity and the connection of customers to the electricity grids. The Group’s business is a national monopoly which is under the pressure and support of the Russian government. The Government of the Russian Federation influences the Group’s operations through setting transmission tariffs. The Group’s tariffs are controlled by the Federal Service on Tariffs and the Regional Energy Commissions.

On 1 July 2008 RAO UES ceased to exist as a separate legal entity and transferred the shares in the Company to JSC Interregional Distribution Grid Company Holding (hereinafter - JSC “Holding IDGC”), a newly formed state- controlled entity.

For further development of the Russian electric grid sector and coordination of work on its management, Russian President signed on 22 November 2012, Decree No. 1567 "On Joint Stock Company “Russian Grids”". Pursuant to the Decree, in accordance with the decision adopted by the Extraordinary General Meeting of Shareholders of IDGC Holding on 23 March 2013, JSC “Interregional Distribution Grid Companies Holding” (also known as IDGC Holding or MRSK Holding) has been formally renamed Public Joint Stock Company (former Open Joint Stock Company) “Russian Grids” (hereinafter – Rosseti PJSC).

As at 31 December 2016, the Government of the Russian Federation owned 88.75% of voting shares and 7.01% preferred shares of Rosseti PJSC (as at 31 December 2015, the Government owned 86.32% of the voting ordinary shares and 7.01% of preference shares of Rosseti PJSC,) which in its turn owned 51.66% of the

Company's shares.

### **Russian business environment**

The Group's operations are located in the Russian Federation. Consequently, the Group is exposed to the national economics and financial markets, which display the characteristics of an emerging market. The legal, tax and regulatory frameworks continue to develop, but are subject to varying interpretations and frequent changes which, together with other legal and fiscal impediments, contribute to the challenges faced by entities operating in the Russian Federation. The Company's management believes it is taking appropriate measures to support the sustainability of the Company's business in the current circumstances.

## **2. Basis of preparation**

### **Statement of compliance**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

### **Basis of measurement**

The consolidated IFRS financial statements are prepared on the historical cost basis except for investments, classified as financial assets available-for-sale and carried at fair value; and fixed assets, which were valued at the carrying amounts reported in the consolidated financial statements on IFRS of Rosseti PJSC, which deemed cost at 1 January 2010 as part of the transition to IFRS.

### **Functional and presentation currency**

The national currency of the Russian Federation is the Russian ruble ("rub."), which is the Company's functional currency and the currency in which these consolidated financial statements are presented. All financial information presented in rubles has been rounded to the nearest thousand.

### **Going concern**

These consolidated financial statements have been prepared on a going concern basis.

As at 31 December 2016 a net working capital deficit of the Group (relating to trade receivables and other accounts payable, short-term borrowings and loans) was

counted in the amount of 7 195 429 thousand rubles (as at 31 December of 2015 (recounted): 10 793 282 thousand rubles).

The Group controls the level of liquidity on a regular basis. Management monitors maturities of the estimated cash flows from operating and financing activities and manages current liquidity using open credit lines (see Note 21). During 2017 the Group plans to obtain long term bank loans amounted to 7 178 109 thousand including on refinancing of short-term part of raised loans and credits.

In order to increase the efficiency of working capital management, the Group is focused on an increased collection of trade receivables, including reducing doubtful receivables. The Group approved a plan of measures to reduce outstanding receivables in 2017-2021, that raised in result of operations with regional distribution companies and other buyers. The issues regarding collection of receivables are considered by the Management Board on a quarterly basis.

Management anticipates that any repayments of loans and borrowings and settlement of trade and other payables required will be met out of operating or financial activity. Therefore, management believes that there is no significant uncertainty regarding Group's ability to continue as going concern.

### **Use of estimates and judgments**

Preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate are revised and in any future periods affected.

Information about critical judgments made when applying accounting policies that have the most significant effect on the sums recognized in the consolidated financial statements is included in the Note 25 – provisions for impairment of trade and other receivables.

Information on critical judgments in applying accounting policies that have the most

significant effect on the amounts recognized in the consolidated financial statements is included in the following notes:

- Note 12 “Determination of recoverable amount of property, plant and equipment”;
- Note 22 “Employee benefits”;
- Note 24 “Provisions”;
- Note 28 “Contingent liabilities”.

Changes in presentation and classification of comparative information

### **Correction of the error in recognition of revenue for 2015**

The Group found an error in recognizing the amount of electricity transferred by “Astrakhan Energy Selling Company” PJSC for 2015. To resolve the differences, the Group reviewed the amount of electricity transferred to “Astrakhan Energy Selling Company” PJSC, which resulted in a change in the amount of revenue for electricity transmission services rendered. Since the recognition of the reduction in the volume of electricity transmission is inextricably linked with the increase in losses for the same period, the disagreements over the contract for the purchase of electricity to compensate losses for the same period are also subject to settlement and entail additional charges.

In addition to revenues from electricity transmission services and electricity purchase costs to compensate for technological losses, other indicators related to this transaction, such as the depreciation of receivables, other reserves, value added tax, deferred taxes and income tax, have been corrected.

Correction of incorrectly accrued revenue and related indicators for 2015 is reflected retrospectively, the data are recalculated as of 31 December 2015 and for the year 2015.

Impact on the consolidated statement of financial position as at 31 December 2015:

	<b>31 December 2015 (indicated earlier)</b>	<b>Effect of recalculation</b>	<b>31 December 2015 (recalculation)</b>
<b>Assets</b>			
<b>Non-current assets</b>			
Deferred tax assets	1 562 090	(873)	1 561 217
<b>Total non-current assets</b>	<b>22 655 942</b>	<b>(873)</b>	<b>22 655 069</b>
<b>Current assets</b>			

Current income tax asset	326 165	197 952	524 117
Trade and other accounts payable	11 005 995	(310 735)	10 695 260
<b>Total current assets</b>	<b>13 667 937</b>	<b>(112 783)</b>	<b>13 555 154</b>
<b>Total assets</b>	<b>36 323 879</b>	<b>(113 656)</b>	<b>36 210 223</b>
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Undistributed profit	(6 195 780)	(338 953)	(6 534 733)
<b>Total equity</b>	<b>(1 419 423)</b>	<b>(338 953)</b>	<b>(1 758 376)</b>
<b>Short-term liabilities</b>			
Trade and other accounts payable	10 552 138	229 661	10 781 799
Reserves	1 940 271	(4 364)	1 935 907
<b>Total short-term liabilities</b>	<b>24 123 139</b>	<b>225 297</b>	<b>24 348 436</b>
<b>Total liabilities</b>	<b>37 743 302</b>	<b>225 297</b>	<b>37 968 599</b>
<b>Total equity and liabilities</b>	<b>36 323 879</b>	<b>(113 656)</b>	<b>36 210 223</b>

Impact on the Group's consolidated profit or loss and other comprehensive income statements for the year ended 31 December 2015:

	<b>31 December 2015 (indicated earlier)</b>	<b>Effect of recalculation</b>	<b>31 December 2015 (recalculation)</b>
Revenue and government subsidies	30 656 888	(267 099)	30 389 789
Operating expenses	(27 539 105)	(268 933)	(27 808 038)
<b>Profit/(loss) from operating activities</b>	<b>3 436 399</b>	<b>(536 032)</b>	<b>2 900 367</b>
<b>Profit before tax</b>	<b>901 962</b>	<b>(536 032)</b>	<b>365 930</b>
Income tax expenses	(214 655)	197 079	(17 576)
<b>Profit for the year</b>	<b>687 307</b>	<b>(338 953)</b>	<b>348 354</b>
<b>Total comprehensive profit for the year</b>	<b>669 202</b>	<b>(338 953)</b>	<b>330 249</b>
<b>Earnings per share - basic and diluted (in Russian rubles)</b>	<b>0.014</b>	<b>(0.007)</b>	<b>0.007</b>

### 3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and are uniform for the Group entities with the exception of changes specified in Appendix 4.

#### (a) Basis of consolidation

##### (i) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls subsidiaries when Group is exposed to risk connected with flexible income from participation in

investment project or entitled to receive such income, and able to use their authorities in relation to this project to influence at the amount of revenue. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

**(ii) Business combinations involving entities under common control**

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; for this purpose, comparative data are revised. The assets and liabilities acquired are recognized at the carrying amounts recognized previously in the financial statements of the acquired entities. The components of equity are added to the same components within Group entity, except that any share capital of the acquired entities is recognized as part of retained earnings. Any cash or other consideration paid for the acquisition is recognized directly in equity.

**(iii) Transactions eliminated on consolidation**

When preparing the consolidated financial statements balances and transactions between companies of the Group are subject to mutual exclusion, as well as any unrealized income and expenses arising from transactions between them.

**(b) Financial instruments**

**(i) Non-derivative financial assets**

Non-derivative financial assets are capital investments, trade and other receivables, bills and cash, and cash equivalents.

The Group initially recognizes loans and receivables on the date that they are originated. All other financial assets are recognized initially on the date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash

flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Group has the following non-derivative financial liabilities: loans and borrowings, trade and other payables, finance lease liabilities.

### **Loans and receivables**

Loans and receivables are a category of financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Loans and receivables category comprises the following classes of financial assets: trade and other receivables, promissory notes and cash and cash equivalents.

### **Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and highly liquid investments normally with maturities at initial recognition of three months or less.

### **Available-for-sale financial assets**

Available-for-sale financial assets are non-derivative financial assets that were deliberately assigned to the specified category or were not classified in any of the above-mentioned categories. Upon the initial recognition, such assets are evaluated at fair market value plus any directly attributable transaction costs. After the initial recognition, they are evaluated at fair value and changes therein, other than impairment losses (Note 3 (e) (i)) are recognized in other comprehensive income and are presented within the Fair Value Through Other Comprehensive Income. At the time of derecognition of the investment or in case of its impairment, the amount

of total profit or losses accumulated in other comprehensive income are reclassified to profit or loss for the period.

**(ii) Non-derivative financial liabilities**

The Group initially recognizes debt securities issued on the date that they are originated. All other financial liabilities are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

**The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired. The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.**

Other financial liabilities comprise loans and borrowings and trade and other payables.

**(c) Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares are recognized as a deduction from equity, net of any tax effects.

**(d) Property, plant and equipment**

**(i) Recognition and measurement**

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located and capitalized borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and

equipment.

The gain or loss on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within other operating income/expense in profit or loss.

**(ii) Subsequent costs**

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

**(iii) Depreciation**

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use. Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives of the Group's property, plant and equipment are as follows:

<b>Category</b>	<b>Useful lifetime (years)</b>
buildings	5-100
transmission networks	4-60
equipment for electricity transform	5-40

other	1-50
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Depreciation methods, useful lives and residual values are reviewed at each financial year and adjusted if appropriate.

**(e) Intangible assets**

**(i) Initial recognition**

Intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortization and accumulated impairment losses.

**(ii) Subsequent expenditures**

Subsequent expenditures are capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss as incurred.

**(iii) Amortization**

Amortization is calculated over the cost of the asset, or other amount substituted for cost, less its residual value.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use since this most closely reflects the expected pattern of consumption of future economic benefits embodied in the asset.

The estimated useful lives for the current and comparative periods are as follows:

Category	Useful lifetime (years)
Software and licenses	1-10

Amortization methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

**(f) Leased assets**

If the Group holds assets under lease agreements, under which the Group takes substantially all the risks and profits related to ownership, then in respect of these assets, such contracts are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognized in the

**(g) Inventories**

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is determined on the weighted average cost method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

**(h) Impairment**

**(i) Non-productive financial assets**

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. Financial asset is devalued if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is an objective evidence of impairment.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the

unwinding of the discount. When a subsequent event causes the amount of

impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Losses from impairment of financial assets that are classified as available-for-sale, are recognized by the reclassification in the profit or loss for the period of sum of losses accumulated in the changes of fair value reserve in equity. The cumulative impairment loss excluded from equity and recognized in profit or loss is the aggregate cost of acquisition of the asset minus amortization and the current fair value, any impairment loss previously recognized in profit or loss per period. Changes in the value of allowance for impairment that are due to changes in the temporal value are reflected as a component of interest income.

Any subsequent recovery of the fair value of an impaired equity securities classified as available-for-sale financial assets is recognized in other comprehensive income.

#### **(ii) Non-financial assets**

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognized if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent

of the cash inflows of other assets or groups of cash-generating unit.

General (corporate) Group's assets do not generate independent cash flows and are used by more than one cash generating unit (CGU). Corporate assets are allocated

between the cash generating unit on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU, which was distributed to the appropriate corporate asset.

Impairment losses are recognized in profit or loss. Losses from impairment of CGU are allocated on a pro rata basis to reduction of the carrying value of assets of the corresponding CGU.

In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

**(i) Employee benefits**

**(i) Short-term benefits**

When determining the amount of the obligation in respect of short-term employee benefits the discounting is not applied and the corresponding expenditures are considering as the proceeds of employment duties.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

**(ii) Defined contribution plans**

Defined distribution plan is plan of payment of remuneration to employees at the end

of the employment relationship with them whereunder the company performs defined contribution in separate fund and does not disclaim liabilities (legal or constructive) on payment of supplementary amounts. Obligations for contributions to defined contribution pension plans, including Russia's State pension fund, are recognized as an employee benefit expense in profit or loss in the periods during

which services are rendered by employees. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that are due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

**(iii) Defined benefits plan**

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. Payments determined in such way are discounted to present value. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed annually by a qualified actuary using the projected unit credit method.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, are recognized immediately in other comprehensive income. The Group determines the net interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability, taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

**(iv) Other long-term employee benefits**

The net value of the Group's obligations in respect of long-term employee benefits,

other than payments under the pension plan, is the amount of future benefit that employees have earned for the current and prior periods. That benefit is discounted to determine its present value. The discount rate is the rate of return at the reporting date on government bonds that have maturity dates approximating the terms of repayment of liabilities on the balance sheet date and that are denominated in the same currency, in which it is supposed to pay - related remuneration. Calculations are made using the method of projected conditional unit of accumulation of future payments. Any actuarial profit or loss are recognized in profit or loss for the period in which they arise.

**(j) Provisions**

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Amount of provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

**(k) Revenue**

**(i) Electricity transmission**

Revenue from electricity transmission is recognized in profit or loss on the basis of documents approving the amounts of transferred electric energy in accordance with signed contracts. The document is drawn up on the basis of monthly summary list electric energy consumption (at physical data). The tariffs for electricity transmission are approved by the Federal Tariff Agency and Regional Energy Commission of each region of the Group's operations.

**(ii) Services on technological connection to power grid**

Revenue from connection services represents a non-refundable fee for connecting the customer to the electricity grid network. The terms, conditions and amounts of these fees are negotiated separately and are independent from fees generated by electricity transmission services. The tariffs for technological connection of customers to power network and approved by the Federal Tariff Agency and

Regional Energy Commission of each region of the Group's operations.

Revenue recognition is performed at the moment of the beginning of the electric power supply and the technological connection of the customer to the electric networks. For contracts in which step-by-step provision of services for technological connection is envisaged, revenue is recognized in proportion to the stage of completion of work.

**(iii) Other services**

Revenue from installation, repair and maintenance services and other sales is recognized when the services are provided or when the significant risks and rewards of ownership of the goods have passed to the buyer.

**(iv) State subsidies**

State subsidies are compensation of cheap electricity tariffs of the Group recognized in profit or loss in the same periods, when relevant income was received.

**(l) Other expenses**

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

**(m) Finance income and costs**

Finance income comprises interest income (including financial assets available for sale), dividend income, gain on disposal of financial assets available for sale, discounts on financial instruments. Interest income is recognized as it accrues in profit or loss, using the effective interest method. Dividend income is recognized in profit or loss on the date that the Group's right to receive payment is established.

Finance costs comprise interest expense on borrowings, financial leasing, discount on financial instruments and impairment losses recognized on financial assets other than trade receivables. All costs associated with the borrowing of funds, are

recognized in profit or loss using the effective interest method, except for costs relating to qualifying assets, which are included in the value of these assets.

**(n) Income tax**

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized in other comprehensive income or directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences:

- temporary differences arising from the initial recognition of assets and liabilities in the result of a transaction that is not a business combination transaction and that does not influence on accounting or taxable profit or loss;
- temporary differences relating to investments in subsidiaries in the event where the Group is able to control the timing for implementation of the temporary differences and if there is a high probability that the temporary differences will not be implemented in the foreseeable future;
- taxable temporary differences arising from the initial recognition of goodwill.

Amount of deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

In determining the amount of current and deferred tax the Group takes into account the impact of uncertain tax positions and whether additional taxes, penalties and late-payment interest may be due. Based on the results of the assessment of a number of factors, as well as on the interpretation of the Russian tax legislation and the experience of past years, the Group believes that its accruals for tax liabilities are

adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities. Such changes to tax liabilities will impact the tax expense in the period that such a determination is made.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

In accordance with the tax legislation of the Russian Federation, tax losses and current tax assets of a company in the Group may not be set off against taxable profits and current tax liabilities of other Group companies. Apart from that, the tax base is determined for each core activity of the Group individually, and therefore, tax losses and taxable profits related to different activities cannot be offset.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences only to the extent that it is likely that taxable profit will be available against which they can be implemented. Deferred tax assets are reviewed at each balance sheet date and reduced to the extent that realization of the tax benefit is not probable.

#### **(o) Earnings per share**

The Group presents basic and diluted earnings per share (“EPS”) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

#### **(p) Segment reporting**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group’s other components.

All operating segments' operating results are reviewed regularly by the Management Board to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Management Board, include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise revenue, assets and liabilities of Company's executive body.

**(q) Related parties**

The Group discloses the information on the Company's ultimate control party which is the Government of the Russian Federation represented by the Federal Agency for State Property Management.

If the Group had related party transactions, it shall disclose the nature of the related party relationship as well as information about those transactions and outstanding balances, necessary to understand the potential effect of the transactions on the consolidated financial statements.

Disclosures shall include: the amount of the transactions; the amount of outstanding balances, including commitments, and details of any guarantees given or received; provisions for doubtful debts related to the amount of outstanding balances; and the expenses recognized during the period in respect of bad or doubtful debts due from related parties.

The Group disclosed above mentioned information separately for each of the following categories: the companies with significant influence over the Group; key management personnel; other related parties.

The Group is exempt from the above mentioned requirements on disclosure of information about transactions with entities that are related parties if these related parties are the entities the Government of the Russian Federation has control, joint control or significant influence over. In respect of the transactions with such related parties the nature and amount of each individually significant transaction or for similar transactions that are collectively significant entities.

The Group discloses the following information on transactions with companies

affiliated by state:

- a share of revenues from sales to government-related entities of the total Group revenues (the proceeds from the transfer of electricity are disclosed separately);
- a share of electricity transmission expenses for government-related entities of the total Group cost of the electricity transmission;
- significant loans from government-related entities.

Also the Group disclosed the amount of remuneration to the key management personnel and the nature of the remuneration.

Significant loans from companies that are connected with the state are disclosed in Note 21.

#### **(r) New standard and interpretations not yet adopted**

A number of new Standards, amendments to Standards and Interpretations are not yet effective as of the reporting date, and have not been applied in preparing these consolidated financial statements. The following standards and explanations may have a potential impact on the Group's operations. The Group plans to adopt the following standards and amendments when they come into force:

- IFRS 9 "Financial Instruments" was issued in phases and ultimately replaced IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 brings together the requirements for the classification and measurement, impairment and hedge accounting of financial instruments. In respect of impairment IFRS 9 replaces the 'incurred loss' model used in IAS 39, with a new 'expected credit loss' model that will require a timelier recognition of expected credit losses. IFRS 9 comes into force for annual periods beginning on or after 1 January 2018, with earlier application permitted.
- IFRS 15 "Revenue from Contracts with Customers" and amendments to it. It is a unified guide to revenue recognition, and also contains all requirements for disclosure of relevant information in the financial statements. The new standard replaces IAS 18 Revenue, IAS 11 Construction Contracts and a number of interpretations of the IFRS provisions regarding revenue. IFRS 15 becomes effective for annual periods beginning on or after 1 January 2018; Early application of the

standard is permitted.

- IFRS 16 “Leases”. IFRS 16 is single guidance for lease accounting and contains requirements for related disclosures. The new standard replaces IAS 17 “Leases” and the related interpretations on lease. IFRS 16 is partly or fully retrospectively effective for annual periods beginning on or after 1 January 2019, with earlier application permitted under the simultaneous application of IFRS 15.

The Group is assessing the potential impact on its consolidated financial statements resulting from the amendments. The Group does not intend to begin applying these standards ahead of the schedule.

- Amendments to IAS 7 – “Information Disclosure Initiative”;
- Amendments to IAS 12 – “Recognition of deferred tax assets for unrealized losses”;
- Amendments to IFRS 2 – “Classification and measurement of Share-based Payment Transactions”;
- Amendments to IFRS 10 – “Consolidated Financial Statements” and IAS 28 “Investments in Associates” relating to the sale or contribution of assets between an investor and an associate or joint venture.

It is expected that these amendments to the standards will not affect or will have no significant effect on the consolidated financial information of the Group.

In this disclosure of new standards and interpretations not yet taken into account, the Group presents the changes that apply to its consolidated financial statements. At the same time, other standards and explanations are coming into force that do not affect the consolidated financial statements of the Group.

#### **4. Changes in accounting policies**

The Group did not apply new standards and amendments that may have a significant impact on the consolidated financial statements.

#### **5. Subsidiaries**

Consolidated financial report of the Group as of December 31 of December 2016 of 31 December 2015 includes the Company and its subsidiaries:

		<b>Interest, %</b>
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Subsidiaries name	Core activity	31 December, 2016	31 December, 2015
“Agricultural enterprise named after Grechko A.A.” JSC	Agriculture	100	100
“Agricultural enterprise Sokolovskoe” JSC	Agriculture	100	100
“Recreation centre Energetik” JSC	Recreational services	100	100
“Energy service company of the South” JSC	Repair and maintenance	100	100

In accordance with the definition of the court on 24 December 2015 in respect of “Agricultural Enterprise named after A.A. Grechko” bankruptcy procedure was introduced. The control over the subsidiary is lost, the exclusion of the subsidiary is reflected in these consolidated financial statements.

The Company recognized the remaining investment in the former subsidiary at fair value in the amount of 79 972 thousand rubles. The investment was impaired in its entire amount and recorded in finance costs (Note 10).

At the date of disposal, the carrying amount of the assets and liabilities of the subsidiary was recorded at the following cost:

	Carrying amount at the date of disposal
<b>Non-current assets</b>	
Fixed assets	6 946
Deferred taxes	386
<b>Current assets</b>	
Provisions	236
Trade and other receivables	172
Advances paid	117
Money and money equivalents	42
<b>Short-term liabilities</b>	
Loans and borrowings (short-term)	(12 680)
Trade and other receivables	(4 408)
Other taxes payable	(1 945)
Income tax payable	(29)
<b>Net identifiable liabilities</b>	<b>(11 160)</b>
<b>Profit from disposal</b>	<b>91 132</b>

The profit from disposal of a subsidiary in the amount of 91 132 thousand rubles is reflected in other operating income (Note 9).

The Group accrued a provision for doubtful accounts receivable of “Agriculture

Enterprise named after Grechko A.A.” in the amount of 12 780 thousand rubles as of 31 December 2016.

## **6. Determination of fair values**

Certain accounting policies of the Group and a number of disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. In assessing the fair value of the asset or liability the Group applies as far as possible the visible market data. Estimates of fair value are related to different levels of the fair value hierarchy based on the basic data used in the framework of appropriate evaluation methods:

- Level 1: quoted (unadjusted) prices for identical assets and liabilities in active markets.
- Level 2: basic data, in addition to the listed price used to estimate the Level 1 that are visible either directly (i.e. such as prices) or indirectly (i.e. defined on the basis of prices).
- Level 3: basic data for the asset or liability that are not based on visible market data (unobservable inputs).

If the source data, used to estimate the fair value of the asset or liability, can be attributed to different levels of the fair value hierarchy, the fair value measurement generally refers to the level of the hierarchy, to which correspond the basic data of the lowest level, which are essential for the entire assessment.

The Group recognizes transfers between levels of the fair value hierarchy for the reporting period in which the change occurred.

Further information on the assumptions made in estimating the fair value is contained in Note 25.

## **7. Operating segments**

The Group has four reportable segments – branches of the Company, as described below, which are the Group’s strategic business units. The strategic business units offer similar services representing transmission of electric power and connection services, and are managed separately. For each of the strategic business units, the Management Board, the Group’s operating decision making body, reviews internal

management reports.

Category “Others” include operations of the Group’s subsidiaries and the Kubanenergo. None of them meets any of the quantitative thresholds for determining reportable segments in 2016 or 2015.

Unallocated items comprise corporate balances of the Company’s headquarters which do not constitute an operating segment under IFRS 8. Starting from 2016, the Group distributes the revenue of the executive office by the reporting segments.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by the Management Board.

Segment reports are based on the information reported in the statutory accounts, which differ significantly from the consolidated financial statements prepared under IFRS. The reconciliation of items measured as reported to the Management Board with similar items in these consolidated financial statements includes those reclassifications and adjustments that are necessary for financial statements to be presented in accordance with IFRS.

Segment capital expenditures are the total cost incurred during the year to acquire property, plant and equipment.

Information on reporting segments for year ended 31 December 2016:

	<b>Electric power transmission</b>					
	Astrakhanenergo	Volgogradenergo	Kalmenergo	Rostovenergo	Other	Total
<b>Revenue of reporting segment</b>						
Electric energy transmission	4 566 758	9 686 391	914 154	15 600 974	-	30 768 277
Technological connection to power grids	189 556	42 583	1 679	235 902	-	469 720
Other revenue	27 432	43 731	17 564	75 053	161 597	325 377
Revenue from sales between segments	-	-	-	169		169
<b>Total revenue of reporting segment</b>	<b>4 783 746</b>	<b>9 772 705</b>	<b>933 397</b>	<b>15 912 098</b>	<b>161 597</b>	<b>31 563 543</b>
<b>Operational profit (loss) of reporting segment</b>	<b>403 171</b>	<b>1 411 031</b>	<b>(416 233)</b>	<b>2 209 392</b>	<b>(27 879)</b>	<b>3 579 482</b>
Financial income	380	1 010	179	1 730	-	3 299

Financial expenses	(612 602)	(880 333)	(700 990)	(571 199)	(3 454)	(2 768 578)
<b>Profit/(loss) of reporting segment before taxation</b>	<b>(1 148 805)</b>	<b>1 524 565</b>	<b>(1 406 961)</b>	<b>103 714</b>	<b>(33 324)</b>	<b>(960 811)</b>
Depreciation	(459 074)	(530 099)	(165 095)	(1 428 487)	(7 893)	(2 590 648)
<b>Assets of reporting segment</b>	<b>7 283 542</b>	<b>12 096 112</b>	<b>3 164 754</b>	<b>19 761 843</b>	<b>694 443</b>	<b>43 000 694</b>
*including fixed assets	4 702 913	6 253 951	2 649 724	14 682 452	235 952	28 524 992
<b>Liabilities of reporting segment</b>	<b>2 782 515</b>	<b>5 085 596</b>	<b>372 097</b>	<b>7 498 128</b>	<b>514 253</b>	<b>16 252 589</b>
<b>Capital commitments</b>	<b>487 787</b>	<b>629 327</b>	<b>472 461</b>	<b>960 610</b>	<b>12 435</b>	<b>2 562 620</b>

Information on reporting segments for year ended 31 December 2015 (recounted):

	<b>Electric power transmission</b>					
	Astrakhanenergo	Volgogradenergo	Kalmenergo	Rostovenergo	Other	Total
<b>Revenue of reporting segment</b>						
Electric energy transmission	4 092 826	9 922 525	810 762	14 581 839	-	<b>29 407 952</b>
Technological connection to power grids	239 979	45 288	1 860	212 369		<b>499 496</b>
Other revenue	20315	32 046	14 094	60 756	306 356	<b>433 567</b>
Revenue from sales between segments	-	-	-	216	-	<b>216</b>
<b>Total revenue of reporting segment</b>	<b>4 353 120</b>	<b>9 999 859</b>	<b>826 716</b>	<b>14 855 180</b>	<b>306 356</b>	<b>30 341 231</b>
<b>Operational profit (loss) of reporting segment</b>	<b>88 372</b>	<b>1 852 352</b>	<b>(429 715)</b>	<b>2 173 192</b>	<b>7 459</b>	<b>3 961 660</b>
Financial income	9 036	21 293	1 216	30 668	380	<b>62 593</b>
Financial expenses	(424 318)	(918 485)	(463 597)	(751 338)	(1 045)	<b>(2 558 783)</b>
<b>Profit/(loss) of reporting segment before taxation</b>	<b>(778 029)</b>	<b>1 193 020</b>	<b>(1 359 594)</b>	<b>863 458</b>	<b>65</b>	<b>(81 080)</b>
Depreciation	(499 387)	(552 095)	(151 556)	(1 499 415)	(8 657)	<b>(2 711 110)</b>
<b>Assets of reporting segment</b>	<b>7 248 559</b>	<b>10 221 920</b>	<b>3 155 501</b>	<b>19 049 958</b>	<b>625 368</b>	<b>40 301 306</b>
*including fixed assets	4 737 270	6 256 638	2 364 582	15 321 148	246 550	<b>28 926 188</b>
<b>Liabilities of reporting segment</b>	<b>2 106 599</b>	<b>3 548 840</b>	<b>284 034</b>	<b>5 355 392</b>	<b>435 998</b>	<b>11 730 863</b>
<b>Capital commitments</b>	<b>345 887</b>	<b>305 288</b>	<b>65 395</b>	<b>1 073 853</b>	<b>669</b>	<b>1 791 092</b>

**Reconciliations of reportable segment data with the data according to IFRS**

## Reconciliations of reportable segment revenues

	The year ended 31 December 2016	The year ended 31 December 2015 (recounted)
<b>Total revenue of reporting segments</b>	<b>31 563 543</b>	<b>30 341 231</b>
Intersegment revenue elimination	(169)	(216)
Revenue settlement from technological connection to power grids	2 425	1 942
Reclassification from other income	-	46 832
Other unallocated funds	<b>31 565 799</b>	<b>30 389 789</b>
<b>Consolidated revenue</b>	<b>31 563 543</b>	<b>30 341 231</b>

## Reconciliations of profit/(loss) before taxation of reportable segments:

	The year ended 31 December 2016	The year ended 31 December 2015 (recounted)
<b>Loss of reportable segments before taxation</b>	<b>(960 811)</b>	<b>(81 080)</b>
Adjustment of receivables impairment provision	68 938	89 054
Adjustment of depreciation of fixed assets	503 259	382 711
Depreciation of fixed assets	(438 811)	(44 209)
Acknowledgement of obligations on employee benefits	(5 340)	(7 840)
Discounting of financial instruments	1 699	(1 344)
Revenue from retirement of affiliated company	91 132	-
Depreciation of investment	(79 972)	-
Adjustment of financial lease	-	946
Other adjustments	(68 822)	(19139)
Other unallocated funds	-	46 831
<b>Consolidated (loss)/revenue before taxation</b>	<b>(888 728)</b>	<b>365 930</b>

## Reconciliations of assets measures of reporting segments:

	The year ended 31 December 2016	The year ended 31 December 2015 (recounted)
<b>Total assets of reporting segments</b>	<b>40 242 955</b>	<b>44 756 546</b>
Exclusion of intersegment assets	(123 959)	(122 389)
Exclusion of investments in subsidiaries	(341 432)	(341 432)
Adjustment of depreciated book value of fixed assets	(8 523 938)	(6 778 549)
Adjustment of receivables impairment provision	140 751	(804 985)
Deferred tax adjustment	1 114 475	(271 789)
Adjustment on financial lease	(946)	(18 999)
Writing off of trade receivables	(184 004)	84 395
Recovery of provision for impairment losses	189 721	125 453

Recognition of assets related to obligations for employee benefits	-	137 120
Other adjustments	(74 792)	62 188
Other unallocated funds	1 625 589	2 301 490
<b>Consolidated total amount of assets</b>	<b>34 064 420</b>	<b>39 129 049</b>

Reconciliations of liabilities of reporting segments:

	<b>The year ended 31 December 2016</b>	<b>The year ended 31 December 2015 (recounted)</b>
<b>Total liabilities of reporting segments</b>	<b>16 252 589</b>	<b>11 730 863</b>
Exclusion of intersegment liabilities	(108 808)	(121 588)
Acknowledgement of obligations on employee benefits	107 195	98 322
Deferred tax adjustment	(777 738)	(362 562)
Other adjustments	(91 058)	(43 073)
Other unallocated funds	25 150 995	26 666 637
<b>Consolidated total amount of liabilities</b>	<b>40 533 175</b>	<b>37 968 599</b>

Income from transactions with state-affiliated entities represented by all segments of the Group and disclosed in Note 29.

For the year ended 31 December 2016 the Group had three major customers – distribution companies in three regions of Russian Federation with individual turnover over 10% of the total Group revenues. The total amount of revenues for these major customers for the year ended 31 December 2016 was 3 929 945 thousand rubles (Astrakhanenergo) and 8 842 857 thousand rubles (Rostovenergo) (for year ended 31 December 2015 the Group had three basic buyers: 3 435 143 thousand rubles (Astrakhanenergo), 3 511 136 thousand rubles (Volgogradenergo) and 8 309 936 thousand rubles (Rostovenergo)).

## 8. Profit

	<b>The year ended 31 December 2016</b>	<b>The year ended 31 December 2015 (recounted)</b>
Electric energy transmission	30 768 277	29 407 952
Technological connection to power grids	469 889	499 496
Rental payments	49 439	54417
Repair and maintenance	23 482	48 573
Other profit	252 868	378 157
<b>Total profit</b>	<b>31 563 955</b>	<b>30 388 595</b>
State subsidies	1 844	1 194

<b>Total</b>	<b>31 565 799</b>	<b>30 389 789</b>
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## 9. Revenues and expenses

### (a) Operational expenses

	<b>The year ended 31 December 2016</b>	<b>The year ended 31 December 2015 (recounted)</b>
<b>Productive works and services, including</b>		
Electric energy transmission	8 519 482	7 899 090
Repair and maintenance	147 409	131 171
Other productive works and services	57 499	60 262
Expenses for employees benefits	7 869 849	7 021 069
Depreciation	2 200 940	2 347 253
Impairment of fixed assets	438 811	44 209
<b>Material expenses, including</b>		
Electric energy to compensate technological losses	6 344 650	6 140 633
Purchased electric and heat power for internal requirements	240 614	221 916
Other material expenses	1 011 377	1 000 338
<b>Other services of third-party contractors, including</b>		
Expenses related to upkeep of property	150 995	181 046
Management consulting	133 097	133 099
Security	85 601	81 546
Software costs and maintenance	78 399	64 304
Communication services	74 910	84 404
Transportation services	33 047	20 943
Counseling, legal and auditing services	16 387	13 495
Other services of third-party contractors	178 180	261 241
Fines, penalties and forfeitures raised to Company for Contract's conditions violation	1 556 580	412 563
Reserves	755 000	773 097
Taxes and charges except income tax	407 069	353 571
Rent	177 481	196 943
Business trip expenses	88 309	77 406
Insurance	60 104	60 545
Loss from asset sale	44 532	47 608
Impairment of receivables	-	92 372
Other expenses	1 673 038	87 914
	<b>32 343 360</b>	<b>27 808 038</b>

For the year ended 31 December 2016, as part of fines, penalties, penalties for breach

of contractual terms, the company included expenses under contracts with “FGC UES” PJSC in the amount of 868 752 thousand rubles, “Energia” JSC – 155 945 thousand rubles, “Astrakhan Energy Selling Company” PJSC – 262 687 thousand rubles (for the year ended 31 December 2015: 82 739 thousand rubles, 7 429 thousand rubles, 70 884 thousand rubles, respectively).

Other expenses include losses of the previous years in the amount of 1 448 104 thousand rubles recognized in the statements for the year ended 31 December 2016 (for the year ended 31 December 2015: 71 446 thousand rubles), including in accordance with the decisions of the court and the settlement of disagreements with energy sales companies.

**(b) Other operational expenses**

	The year ended 31 December 2016	The year ended 31 December 2015
Recovery of provision for impairment of receivables	1 573 527	
Penalties and fines	912 466	181 526
Disposal of a subsidiary	91 132	-
Insurance reimbursements	33 011	28 401
Detected non-contractual electric energy consumption	24 131	91 116
Donated assets, including excesses	7 651	14 600
Writing-off of trade and notes receivables	4 622	2 973
	<b>2 646 540</b>	<b>318 616</b>

For the year ended 31 December 2016, revenues under contracts with “Volgogradenergosbyt” PJSC in the amount of 371 531 thousand rubles, “TNS Energo Rostov-on-Don” JSC – 83 179 thousand rubles, “Astrakhan Energy Selling Company” PJSC– 136 801 thousand rubles (for the year ended 31 December 2015: 7 870 thousand rubles, 19 244 thousand rubles, 55 205 thousand rubles, respectively) were reflected as part of penalties and fines.

**(c) Expenses for employee benefits**

	The year ended 31 December 2016	The year ended 31 December 2015 (recounted)
Salary including changing of reserve for bonuses and unused vacations	5 888 741	5 244 217
Social fees	1 764 075	1 570 773
Current services cost (Note 23)	2 788	2 206

Past services cost (Note 23)	956	2 499
Other expenses for employees	213 289	201 374
	<b>7 869 849</b>	<b>7 021 069</b>

Average employees number in 2016 (including production and non-production staff) amounted 13 621 people (in 2015 – 13 568).

Amounts related to transactions with key management personnel are disclosed in Note 29.

## 10. Financial income and expenditures

	The year ended 31 December 2016	The year ended 31 December 2015
<b>Recognized as part of income or expenditure</b>		
<b>Financial income</b>		
Income on bank balances	96 072	62 593
Other financial income	4 001	564
	<b>100 073</b>	<b>63 157</b>
<b>Financial expenditures</b>		
Interest expenses on financial liabilities carried at depreciable amount	(2 768 441)	(2 573 318)
Impairment of investments	(79 972)	—
Expenditures related to defined benefit pension plans (Note 22)	(8 752)	(8 333)
Expenditures related to procurement and servicing of debt funds (Note 21)	—	(14 663)
Other financial expenditures	(615)	(1 280)
	<b>(2 857 780)</b>	<b>(2 597 594)</b>
<b>Net financial expenditures recognized as part of profit or loss</b>	<b>(2 757 707)</b>	<b>(2 534 437)</b>

## 11. Income tax

	The year ended 31 December 2016	The year ended 31 December 2015 (recounted)
<b>Current income tax</b>		
For reporting period	(41 080)	(167 914)
Adjustments for previous years	353 360	71 244
	312 280	(96 670)
<b>Profit/(loss) on deferred income tax</b>		
Origination and reversal of temporary differences	(769 578)	79 094

	(769 578)	79 094
	(457 298)	(17 576)

Adjustments for prior years, reflected in the statements for the year ended 31 December 2016, in the amount of 353 360 thousand rubles represent the recalculation of the tax on profit of the past periods as a result of application of the amortization premium on the objects of fixed assets.

### Reconciliation of effective tax rate:

	Year ended 31 December 2016	%	Year ended 31 December 2015	%
<b>(Loss)/profit before the taxation</b>	<b>(888 728)</b>	<b>(100)</b>	<b>365 930</b>	<b>100</b>
Income tax at effective tax rate	177 746	20	(73 186)	(20)
Effect of taxable profit / (loss) at lower rate	366	–	273	–
Non-deductible expenses	(988 304)	(HD	(15 763)	(4)
Changes in the recognition of previously unrecognized tax losses	(466)	–	(144)	–
Adjustments over provided in prior years	353 360	40	71 244	19
	<b>(457 298)</b>	<b>(51)</b>	<b>(17 576)</b>	<b>(5)</b>

The Group used tariff tare in amount of 20% which amounts rate of corporate tax for Russian companies. Excluding agricultural subsidiaries with tax rate – 6%.

## 12. Fixed assets

Cost / Deemed cost	Land plots and Constructions	Transmission networks	Transformer substations	Other	Construction in progress	Total
<b>Balance at 1 January 2015</b>	<b>3 002 728</b>	<b>18 530 301</b>	<b>11 512 148</b>	<b>6 237 829</b>	<b>2 215 763</b>	<b>41 498 769</b>
Additions	-	-	-	80 663	1 729 760	1 810 423
Commissioning	101 032	464 612	690 383	139 914	(1 395 941)	-
Disposals	(9 468)	(32 869)	(8 668)	(106 272)	(105 714)	(262 991)
<b>Net balance at 31 December 2015</b>	<b>3 094 292</b>	<b>18 962 044</b>	<b>12 193 863</b>	<b>6 352 134</b>	<b>2 443 868</b>	<b>43 046 201</b>
<b>Balance at 31 December 2015</b>	<b>3 094 292</b>	<b>18 962 044</b>	<b>12 193 863</b>	<b>6 352 134</b>	<b>2 443 868</b>	<b>43 046 201</b>
Reclassification between categories	-	58 862	(58 862)	61	-	-

<b>Balance at 1 January 2016</b>	<b>3 094 292</b>	<b>19 020 906</b>	<b>12 134 940</b>	<b>6 352 195</b>	<b>2 443 868</b>	<b>43 046 201</b>
Additions	110 337	242 182	53 752	79 279	2 070 084	2 555 634
Commissioning	51 510	598 687	247 007	192 944	(1 090 148)	-
Disposals	(103 374)	(10 032)	(20 719)	(228 108)	(96 705)	(458 938)
Disposal of a subsidiary	(7 014)	-	-	(3 247)	-	(10 261)
<b>Net balance at 31 December 2016</b>	<b>3 145 751</b>	<b>19 851 743</b>	<b>12 414 980</b>	<b>6 393 063</b>	<b>3 327 099</b>	<b>45 132 636</b>
Depreciation and impairment						
<b>Balance at 1 January 2015</b>	<b>(1 157 682)</b>	<b>(9 701 381)</b>	<b>(5 415 802)</b>	<b>(3 525 159)</b>	<b>(11 781)</b>	<b>(19 811 805)</b>
Depreciation for the reporting period	(134 725)	(996 467)	(609 446)	(583 192)	-	(2 323 830)
Impairment loss	(11 507)	(9 794)	(11 108)	(5 625)	(6 175)	(44 209)
Introduction into fixed assets	-	(951)	(819)	-	1 770	-
Disposals	5 359	22 511	6 769	25 445	3 324	63 408
<b>Balance at 31 December 2015</b>	<b>(1 298 555)</b>	<b>(10 686 082)</b>	<b>(6 030 406)</b>	<b>(4 088 531)</b>	<b>(12 862)</b>	<b>(22 116 436)</b>
<b>Balance at 31 December 2015</b>	<b>(1 298 555)</b>	<b>(10 686 082)</b>	<b>(6 030 406)</b>	<b>(4 088 531)</b>	<b>(12 862)</b>	<b>(22 116 436)</b>
Reclassification between categories	-	-	5	(5)	-	-
<b>Balance at 1 January 2016</b>	<b>(1 298 555)</b>	<b>(10 686 082)</b>	<b>(6 030 406)</b>	<b>(4 088 531)</b>	<b>(12 862)</b>	<b>(22 116 436)</b>
Accrued for the reporting period	(129 532)	(923 010)	(669 228)	(462 153)	-	(2 183 923)
Impairment loss	(94 992)	(260 349)	(68 868)	(9 398)	(5 204)	(438 811)
Introduction into fixed assets	(70)	(6 591)	(1 741)	-	8 402	-
Disposals	29 783	6 900	11 486	130 729	101	179 002
Disposal of a subsidiary	2 011	-	-	1 304	-	3 315
<b>Balance at 31 December 2016</b>	<b>(1 491 355)</b>	<b>(11 869 132)</b>	<b>(6 758 749)</b>	<b>(4 428 054)</b>	<b>(9 563)</b>	<b>(24 556 853)</b>
Net balance cost						
at 1 January 2015	<b>1 845 046</b>	<b>8 828 920</b>	<b>6 096 346</b>	<b>2 712 670</b>	<b>2 203 982</b>	<b>21 686 964</b>
at 31 December 2015	<b>1 795 737</b>	<b>8 275 962</b>	<b>6 163 457</b>	<b>2 263 603</b>	<b>2 431 006</b>	<b>20 929 765</b>
at 1 January 2016	<b>1 795 737</b>	<b>8 334 824</b>	<b>6 104 539</b>	<b>2 263 659</b>	<b>2 431 006</b>	<b>20 929 765</b>
at 31 December 2016	<b>1 654 396</b>	<b>7 982 611</b>	<b>5 656 231</b>	<b>1 965 009</b>	<b>3 317 536</b>	<b>20 575 783</b>

As of 31 December 2016 construction in progress includes advance payments for

property, plant and equipment of 245 thousand rubles (as of 31 December 2015: 1 395 thousand rubles).

As of 31 December 2016 construction in progress includes constructional materials of 235 944 thousand rubles (at 31 December 2015 – 253 206 thousand rubles).

As of 31 December 2016 and 31 December 2015 fixed assets shall not act as pledge for bank loans (Note 21).

Capitalized interest for the year ended 31 December 2016 amounted 104 894 thousand rubles (for year ended 31 December 2015 – 94 525 thousand rubles).

Capitalization rate on loans for general purposes for year ended 31 December 2016 amounted 12.2% (for year ended 31 December 2015 – 10.9%).

### **Leased equipment and transport**

As of 31 December 2016 and 31 December 2015, the Group did not lease cars and production equipment under finance leases.

### **Determination of recoverable amount of property plant and equipment**

The majority of the Group's property, plant and equipment is specialized in nature and is rarely sold on the open market other than as part of a continuing business. The market for similar property, plant and equipment is not active in the Russian Federation and does not provide a sufficient number of sales transactions for use of a market-based approach for determination of the fair value.

Therefore, the value in use for property, plant and equipment as at 31 December 2015 and 31 December 2016 was determined using projected cash flows. This method considers the future net cash flows expected to be generated through the usage of property, plant and equipment in the process of operating activities up to its ultimate disposal to determine the recoverable amount of the assets.

Cash-generating units are determined by the Group at the basis of geographic location of branches and subsidiaries, and are smallest identifiable groups of assets that generate cash flows without distinction of other assets of Group.

The following key assumptions were used in determining the recoverable amounts of cash-generating unit as of 31 December 2016:

- Projected cash flows were determined for the period 2017-2026 (2017-2021 for “Volgogradenergo” and “Kalmenergo”, 2017-2026 for “Astrakhanenergo” and “Rostovenergo”) based on the best estimate carried by the Group’s management on electricity transmission volumes, operating and capital costs, as well as tariffs approved by regulatory bodies for 2017. For “Astrakhanenergo” and “Rostovenergo”, a longer forecast period was chosen in connection with the failure to achieve a stable cash flow by the end of 2021. The forecast period for these branches is determined from the test date at the end of a five-year period following the last year of the current approved tariff regulation period, or another number of years when the use of another by the duration of the period is the best estimate for the test purposes;
  - the source of the forecast of electricity transmission tariffs for forecasted period were business plans, that were based on tariff models configured with taking into consideration the average annual electricity transmission tariff rise (in accordance with forecast of the social and economic development of Russian Federation for 2017 and planning period 2018-2019). tariffs growth rate in 2020-2026 are limited by pace of inflation on forecast of Economic Development Ministry (up to 2030).;
  - forecast amounts of electric energy transmission for all generating units were specified on the basis of annual approved business plans of the Company for 2017-2021;
  - forecast cash flows were discounted to their present value using nominee weighed average capital cost in the amount of 10.91%;
  - the growth rate of 3.0% for “Astrakhanenergo” and “Rostovenergo”; 3.3% for “Volgogradenergo” and “Kalmenergo”. The difference in the long-term growth rate for the cash-generating unit is related to the different duration of the forecast period;
- In the results of the impairment test as of 31 December 2016 the Group recognized a loss from impairment of fixed assets in amount of 438 811 thousand rubles which is related to fixed assets and construction in progress of operational segment of Kalmenergo (Note 7).

As of 31 December 2016 the discount amount of future cash flows exceeds net assets value of relevant fixed assets of the generating units of Astrakhanenergo (approximately by 2 834 899 thousand rubles), Volgogradenergo (by 5 314 979 thousand rubles) and Rostovenergo (by 6 871 316 thousand rubles).

### 13. Intangible assets

	2016	2015
Initial cost		
<b>Balance at 1 January</b>	<b>228 003</b>	<b>492 319</b>
Additions	26 197	8 115
Disposals	(18 395)	(272 431)
<b>Balance at 31 December</b>	<b>235 805</b>	<b>228 003</b>
Depreciation		
<b>Balance at 1 January</b>	<b>(89 082)</b>	<b>(335 467)</b>
Accrued on reporting year	(17 017)	(23 423)
Disposals	18 395	269 808
<b>Balance at 31 December</b>	<b>(87 704)</b>	<b>(89 082)</b>
Remaining value		
<b>Balance at 1 January</b>	<b>138 921</b>	<b>156 852</b>
<b>Balance at 31 December</b>	<b>148 101</b>	<b>138 921</b>

The intangible assets include software and licenses related to software. The amount of intangible asset's amortization is included in the operating expenses in the consolidated statement of Profit or Loss and gross income.

### 14. Investments in financial assets

	31 December 2016	31 December 2015
Financial assets for sale	6 830	4219
	6 830	4219

Financial assets for sale are securities with market quotations, represented on fair value (first level in fair value hierarchy).

More information on aptitude of Group to credit risk related to investments and financial assets disclosed in Note 25.

### 15. Deferred tax assets and liabilities

Recognized deferred tax assets and liabilities related to the following:

	Assets	Liabilities	Net
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	31 December 2016	31 December 2015 (recounted)	31 December 2016	31 December 2015 (recounted)	31 December 2016	31 December 2015 (recounted)
Fixed assets	-	-	(388 003)	(157 979)	(388 003)	(157 979)
Trade and other receivables and paid advances	765 527	1 159 223	-	-	765 527	1 159 223
Trade and other receivables	180 884	150 215	-	-	180 884	150 215
Reserves	204 075	387 181	-	-	204 075	387 181
Other	29 840	22 577	(1 280)	-	28 560	22 577
Tax assets/(liabilities)	<b>1 180 326</b>	<b>1 719 196</b>	<b>(389 283)</b>	<b>(157 979)</b>	<b>791 043</b>	<b>1 561 217</b>
Set off of tax	(389 283)	(157 979)	389 283	157 979	-	-
Net tax assets	<b>791 043</b>	<b>1 561 217</b>	-	-	<b>791 043</b>	<b>1 561 217</b>

#### Movements in deferred taxes during the year:

	1 January 2015	Recognized in profit or loss	Recognized in other comprehensive loss	31 December 2015 (recounted)	Recognized in profit or loss	Recognized in other comprehensive loss	Disposal of a subsidiary	31 December 2016
Fixed assets	(196 345)	38 366	-	(157 979)	(230 024)	-	-	(388 003)
Trade and other receivables and paid advances	1 174 716	(15 493)	-	1 159 223	(393 696)	-	-	765 527
Trade and other receivables	146 509	3 706	-	150 215	30 702	-	(33)	180 884
Reserves	342 750	44 431	(59)	387 181	(183 106)	-	-	204 075
Other	14 552	8 084	-	22 577	6 546	(210)	(353)	28 560
Tax assets/(liabilities)	<b>1 482 182</b>	<b>79 094</b>	<b>(59)</b>	<b>1 561 217</b>	<b>(769 578)</b>	<b>(210)</b>	<b>(386)</b>	<b>791 043</b>

#### 16. Inventories

	31 December 2016	31 December 2015
Raw materials	624 328	558 016
Other materials	153 850	190 010
Allowance for impairment of raw materials	(4 863)	-
<b>Total</b>	<b>773 315</b>	<b>748 026</b>

As of 31 December 2016 and 31 December 2015 the Group's inventories were not pledged or mark downed.

#### 17. Accounts receivable and paid advances

	31 December 2016	31 December 2015

<b>Non-current receivables</b>		
Trade receivables	590 201	1 304 553
Trade receivables impairment provision	(566 308)	(1 302 880)
Other receivables	34	10 935
<b>Total non-current receivables</b>	<b>23 927</b>	<b>12 608</b>
Paid advances	2 631	8 339
	<b>26 558</b>	<b>20 947</b>
<b>Current receivables</b>		
Trade receivables	17 031 086	15 573 238
Trade receivables impairment provision	(5 426 875)	(6 479 231)
Other receivables	2 767 188	2 068 714
Other receivables impairment provision	(862 000)	(858 009)
<b>Total current receivables</b>	<b>13 509 399</b>	<b>10 304 712</b>
Paid advances	45 558	168 363
Provision for impairment of paid advances	(9 628)	(4 035)
VAT recoverable	197 699	220 130
Advance tax payment excluding income tax and VAT	4 798	220 130 6 090
	<b>13 747 826</b>	<b>10 695 260</b>

As of 31 December 2015, the long-term accounts receivable reflected the indebtedness of “Volgogradenergosbyt” PJSC for the amount of 1 302 880 thousand rubles, which was reclassified from short-term debt on the basis of a debt restructuring agreement. The provision for impairment is calculated for the full amount of the debt. As at 31 December 2016, the amount outstanding is 518 568 thousand rubles, the amount of provision for impairment is 496 917 thousand rubles. The Group’s exposure to credit risk and impairment losses related to trade and other receivables are disclosed in Note 25.

## 18. Cash and cash equivalents

	<b>31 December 2016</b>	<b>31 December 2015</b>
Cash at accounts in the banks, related with government	701 234	1 581 151
Cash at accounts in the banks, no related with government, and in hand	850	6 600
	702 084	1 587 751

All cash and cash equivalents are in rubles.

As at 31 December 2016 cash at accounts in the government-related banks include balances in the amount of 402 120 thousand rubles (at 31 December 2015: 1 184 951

thousand rubles), which represent minimum required balances on the accounts in order to get additional finance income at interest rates of 6.5-9.2% and 0.1-10.3% for 31 December 2016 and 31 December 2015, respectively. Requirement to maintain minimum balances on current accounts does not affect the Company's ability to use the funds at any time, however, in case of breaking requirement on minimum required balances no interest income is accrued.

During 2016 the Group carried out the offset of trade and other receivables and loan payables with different contractors for 9 104 286 thousand rubles (in 2015 – 4 789 783 thousand rubles).

## **19. Equity**

### **Authorized capital**

As of 31 December 2016 and 31 December 2015 authorized and released capital stock consists of 49 811 096 064 ordinary shares. Nominal value of each share amounts 0.1 rubles.

### **Retained earnings and dividends**

The Company's accounting report made in accordance with Russian Accounting Standards is the basis for the distribution of profit and other payments. Due to differences between accounting principles of RAS and IFRS, the Company's profit in the statutory accounts can differ significantly from that reported in the consolidated financial statements prepared under IFRS.

In accordance with legislation of Russian Federation the amount of accessible for allocating funds of the Company is limited to amount of non-allocated income, specified in accounting report of the Company prepared in accordance with Russian Accounting Standards.

At the annual general meeting of shareholders of IDGC of the South PJSC on 6 June 2016, the decision on declaration of dividends in the amount of 142 096 thousand rubles (0.002852693 rubles per ordinary share) for 2015 was adopted. As of 31 December 2016 the Company paid dividends in the amount of 140 378 thousand rubles. As of 31 December 2015 the payable dividends in the amount of 1 812 thousand rubles are included in Consolidated statement of financial position of the

Company as part of trade and other receivables (as of 31 December 2015: 94 thousand rubles).

### **Additional issue of securities**

On 6 June 2016, the annual General Meeting of Shareholders of IDGC of South PJSC approved the decision to increase the Company's authorized capital by issuing additional 11 615 110 154 ordinary registered uncertified shares with a par value of 0.1 rubles per share. The issue of shares was registered by the Bank of Russia on 4 August 2016. Until 22 December 2016, the shareholders could exercise the right to preferential acquisition of the Company's shares. As of 31 December 2016, within the framework of this right, the shareholders contributed 143 909 thousand rubles to the authorized capital of the Company. Prior to the state registration of changes in the Company's charter capital, the contribution was recognized as a reserve for the issue of shares directly in equity.

### **20. Earnings per share**

Earnings per share are calculated based on the net profit for the period and the number of ordinary shares which are in circulation. The Company has no potential ordinary shares that have a dilutive effect, accordingly the diluted earnings per share equals basic earnings.

	<b>The year ended 31 December 2016</b>	<b>The year ended 31 December 2015 (recounted)</b>
Weighted average number of common shares per year ended 31 December (thousand shares)	49 811 096	49 811 096
(Loss)/profit accrued to Company's owners	(1 346 026)	348 354
<b>(Loss)/profit per share (rubles) – basic and diluted earnings</b>	<b>(0.027)</b>	<b>0.007</b>

### **21. Loans and borrowings**

This note provides information about the contractual terms of the Group's loans and borrowings. For more information about the Group's exposure to interest rate and liquidity risks, refer to Note 25.

	<b>31 December 2016</b>	<b>31 December 2015</b>
<b>Long-term loans and borrowings</b>		

Uncovered bank loans	17 882 022	20 002 131
Issued unsecured bonds	5 000 000	5 000 000
	<b>22 882 022</b>	<b>25 002 131</b>
Except Current Maturity of Long-Term Debt and borrowings	(5 650 000)	(11598 753)
	<b>17 232 022</b>	<b>13 403 378</b>
<b>Short-term loans and Current Maturity of Long-Term Debt and Borrowings</b>		
Uncovered bank loans	1 528 109	-
Interest on issued bonds	35 140	31 441
Interest on bills	10 312	-
Current Maturity of Long-Term Debt and borrowings	5 650 00	11 598 753
	<b>7 223 561</b>	<b>11 630 194</b>

Terms and schedule of loans and borrowings repayment:

### Long-term loans and borrowings

	Effective interest rate		Year of repayment	31 December 2016		31 December 2015	
	31 December 2016	31 December 2015		Nominal value	Book value	Nominal value	Book value
Uncovered bank loans							
“Sberbank” PJSC*	11,25 - 12,45%	-	2018-2019	6 585 000	6 585 000	-	-
“Gazprombank” JSC*	10,80- 11,00%	-	2019	2 842 322	2 842 322	-	-
“Sberbank” PJSC*	12,50%	12,91%	2018	2 804 700	2 804 700	2 753 378	2 753 378
“Sberbank” PJSC*	-	9,39%- 12,60%	-	-	-	5 650 000	5 650 000
				<b>12 232 022</b>	<b>12 232 022</b>	<b>8 403 378</b>	<b>8 403 378</b>
Bonded loans							
bonded loan**	13,50%	13,50%	2020	5 000 000	5 000 000	5 000 000	5 000 000
				<b>5 000 000</b>	<b>5 000 000</b>	<b>5 000 000</b>	<b>5 000 000</b>
				<b>17 232 022</b>	<b>17 232 022</b>	<b>13 403 378</b>	<b>13 403 378</b>

The Company has limited liabilities related to bank loans.

As of 31 December 2016 and 31 December 2015 the Company complied with all limited liabilities.

Short-terms loans and borrowings and Current Maturity of Long-Term Debt and borrowings

Creditor	Effective interest rate		31 December 2016		31 December 2015	
	31 December 2016	31 December 2015	Nominal value	Book value	Nominal value	Book value
Uncovered bank loans						

“Sberbank” PJSC*	11.81%	-	1 528 109	1 528 109	-	-
			1 528 109	1 528 109	-	-
Interest on bills**			35 140	35 140	31 441	31 441
Interest on issued and uncovered bills			10312	10312	-	—
			45 452	45 452	31 441	31 441
Current Maturity of Long-Term Debt and borrowings						
“Sberbank” PJSC*	9,39- 11,85%	12,30%	5 650 000	5 650 000	1 162 132	1 162 132
“Sberbank” PJSC*	-	8,99%-9,77%	-	-	6 548 999	6 548 999
“Sberbank” PJSC*	-	8,90%	-	-	3 887 622	3 887 622
			5 650 000	5 650 000	11 598 753	11 598 753
			7 223 561	7 223 561	11 630 194	11 630 194

\* - loans obtained from banks, affiliated with the state

\*\* - bills issued to parent company and bonded loan purchased by parent company

All loans and borrowings of the Group are in Russian rubles. As of 31 December 2016 the Group has unused line of credit in “Sberbank of Russia” PJSC in amount of 1 121 891 thousand rubles, in “AB Rossiya” JSC – 900 000 thousand rubles, in “SMP Bank” JSC – 300 000 thousand rubles, in “Gazprombank” – 582 900 thousand rubles (as of 31 December 2015: in “Sberbank of Russia” JPSC – 2 389 190 thousand rubles, “AB Rossiya” JSC – 900 000 thousand rubles, in “SMP Bank” JSC – 300 000 thousand rubles, in “Gazprombank” – 3 187 000 thousand rubles).

As of 31 December 2016 and 31 December 2015 there were no bank loans secured by pledge of fixed assets (Note 12).

## 22. Employee benefits

The Group has defined benefit pension plan which consists of defined post-employment benefits and cover most full-time and retired employees. Defined post-employment benefits consist of several plans providing for lump-sum payments upon retirement, financial support for pensioners, death benefits, jubilee benefits.

Net values of obligations for plans with adjusted payments are specified below:

	<b>31 December 2016</b>	<b>31 December 2015</b>
Liabilities for employees' benefits on post-employment	107 195	98 322
	<b>107 195</b>	<b>98 322</b>

In 2013 the programme "Supporting" on servicing of defined benefit pension plans was closed that led to reduction of liabilities on employee benefits.

	<b>Obligations on employee benefits plans withdrawal from work</b>	
	<b>2016</b>	<b>2015</b>
<b>As of 1 January</b>	<b>98 322</b>	<b>72 139</b>
Current service cost	2 788	2 206
Past service cost and sequestrate	956	2 499
Interest cost	8 752	8 333
The following items affected at (profit)/loss:		
- Change in demographic actuarial assumption	1 661	(3 025)
- Change in financial actuarial assumption	(4 018)	22 184
- Experience adjustment	5 889	(816)
Investments in plan	(7 155)	(5 198)
<b>As of 31 December</b>	<b>107 195</b>	<b>98 322</b>

Expenses/(revenues) recognized as part of profit and loss are specified below:

	<b>For year ended 31 December 2016</b>	<b>For year ended 31 December 2015</b>
Service cost	3 744	4 705
Interest expenses	8 752	8 333
	<b>12 496</b>	<b>13 038</b>

(Revenues)/expenses recognized as part of other total revenue are specified below:

	<b>For year ended 31 December 2016</b>	<b>For year ended 31 December 2015</b>
(Revenue)/loss from change in demographic actuarial assumption	1 661	(3 025)
(Revenue)/loss from change in financial actuarial assumption	(4 018)	22 184
(Revenue)/loss from experience adjustment	5 889	(816)
	<b>3 532</b>	<b>18 343</b>

Change of amount of revaluation of obligations in other total revenue is specified below:

	<b>For year ended 31 December 2016</b>	<b>For year ended 31 December 2015</b>
Balance at 1 January	<b>206 060</b>	<b>187 717</b>
Change	<b>3 532</b>	<b>18 343</b>
<b>Balance at 31 December</b>	<b>209 592</b>	<b>206 060</b>

The calculations used the following principal actuarial assumptions:

### Financial assumptions

	For year ended 31 December 2016	For year ended 31 December 2015
Discounting rate	8.5%	9.5%
Inflation rate	4.7%	6.0%
Salary increase	4.7%	6.0%

Valuation of financial actuarial assumptions carried out on the basis of market forecasts for the end of reporting period in respect of the period during which the payment should be made under obligations. The weight average duration of the defined benefit plan obligation as at 31 December 2016 is 12 years (as at 31 December 2015: 13 years).

Assumptions regarding future mortality are based on published statistics and demographic mortality tables. For estimation the mortality table of Russia for 2011 was used, adjusted according to the statistics of the Group with respect to employees of both sexes to 75% and 80%, respectively; in respect of retired male and female by 40% and 35%, respectively. Current rates of life expectancy, which is calculated taking into account the value of liabilities for defined benefit plans, were as follows:

Demographic assumptions	For year ended 31 December 2016	For year ended 31 December 2016
<b>Life expectancy of employees retired at 60</b>		
Men	23	20
Women	26	25
Life expectancy	20	23
<b>Life expectancy of current plan participants of 45 years old, on achieving 60</b>	25	25
Men	23	20
Women	26	25

### Sensitivity Analyses

The sensitivity of the value of pension obligations to changes in fundamental actuarial assumptions is specified below:

	Change in assumption	Influence on obligations
Discount rate	Increase/decrease at 0.5%	Decrease/increase at 5.35%
Future salary increases	Increase/decrease at 0.5%	Decrease/increase at 1.36%
Future pension increases	Increase/decrease at 0.5%	Decrease/increase at 4.18%
Employee turnover	Increase/decrease at 10%	Decrease/increase at 1.26%
Mortality level	Increase/decrease at 10%	Decrease/increase at 1.15%

The results of sensitivity analyses are based on method of change in assumption while holding all other assumptions constant. When calculating the indicators of sensitivity of the current value of obligations to key actuarial assumptions was used method of assessment, similar to the method of assessing of the current value of the obligations (projected unit credit method) recognized in the consolidated statement of financial position.

The amount of payments on plans with specified payments including non-state pension provision of employees amounted 4 146 thousand rubles for 2017 (in 2016: 3 925 thousand rubles).

### 23. Trade and other loan payable

	31 December 2016	31 December 2015 (recounted)
<b>Long-term loan payable</b>		
Other payables	13 112	54
	<b>13 112</b>	<b>54</b>
Advances received	105 836	118 409
	<b>105 836</b>	<b>118 409</b>
<b>Short-term loan payable</b>		
Loan payable	10 431 711	7 563 846
Other loan payable	1 677 857	643 081
Debt to employees	1 207 380	1 023 921
Dividends payable	1 812	94
	<b>13 318 760</b>	<b>9 230 942</b>
Advances received	964 563	958 377
	<b>14 283 323</b>	<b>10 189 319</b>
<b>Taxes payable</b>		
Value-added tax	238 270	331 597
Property tax	72 754	65 449
Payments to social funds	168 576	137 619
Individual income tax	61 175	53 281
Other taxes	6 976	4 534
	<b>547 751</b>	<b>592 480</b>
	<b>14 831 074</b>	<b>10 781 799</b>

The Group's exposure to liquidity risk related to trade and other payables is disclosed in Note 25.

Payables to employees are represented as follows:

	31 December 2016	31 December 2015
Salaries and wages payable	294 236	249 189
Unused vacation provision	262 456	248 259

Annual bonus provision	650 688	526 473
	<b>1 207 380</b>	<b>1 023 921</b>

## 24. Provisions

	<b>Year ended 31 December 2016</b>	<b>Year ended 31 December 2015</b>
<b>Balance at 1 January</b>	<b>1 935 907</b>	<b>1 713 750</b>
Provisions raised during the reporting year	1 375 064	947 772
Changes in estimation for the reporting year	(620 064)	(174 675)
Provisions used during the reporting year	(1 670 532)	(550 940)
<b>Balance at 31 December</b>	<b>1 020 375</b>	<b>1 935 907</b>

Provisions are related to the legal proceedings against the Group and unsettled disagreements with distribution selling entities regarding compensation of technological losses. The Group recognizes provision on legal proceedings and unsettled disagreements if the Group considers as probable the outflow of economic resources in consequence of settlement of disputes.

## 25. Financial risk management

### Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk;
- market risk.

The Group is not exposed to currency risk at implementation of operations on sale, purchasing and procurement of funds because the Group does not implement above mentioned major transactions that denominated in currency other than functional currency of the Company and its subsidiaries – Russian ruble.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Group's risk management policies deal with identifying and analyzing the risks faced by the Group, setting appropriate risk limits and controls, and monitoring risks and adherence to limits. Risk management policies and systems are reviewed

regularly to reflect changes in market conditions and the Group's activities. The Group, through its internal policies, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. The Group's Audit Committee oversees how management monitors compliance with the Group's internal control procedures.

### **Credit risk**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

### **Trade and other receivables**

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. To manage credit risk, the Group attempts, to the extent possible, to demand prepayments from customers. As a rule, prepayment for connection services is stipulated by contract and depends on the amount of capacity to be connected.

The Group does not require collateral in respect of trade and other receivables and other financial assets.

The Group establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables that relate to individually significant exposures.

### **Exposure to credit risk**

The balance amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	<b>Balance value</b>	
	<b>31 December 2016</b>	<b>31 December 2015 (recounted)</b>
<b>Financial assets</b>		
Trade and other receivables	13 533 326	10 317 320
Cash and cash equivalents	402 084	1 587 751
	<b>14 235 410</b>	<b>11 905 071</b>

The maximum exposure to credit risk for trade receivables at the reporting date by type of consumers was:

	<b>Balance value</b>	
	<b>31 December 2016</b>	<b>31 December 2015</b>

Electricity transmission customers	11 388 009	8 831 322
Connection services customers	73 116	35 434
Other customers	166 979	228 924
	11 628 104	9 095 680

As of 31 December 2016 the balance value of trade receivables covering four huge customers of the Group amounted 8 652 163 thousand rubles (as of 31 December 2015 – 6 457 053 thousand rubles).

### Impairment losses

The table below analyses the Group’s trade and other receivables into relevant groups based on the due periods:

	31 December 2016		31 December 2015 (recounted)	
	Gross value	Impairment	Gross value	Impairment
Not past due	4 492 331	-	3 895 048	(1 702)
Past due less than 90 days	4 531 796	-	3 425 454	(79 809)
Past due 90 - 180 days	2 271 750	-	1 223 920	(73 548)
Past due 180 - 365 days	2 252 600	(521 826)	2 173 338	(813 901)
Past due more than 1 year	6 840 032	(6 333 357)	8 239 680	(7 671 160)
	<b>20 388 509</b>	<b>(6 855 183)</b>	<b>18 957 440</b>	<b>(8 640 120)</b>

Increasing of overdue trade receivables is mainly explained by delays in payments by the largest grid company in Volgograd region Municipal Unitary Production Facility “Volgograd Interregional Power Networks” and “Volgogradenergosbyt” PJSC, at the same time there was a reduction in receivables of “Astrakhan Energy Selling Company” PJSC.

As of 31 December 2016 the total gross value of trade receivables of these contractors amounted 9 181 178 thousand rubles (as of 31 December 2015: 9 937 730 thousand rubles), impairment – 2 642 457 thousand rubles (as of 31 December 2015: 4 889 775 thousand rubles). Delayed payments are partly related to the presence of unsettled disagreements on the purchase of electricity to compensate technological losses. As of 31 December 2016 and 31 December 2015 the Group recognized non-impairment overdue amounts real for recovery, that’s why do not accrue provision for impairment.

The movement in the allowance for impairment in respect of trade and other receivables during the year was as follows:

	Year ended 31 December 2016	Year ended 31 December 2015
Balance at 1 January	<b>8 640 120</b>	<b>8 562 005</b>
<b>Accrued</b>	1 092 065	1 745 199
<b>Change of estimates</b>	(2 665 592)	(1 652 827)
<b>Write-off of subsidiary company</b>	(1611)	-
The amount written off decrease in accounts receivable	(209 799)	(14 257)
Balance at 31 December	<b>6 855 183</b>	<b>8 640 120</b>

### **Offsetting financial assets and financial liabilities**

The Group can make agreements on purchases and sales with the same counterparty in the normal course of business. The respective amounts of receivables and payables do not always meet the criteria for offsetting in the consolidated report on financial state. This is due to the fact that the Group may not have currently a legal right to offset the recognized amounts, since the right to set-off may be valid only when certain events occur in the future. In particular, in accordance with civil law in Russia, the obligation may be settled by offsetting a similar claim of regress, which are due or are not defined or determined by the moment of demand.

As of 31 December 2016 and on 31 December 2015, the Group has no contractual basis in relation to the offsetting of financial assets and financial liabilities as well as the Group's management does not assume to offset in the future on the basis of additional agreements.

### **Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group monitors the risk of cash shortfalls by means of current liquidity planning. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. This approach is used to analyze payment

dates associated with financial assets, and also to forecast cash flows from operating activities.

In order to manage liquidity risk, the Group conducted negotiations on opening of a credit line with a number of commercial banks that have a fairly high rating.

The information on contract terms of repayment of non-derivative financial liabilities including estimated amounts of interest charges is specified below:

	<b>Balance amount</b>	<b>Contractual cash flows</b>	<b>0-1 years</b>	<b>1-2 years</b>	<b>2-3 years</b>	<b>3-4 years</b>	<b>4 -5 years</b>	<b>over 5 years</b>
<b>As of 31 December 2016</b>								
Loans and borrowings	19 420 443	22 741 753	8 984 154	6 781 039	6 976 560			
Bills	5 035 140	7 356 200	673 200	673 200	673 200	5 336 600	-	-
Trade and other payables	13 318 446	13 318 446	13 309 386	870	870	870	870	5 580
	<b>37 774 029</b>	<b>43 416 399</b>	<b>22 966 740</b>	<b>7 455 109</b>	<b>7 650 630</b>	<b>5 337 470</b>	<b>870</b>	<b>5 580</b>

	<b>Balance amount</b>	<b>Contractual cash flows</b>	<b>0-1 years</b>	<b>1-2 years</b>	<b>2-3 years</b>	<b>3-4 years</b>	<b>4 -5 years</b>	<b>over 5 years</b>
<b>As of 31 December 2015</b>								
Loans and borrowings	20 002 131	22 448 356	13 204 696	6 248 371	2 995 289			
Bills	5 031 441	8 029 400	673 200	673 200	673 200	673 200	5 336 600	-
Trade and other payables	9 214 905	9 214 905	9214851		54	-	-	-
	<b>34 248 477</b>	<b>39 692 661</b>	<b>23 092 747</b>	<b>6 921 571</b>	<b>3 668 543</b>	<b>673 200</b>	<b>5 336 600</b>	<b>-</b>

Financial assurances are disclosed in Note 28.

### **Market risk**

Market risk is the risk that changes in market prices, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

### **Interest rate risk**

The Group's income and operating cash flows are largely independent of changes in market interest rates. The Group is exposed to interest rate risk only through market value fluctuations of loans and borrowings. The interest rates on most loans and borrowings are fixed. Changes in interest rates impact primarily loans and borrowings by changing their fair value (fixed rate debt).

Management does not have a formal policy of determining the risks related to credits and loans accommodated on fixed and variable rates. However, at the time of raising new loans or borrowings management uses its judgment to decide whether it believes that a fixed or variable rate would be more favorable to the Group over the expected period until maturity.

### **Fair value sensitivity analysis for fixed rate instruments**

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit and loss, and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

### **Fair values**

Management believes that at the reporting date the fair value of the Group's financial assets and liabilities approximates their carrying amounts.

The basis for determining fair value is disclosed in Note 6. The Group estimates assets for sale on fair value (Note 14).

### **Capital management**

Management's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management monitors the return on capital, which the Group defines as net profit after tax divided by total shareholders' equity.

Management seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

There were no changes in the Group's approach to capital management during the reporting year.

The amount of the Company's net assets calculated in accordance with RAS as of 31 December 2016 is 1 020 483 thousand rubles less than the authorized capital. The main reason for the decrease in the Company's net assets below the authorized capital level is the creation of provisions for doubtful debts and estimated liabilities.

In connection with this circumstance, the Company's management takes all necessary measures to reduce the amount of overdue accounts receivable and restore the reserves for doubtful debts.

Management of the Company takes measures provided for by Federal Law No.208-FZ "On Joint Stock Companies". A plan of measures to increase the efficiency of operations and improve the financial and economic state of the Company was developed and approved. Thus, despite the shortage of working capital, the management of the Company believes that the Company will be able to meet all of its current debt service obligations during 2017.

## **26. Operating leases**

The Group leases a number of land plots owned by local governments under operating leases. In addition, the Group leases non-residential premises and vehicles. Land leases were entered in prior periods and represented land plots on which power lines, equipment for electricity transformation and other assets are located. The land leases typically run for an initial period of 5 to 49 years, with an option to renew the lease after that date. Lease payments are reviewed regularly to reflect market rentals. The land title does not pass and the landlord retains control over land usage. The Group determined that substantially all the risks and rewards of the land plots are with the landlord, therefore the leases are considered as operating leases.

Non-cancellable operating lease rentals are payable as follows:

	<b>31 December 2016</b>	<b>31 December 2015</b>
Less than one year	98 869	175 082
Between one and five years	307 890	298 932
More than five years	2 504 985	2 342 169
	<b>2 911 744</b>	<b>2 816 183</b>

During the reporting period 177 481 thousand rubles was recognized in the statement of comprehensive income in respect of operating leases (31 December 2015: 196 943 thousand rubles).

## **27. Capital liabilities**

As of 31 December 2016 the amount of future obligations under contracts on purchasing and construction of items of fixed assets amounts 3 258 096 thousand

rubles excluding VAT (31 December 2015 – 2 245 980 thousand rubles).

## **28. Contingencies**

### **Insurance**

The Group has full coverage for its production facilities, losses caused by production shutdowns, arising obligations to third parties in connection with damage to real estate or environment caused by accidents or the Company's activities.

### **Legal proceedings**

The Group was involved in the number of court procedures arising in the course of business. In the opinion of management, there are no current legal proceedings or other claims outstanding, which could have a material adverse effect on the results of operation, financial position or cash flows of the Group and which have not been accrued or disclosed in these consolidated financial statements.

### **Taxation contingencies**

The taxation system in the Russian Federation continues to evolve and is characterized by frequent changes in legislation, official pronouncements and court decisions, which are sometimes contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive and substance-based position in their interpretation and enforcement of tax legislation.

These circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

## Environmental matters

The Company and its predecessors have operated in the electric transmission industry in the Russian Federation for many years. The enforcement of environmental regulations in the Russian Federation is evolving and the enforcement posture of Government authorities is continually being reconsidered. The Company regularly evaluates its obligations under environmental regulations.

Potential liabilities might arise as a result of changes in legislation and regulation or civil litigation. The impact of these potential changes cannot be estimated, but could be material. In the current enforcement climate under existing legislation, the Group's management believes that there are no significant liabilities for environmental damage.

## Guarantees

As of 31 December 2016 and 31 December 2015 the Company has no guarantees.

## 29. Related party transactions

As of 31 December 2016 and 31 December 2015 Rosseti PJSC controlled the Company. The ultimate controlling party is the state represented by Russian Federation Government and owning major share of stock of Rosseti PJSC.

The Group's party transactions are disclosed below:

## Revenue and other profits

	Sum of transaction for the year ended 31 December		Balance	
	2016	2015	31 December 2016	31 December 2015
Parent company				
<b>Rent</b>	<b>1 641</b>	<b>1 641</b>		
<b>Other revenue and profit</b>	6 735	7 978	346 251	-
<b>Affiliated companies</b>				
Revenue from electric energy transmission	461 493	414 407	86 979	38 049
Rent	24 694	25 544	36 462	115 170
Revenue from selling of fixed assets	100 316	-	-	-
Other revenue and profit	6 642	19 485	59 657	56 632
	<b>601 521</b>	<b>469 055</b>	<b>529 349</b>	<b>209 851</b>

## Expenses

	Sum of transaction for the	Balance
--	----------------------------	---------

	year ended 31 December		31 December 2016	31 December 2015
	2016	2015		
Parent company				
<b>Managing services</b>	133 097	133099	7 853	7 853
Technical inspection	28 537	28 537	1 522	1522
Bonded loan and interest	652 221	337 228	5 035 140	5 031 441
Agency fee	-	-	-	271 400
Other	4 952	-	-	-
<b>Affiliated companies</b>				
Electric energy transmission	6 551 314	6 219 203	6 235 184	4 586 093
Technological connection	91	-	-	-
Purchasing of electric energy to compensate technological losses	207 362	158 231	-	-
Rent	5 352	6 682	277	291
Other	909 422	128 931	90907	102 625
	<b>8 492 348</b>	<b>7 011 911</b>	<b>12 182 883</b>	<b>10 001 225</b>

As of 31 December 2016, the balance of advances to related parties was 20 501 thousand rubles, and advances received from related parties amounted to 29 293 thousand rubles (as of 31 December 2015: 17 719 thousand rubles and 1 thousand rubles, respectively). In 2016, the Company decided to pay dividends. The amount of dividends attributable to the parent company was 73 402 thousand rubles. As of 31 December 2016 there is no debt to the parent company for payment of dividends.

### **Operations with key management staff**

The Company identifies members of the Boards of Directors, members of the Management Boards and top managers of the Company as key management personnel.

	The year ended 31 December 2016	The year ended 31 December 2015
Salaries and bonuses	138 459	119 177

Amount of bonuses to key management personnel specified in schedule are expenditures of current period for key management personnel recognized as expense for employee benefits (Note 9(c)).

As of 31 December 2016 and 31 December 2015 the Group has no obligations on plans with specified payments to key management personnel.

### **Transactions with government-related entities**

The Group applies exclusion as for disclosure of information on operations by companies that are related parties in accordance with IAS 24 “Related parties” (Note 3(o)).

In the course of its operating activities the Group is also engaged in significant transactions with government-related entities. Revenues and purchases from government-related entities are measured at regulated tariffs where applicable.

Revenues from government-related entities for the year ended 31 December 2016 constitute 16% (for year ended 31 December 2015: 14%) of total Group revenues, including 13% (for year ended 31 December 2015: 11%) received in the result of electric energy transmission operations.

Electricity transmission costs with government-related entities for year ended 31 December 2016 amounted 5% (for year ended 31 December 2015: 4%) from total cost on electric energy transmission.

Significant credits and loans from government-related entities are disclosed in Note 21.

### **30. Events after the reporting period**

Since 1 January 2017, IDGC of the South PJSC has been granted the status of a guaranteeing supplier on the territory of the Republic of Kalmykia in relation to the zone of activity of the formerly operating guaranteeing company “Southern Interregional Energy Company” JSC on the basis of the Order of the RF Ministry of Energy No.1400 of 23 December 2016: “On assignment of the status of a guaranteeing supplier of a territorial grid organization”.

### **Appendix No. 3 – Change in the value of net assets for the period from 2014 to 2016: explanations and comments**

According to the results of the reporting year 2016, the net asset value of IDGC of the South PJSC (hereinafter – the Company) was 3 960 627 thousand rubles, which is 20.5% less than the authorized capital of the Company.

Information on the value of net assets according to the financial statements of IDGC of the South PJSC for the period from 2014 to 2016.

million rubles

<b>Indicator</b>	<b>31.12.2016</b>	<b>31.12.2015</b>	<b>31.12.2014</b>
Net assets	3 960.6	993.6	5 201.3
Authorized capital	4 981.1	4 981.1	4 981.1
Spread	- 1 020.5	+ 12.5	+ 220.2

The deficit of the net assets as of 31.12.2016 amounted to 1 020 483 thousand rubles. Factors that have affected the reduction of the Company's net assets to level below the authorized capital are:

- as of 31 December 2015: As a result of recognition by the Company of a significant error, the accrual of revenue from electricity transmission services at Astrakhanenergo for the period February-December 2015, and its reflection in the Company's financial statements retrospectively, the financial result of 2015 decreased by 338 080 thousand rubles: from the profit of 149 575 thousand rubles to a loss of 188 505 thousand rubles. Net assets as a result of this adjustment remained at a level of no less than the size of the authorized capital and amounted to 4 993.6 million rubles.

- as of December 31, 2016: The deficit of net assets formed at the level of 1 020 483 thousand rubles. The main influencing factors (totaling 1 928 356 thousand rubles): balanced decrease in the revenue from electricity transmission services of previous years – 883 505 thousand rubles; balanced expenses on penalties and fines under contracts – 507 881 thousand rubles; balanced increase in the cost of compensation for electricity losses of past years – 294 061 thousand rubles; balanced increase in the cost of electricity transmission services through the networks of local grid operators – 242 909 thousand rubles.

In order to maintain financial stability, a number of programmes have been developed in IDGC of the South PJSC; these programmes include a set of measures aimed at bringing the value of the Company's net assets to the level of the amount of the authorized capital.

The key programme document aimed at maintaining financial stability, improving financial and economic situation and bringing the value of the Company's net assets to the level of the amount of the authorized capital is the Company's Development Plan for 2016-2018, developed jointly with the Ministry of Energy of Russia and approved by the Board of Directors of Rosseti PJSC. The development plan systematizes the main problem issues in the Company's activities and provides for implementation of a range of activities aimed at improving the Company's efficiency, improving its financial and economic condition and reaching a sustainable pace of development in the medium term. Implementation of the range of strategic activities envisaged by the Development Plan will enable the Company to bring the value of net assets in line with the size of the authorized capital.

**Appendix No. 4 – Information on participation of IDGC of the South OJSC in other organizations**

**Participation of IDGC of the South PJSC in commercial organizations, which are 100% subsidiaries and dependent companies (SDCs) as of 31.12.2016**

Name and location	Date of registration	Core activity	Revenue of SDC (thousand rubles)	Financial results of SDC (thousand rubles)
<b>1. Joint Stock Company “Energoservis Yuga”</b> 49 Bolshaya Sadovaya str., Rostov-on-Don, 344002, Russian Federation	30.12.2010	Technical testing, research and certification, analysis of mechanical and electrical characteristics of finished products, design and construction and installation works, professional, scientific, technical and other activities	67 899	-14 739
<b>2. Open Joint-Stock Company “Agricultural Enterprise named after A.A. Grechko”</b> 21 Teatralnaya str., Kuibyshevskiy district, Kuibyshev, Rostov region, Russia	17.11.2003	Production, processing and sale of agricultural products of own production	–	-759
<b>3. Joint Stock Company “Agricultural Enterprise Sokolovskoye”</b>	13.11.2003	Production, processing and sale of agricultural products of own production	52 806	2 274

32 Kurskaya str., Sokolov-Kundryuchenskiy village, Novoshakhtinsk, Russia				
<b>4. Joint Stock Company “Recreation Centre “Energetik”</b> 3 Shkolnaya str., Shepsi village, Tuapse district, Krasnodar region, Russian Federation	10.11.2003	Sanatorium and spa facilities for treatment and rehabilitation (recreation) of adults, parents with children (at least 5 years of age) and organized groups of school-age children, provision of a services, excursions and tourist, cultural and entertainment services.	28 698	- 1 864

#### Participation of IDGC of the South PJSC in other commercial organizations

Name and location	Date of registration	Core activity	Share of IDGC of the South PJSC
<b>1. Public Joint Stock Company “Volgogradenergobyt”</b> 14 Kozlovskaya str., Volgograd 400001, Russian Federation	01.01.2005	Purchase and sale of electrical energy	Ordinary shares – 0,2469% Preferred shares – 1,8097%
<b>2. Public Joint Stock Company “Federal Grid Company of the Unified Energy System”</b> 5A Akademika Chelomeya str., 117630, Moscow	25.06.2002	Transmission and distribution of electricity, services on connection to electric grids.	0,0009%
<b>3. Open Joint-Stock Company Football Club “Rostov”</b> 31e Sholokhova lane, Rostov-on-Don 344000	19.11.1997	Preparation and organization of football teams, holding football competitions	0,41%
<b>4. Public Joint-Stock Company “Insurance Joint-Stock Company “ENERGOGARANT”</b> 23 Sadovnicheskaya Naberzhnaya str., Moscow 115035	28.08.1992	Insurance	0,0226%
<b>5. Closed Joint-Stock Company “CHAGANSKOE”</b> 1 Lenina str., Chagan village, Kazymyanskiy district, Astrakhan region 416303	25.07.1996	Agricultural activities	2,3250%



## Appendix No. 5 – Information on interested party transactions concluded by IDGC of the South PJSC in 2016

### All interested party transactions of IDGC of the South PJSC concluded in 2016 on market terms.

#	Type of transaction	Subject of transaction	The name of the management body that approved the transaction, date of approval, the number and date of the protocol	Interested parties
1	Contract on provision of training services between the Company and LLC Omega; 4 February 2016 #61001601000009	<p><b>Contract parties:</b> Customer - IDGC of the South PJSC. Contractor – LLC Omega.</p> <p><b>Subject of the Contract:</b> The Contractor undertakes to provide training services for the Customer’s employees in accordance with the educational programme of additional professional education “Contract system in the field of procurement in accordance with Law 44-FZ” in accordance with Annex # 1 to the Contract. Form of training: distance learning technologies (with the use of e-learning).</p> <p><b>Price of the Contract:</b> The cost of the Services rendered to the Customer is 62 500.00 (sixty-two thousand five hundred) rubles 00 kopecks, including VAT in the amount of 4766 (four thousand seven hundred sixty six) rubles 95 kopecks, taking into account all expenses related to the performance of the Contract, including transportation, insurance, payment of taxes, fees and other mandatory payments. The price of the Contract includes the cost of educational services that are not subject to VAT, in accordance with cl. 14, paragraph 2 of Art. 149 of the Tax Code of the Russian Federation and the cost of services to provide authorized access to educational materials for educational</p>	The Company’s Board of Directors, 29.01.2016, minutes of meeting No.176/2016; 01.02.2016.	Recipients of training services are members of the Company’s collegial executive body – members of the Company’s Management Board: Chasovskoy A.A. and Goncharov P.V.

programme, including VAT in accordance with the current legislation of the Russian Federation.

**Duration of the Contract:**

The Contract comes into force upon signing by the Parties and is valid until the Parties fully fulfill their obligations.

**Responsibilities of the parties:**

If the Customer has reasonable claims on provision of the Services, the Contractor undertakes to review the Customer's Claim within 5 (five) days from the date of its receipt. If the Claim is acknowledged, the Contractor is obliged to eliminate the defects within 3 (three) business days. If the deficiencies are not rectified within the specified period, the Customer shall be entitled to demand payment of a penalty (fine, surcharge) within the amounts transferred by the Customer for the Services within 1 (one) month preceding the moment of the Claim from the Customer, and (or) early termination of the Contract by drawing up an Additional Claim. The Contractor undertakes to respond to it within fifteen days from the date of receipt of the additional Claim by an official letter. In the event that the additional claim of the Customer is found to be justified, the Contractor shall, subject to the Customer's requirements, transfer to the Customer a penalty (fine, surcharge) and/or terminate the Contract.

Fines are accrued for failure to perform or improper performance by the Parties of the obligations stipulated by the Contract, except for the delay in performance by the Contractor of the obligations (including the guarantee obligation) provided for by the Contract. The amount of the fine is established by the Contract in the form of a fixed amount determined in the order established by the Government of the Russian Federation.

For failure to perform or improper fulfillment of the Contract's obligations stipulated in the Contract (including poor performance of works), except for the delay in the fulfillment

	<p>of the obligations stipulated in the Contract, the amount of the fine is established in accordance with the provisions Decree of the Government of the Russian Federation of November 25, 2013 # 1063, in the amount of 10 percent of the price of the Contract.</p> <p>For failure to perform or improper performance by the Customer of its obligations stipulated by the Contract, except for the delay in performance of obligations stipulated in the Contract, the amount of the fine shall be determined in the form of a fixed amount, in accordance with the provisions of the Decree of the Government of the Russian Federation of November 25, 2013 # 1063, in the amount of 2.5 percent of the price of the Contract.</p> <p>In case of delay in the fulfillment of obligations by the Parties, within a period stipulated by the Contract, the Parties shall pay the penalty to the Customer.</p> <p>Penalty is charged for each day of delay in performance of obligation provided for in the Contract and is established at the rate of one three hundredth of the refinancing rate of the Central Bank of the Russian Federation effective on the date of payment of interest on the full cost of the work under the Contract.</p> <p><b>Dispute settlement procedure:</b>  Disputes and disagreements that may arise during implementation of the Contract will, if possible, be resolved through negotiations between the Parties.  If it is impossible to resolve disputes through negotiations, the Parties, after implementing the procedure of pre-trial settlement of disagreements provided by law, shall forward them to the Arbitration Court at the location of the defendant.</p>		
2	<p>Contract between the Company and</p> <p><b>Contract parties:</b>  IDGC of the South PJSC - User.  “FOCL-Power Lines Directorate” JSC - Supplier.</p>	<p>The Company’s Board of Directors, 25.02.2016, minutes</p>	<p>The shareholder of the Company is Rosseti PJSC, which owns more than 20% of the authorized capital</p>

“FOCL-Power Lines  
Directorate” JSC  
21 March 2016  
#10001601000026

**Subject of the Contract:**

Under the Contract, the Supplier transfers to the User the right to use Kaspersky Anti-Virus for Business “Russian Edition 5000 + Node 2 year Renewal License” (hereinafter referred to as the license) without the right to issue licenses to others, as well as software copies, passwords, electronic keys, other accessories necessary for Realization of the specified right of use, and the User undertakes to pay to the Supplier the cost of the license in accordance with Appendix # 1 to the Contract. Name of the software, amount of licenses, procedure and timing of its transfer, cost of the license, the period for which the license is transferred are specified in Appendix # 1 to the Contract.

Simultaneously with the transfer of the software, the Supplier undertakes to transfer to the User a duly certified copy of the document confirming that the Supplier has the rights necessary to transfer the User’s rights to use the Software, technical documentation for the Software, passwords, electronic keys, other accessories necessary for proper installation and use the software.

**Price of the Contract:**

The total sum of the contract (Contract Price) is 6 780 088 (six million seven hundred eighty thousand eighty eight) rubles 00 kopecks. VAT is not imposed in accordance with cl. 26, paragraph 2 of Art. 149 of the Tax Code of the Russian Federation.

**Duration of the Contract:**

The Contract comes into force upon the signature and is valid until the Parties fully fulfill their obligations under the Contract.

**Dispute Resolution Procedure:**

If any dispute or disagreement arises between the Supplier and the User relating to the Contract or the performance or failure of any Party to fulfill obligations under the Contract, the dispute

of meeting No.177/2016;  
29.02.2016.

and the Company; “FOCL-Power Lines Directorate” JSC; as well as the General Director, member of the Board of Directors of the Company – Ebzeev B.B.

		shall be referred to the Arbitration Court at the location of the defendant.		
3.	<p>Contract on provision of organization and holding Interregional Professional Competence Competitions for the repair and maintenance of substation equipment and cable networks between the Company and “Lenenergo” PJSC 7 April 2016 #61001601000028</p>	<p><b>Contract parties:</b> Customer - IDGC of the South PJSC. Contractor - “Lenenergo” PJSC.</p> <p><b>Subject of the Contract:</b> The Contractor undertakes to provide services on organization and holding of the Event at the training ground of “Lenenergo” PJSC in the village Tervolovo-Gatchina municipal district of the Leningrad Region on 25-29 July 2016, in accordance with the Regulations; the Customer shall pay for the services in accordance with the terms of this Contract.</p> <p>The service provided by the Customer under the Contract is to determine the level of the personnel preparedness for maintenance and repair of substation equipment and cable networks, distribution of advanced and new methods of work among the subsidiaries and affiliates, which in turn will enable Rosseti to make strategic decisions that are aimed at increasing reliability of the power grid, as well as increasing the investment attractiveness of the assets of Rosseti PJSC and its subsidiaries and dependent companies.</p> <p>The Contractor has the right to engage third parties (co-executors) in order to fulfill the obligations provided for in this Contract, remaining liable to the Customer for the actions of these third parties.</p> <p><b>Price of the Contract:</b> The cost of services is 2 320 000,00 (two million three hundred twenty thousand rubles 00 kopecks), including 18% VAT – 353 898.31 rubles (three hundred fifty three thousand eight hundred ninety eight rubles 31 kopecks) in accordance with Appendix # 1 to this contract.</p>	<p>The Company’s Board of Directors, 11.03.2016, minutes of meeting No.180/2016; 14.03.2016.</p>	<p>The shareholder of the Company is Rosseti PJSC, which owns more than 20% of the authorized capital and the Company, and “Lenenergo” PJSC.</p>

	<p>Payment for services under this contract is made in the amount of 100% of the sum specified in clause 4.1 of this contract by transferring funds to the Contractor's settlement account within five banking days from the date of signing this Contract by the Parties.</p> <p>Within 5 (five) business days from the date of receipt of the advance payment, the Contractor submits an invoice to the Customer for the amount of the advance received.</p> <p><b>Duration of the Contract:</b></p> <p>This Contract enters into force from the date of signing and is valid until the parties fulfill their obligations.</p> <p><b>Responsibilities of the parties:</b></p> <p>For failure to perform or improper performance of obligations under this Contract, the Parties shall be liable in accordance with the current legislation.</p> <p>The Contractor provides the Customer with information on classification of the subcontracted entities involved in the subjects of small and medium-sized businesses before the conclusion of the contract (additional agreement) on attracting/replacing subcontractors.</p> <p>If the Contractor fails to provide information on attribution of subcontracted entities to small and medium-sized businesses, the Contractor shall pay to the Customer a penalty of 0.1% of the value of the contract.</p> <p>The Customer undertakes not to recover from the Contractor interest on the monetary obligation provided for by Article 317.1 of the Civil Code of the Russian Federation.</p> <p><b>Dispute settlement procedure:</b></p> <p>All disputes and disagreements arising in the course of performance, modification or termination of the Contract shall be resolved by the Parties, if possible, by negotiation, and if the agreement is not reached, in accordance with the procedure established by the current legislation of the Russian Federation.</p>		
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		<p>All disputes, disagreements and demands arising from or in connection with this contract (agreement), including those related to its conclusion, action, modification, implementation, violation, termination, dissolution and validity shall be resolved via negotiations.</p> <p>In case of failure to resolve the dispute by negotiation, prior to applying to the court, it is subject to resolution by applying an alternative procedure for settlement of disputes (mediation), on terms and according to the procedure established by the legislation and the Rules for Consideration and Settlement of Disputes and Conflicts of Interest in the Group of Companies of Rosseti PJSC.</p> <p>If the parties do not reach an agreement through mediation, it is subject to settlement in the Arbitration Court at the Russian Union of Industrialists and Entrepreneurs (the Court of Arbitration at the Russian Union of Industrialists and Entrepreneurs) (location – Moscow) in accordance with its rules in force on the date of filing the claim.</p> <p>Decisions of the Arbitration Court are mandatory, final and not subject to challenge.</p>		
4.	<p>Contract between the Company and National Research University Moscow Power Engineering Institute (MPEI) 21 March 2016 #10001601000034</p>	<p><b>Contract parties:</b>  Customer - IDGC of the South PJSC.  Contractor - National Research University MPEI.</p> <p><b>Subject of the Contract:</b>  The Contractor undertakes in the framework of implementation of additional training programmes, recognized as the winners of the competitive selection in 2016, conducted as part of the departmental target programme “Increase of qualification of engineering and technical personnel in 2015 – 2016” to provide organization and implementation of training for employees of the Customer under the programme “Energy Efficiency and Energy Saving in the Design of Electric Grid Complex</p>	<p>The Company’s Board of Directors, 11.03.2016, minutes of meeting No.180/2016; 14.03.2016.</p>	<p>The shareholder of the Company is Rosseti PJSC, which owns more than 20% of the authorized capital and the Company, whose affiliated person is Budargin O.M., who is a member of the scientific council of the party of the transaction.</p>

	<p>Facilities”; the course has a 72 hours training programme at the enterprises, in research and engineering centers in Russia.</p> <p><b>Price of the Contract:</b></p> <p>The total cost of services on organization and implementation of advanced training (training, internship in Russia) for the Customer’s employees under the Agreement on the Programme “Energy Efficiency and Energy Saving in the Design of Electric Grid Complex Facilities” is 280 000 (two hundred eighty thousand) rubles 00 kopecks (Appendix # 3 “Cost estimates” to the Contract), VAT is not stipulated on the basis of cl. 14, paragraph 2, art. 149 of the Tax Code of the Russian Federation, including:</p> <ul style="list-style-type: none"> <li>- at the expense of the federal budget for implementation of the departmental targeted programme “Increase of qualification of engineering and technical personnel in 2015 – 2016”: 140 000 (one hundred forty thousand) rubles 00 kopecks;</li> <li>- at the expense of co-financing of the Customer: 140 000 (one hundred forty thousand) rubles 00 kopecks, including: <ul style="list-style-type: none"> <li>means of co-financing of the Customer, transferred to the account of the Contractor: 140 000 (one hundred forty thousand) rubles 00 kopecks;</li> <li>expenses incurred by the Customer: 0 (zero) rubles 00 kopecks.</li> </ul> </li> </ul> <p>The procedure for payment by the Customer for the Contractor’s services (transfer of co-financing funds to the Contractor’s account) is carried out on the basis of 100% advance payment of 140 000 (one hundred forty thousand) rubles 00 kopecks within 15 (fifteen) working days from the date of receipt of invoice, provided that the Parties have the Contract signed.</p> <p><b>Duration of the Contract:</b></p> <p>The Contract comes into force upon the signature and is valid until the Parties fully fulfill their obligations under the Contract.</p>		
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5.	<p>Contract between the Company and National Research University Moscow Power Engineering Institute (MPEI) 31 March 2016 #61001601000036</p>	<p><b>Contract parties:</b> Customer - IDGC of the South PJSC. Contractor - National Research University MPEI.</p> <p><b>Subject of the Contract:</b> According to the contract, the Contractor undertakes to provide at the Customer's request educational services in part-time (evening) form using distance learning technologies for professional retraining programme "Technology of production and transmission of electric and thermal energy in modern conditions", course "Power Industry and Electrical Engineering"</p> <p><b>Price of the Contract:</b> The cost of the services rendered to the Customer under the contract (the Contract Price) is 135 000 rubles (one hundred thirty-five thousand rubles 00 kopecks), VAT is not stipulated (clause 14 par. 2. Art.149 of the Tax Code of the Russian Federation), the cost of the internship is not included. Expenses for internship are paid by the Customer independently. The Customer pays for the rendered services within 60 (sixty) banking days for each stage of training from the date of signing the Acceptance of Services Act provided that the Contractor provides the invoice issued in accordance with the requirements of the RF legislation.</p> <p><b>Duration of the Contract:</b> The Contract comes into force upon the signature and is valid until the Parties fully fulfill their obligations under the Contract.</p>	<p>The Company's Board of Directors, 31.03.2016, minutes of meeting No.182/2016; 01.04.2016.</p>	<p>Shareholder, owning more than 20% of the Company's voting shares – Rosseti PJSC, whose affiliated person is Budargin O.M., who is a member of the scientific council of the party of the transaction.</p>
6.	<p>Contract on provision of information and consulting services between the Company and</p>	<p><b>Contract parties:</b> Customer – IDGC of the South PJSC. Contractor – "BIPRES" LLC.</p> <p><b>Subject of the Contract:</b> The Contractor provides information and consulting services in the form of organizing and conducting a seminar for the persons specified by the Customer on the topic: "FAS Russia: New in</p>	<p>The Company's Board of Directors, 31.03.2016, minutes of meeting No.182/2016; 01.04.2016.</p>	<p>Member of the collegial executive body (the Management Board of the Company) A.A. Rybin is the beneficiary of the transaction.</p>

	<p>“BIPRES” LLC dated 3 March 2016 #61001601000017</p>	<p>tariff formation and formation of the balance of heat and electricity. Theory and practice of antimonopoly regulation in the electric power industry” for the period 24-25 March 2016, and the Customer undertakes to accept and pay for the services for participation in the seminar of the following listeners: 1. Rybin Alexey Alexandrovich; 2. Babenkova Elena. Viktotrovna <b>Price of the Contract:</b> The full cost of services under the Contract, payable by the Customer, is 71 000.00 (seventy one thousand) rubles 00 kopecks; VAT is not imposed in accordance with clause 2 of Article 346.11 of the Tax Code of the Russian Federation (Simplified Taxation System). <b>Duration of the Contract:</b> The Contract comes into force upon the signature and is valid until the Parties fully fulfill their obligations under the Contract.</p>		
7.	<p>Contract for implementation of works on liquidation of consequences of accidents at energy facilities caused by damage resulting from natural disasters between “Kubanenergo” PJSC and the Company 10 May 2016 #10001601000056</p>	<p><b>Contract parties:</b> Customer – IDGC of the South PJSC, Contractor – “Kubanenergo” PJSC. <b>Subject of the Contract:</b> The Contractor undertakes to perform work to eliminate the consequences of accidents at facilities branches caused by damaged equipment in result of natural disaster and to deliver the results of work to the Customer. Types of work, the volume and description are discussed by the Parties in the activity dependent cost estimate (Annexes 1, 1.1-1.5 to the Contract). The concept (definition) of an accident is understood in the sense in which it is interpreted by the Rules for Investigating the Causes of Accidents in the Electric Power Industry, by Decree of the Government of the Russian Federation# 846 approved on October 28, 2009. <b>Price of the Contract:</b></p>	<p>The Company’s Board of Directors, 05.04.2016, minutes of meeting No.183/2016; 07.04.2016.</p>	<p>The shareholder of the Company – Rosseti PJSC, which owns more than 20% of the charter capital of Kubanenergo PJSC, and also the member of the Board of Directors of the Company, Kharin A.N., who is a member of the Board of Directors of Kubanenergo PJSC, and the Company’s General Director B.B.Ebzeev as a person belonging to the group of persons to which the Company belongs.</p>

		<p>The preliminary price of the work performed by the Contractor amounts to 1274 227,28 (one million two hundred seventy four thousand two hundred twenty seven) rubles 28 kopecks, including 18% VAT – 194 373,65 (one hundred ninety four thousand three hundred seventy three) rubles 65 kopecks, in accordance with planned volume of work specified in the activity dependent cost estimate (Annexes 1, 1.1-1.5 to the Contract).</p> <p><b>Duration of the Contract:</b> The Contract comes into force upon the signature and covers legal relationship between the parties that occurred from 29 September 2014 and is valid until complete fulfillment of all contractual obligations by the Parties.</p>		
8.	<p>Contract for implementation of works on liquidation of consequences of accidents at energy facilities of “IDGC of the South” PJSC – Rostovenergo branch between the Company and “IDGC of the North Caucasus” PJSC 8 June 2016 #10001601000066</p>	<p><b>Contract parties:</b> Customer - IDGC of the South PJSC, Contractor - “IDGC of the North Caucasus” PJSC.</p> <p><b>Subject of the Contract:</b> The Contractor undertakes to perform, in accordance with the Customer’s task work to eliminate the consequences of accidents at facilities of “IDGC of the South” PJSC – Rostovenergo branch, using the Customer’s materials, in accordance with the List of Facilities (Annex # 3 to the Contract) and hand over the result of the performed work to the Customer according to the act, and the Customer undertakes to accept the result of the work and pay in the order stipulated by the Contract.</p> <p><b>Price of the Contract:</b> The cost of the work under the Contract is determined by the contractual price, which at the time of signing the Contract is determined by the Estimate Documentation (Annex # 1, 1.1-1.4 to the contract), the Protocol of the agreement on the contract price (Appendix # 2 to the contract) and amounts to 372 285 (three hundred seventy two thousand two hundred eighty-five)</p>	<p>The Company’s Board of Directors, 06.05.2016, minutes of meeting No.188/2016; 10.05.2016.</p>	<p>Shareholder of the Company – Rosseti PJSC, which owns more than 20% of the voting shares of “IDGC of the North Caucasus” PJSC, as well as the Chairman of the Board of Directors of the Company Arkhipov S.A., who is the Chairman of the Board of Directors of “IDGC of the North Caucasus” PJSC and the Company’s General Director B.B. Ebzeev as a person belonging to the group of persons to which the Company belongs.</p>

		<p>rubles 93 kopecks, including VAT 18% - 56 789 (fifty six thousand seven hundred eighty nine) rubles 38 kopecks.</p> <p><b>Duration of the Contract:</b> The Contract comes into force upon the signature and covers legal relationship between the parties that occurred from 29 September 2014 and is valid until complete fulfillment of all contractual obligations by the Parties.</p>		
9.	<p>Contract of purchase and sale of trips between “Recreation center “Energetik” JSC and the Company 23 May 2016 #10001601000061</p>	<p><b>Contract parties:</b> Customer - IDGC of the South PJSC. Contractor - “Recreation center “Energetik” JSC</p> <p><b>Subject of the Contract:</b> The seller undertakes to sell trips to holiday and health centre at the prices specified in Appendix # 1 to the Contract, and the Buyer undertakes to accept and pay for trips within the period specified in the Contract and in the amount and under the titles indicated in the Buyer’s application (application form - Appendix # 2 to the contract).</p> <p><b>Term of services:</b> The services specified in clause 1.1 of the Contract are rendered by the Contractor from May 30 to October 15, 2016.</p> <p><b>Price of the Contract:</b> The maximum value of the contract is 8 268 750 (eight million two hundred sixty eight thousand seven hundred fifty) rubles 00 kopecks (VAT is not stipulated) for 675 trip vouchers. The indicated cost is final and not subject to increase.</p> <p><b>Duration of the Contract:</b> The Contract comes into force upon signature and is valid until December 31, 2016.</p>	<p>The Company’s Board of Directors, 06.05.2016, minutes of meeting No.188/2016; 10.05.2016.</p>	<p>Shareholder of the Company – Rossetti PJSC, which together with its affiliated persons of the Company and “Recreation center “Energetik” JSC owns more than 20% of the voting shares of the companies which are Parties of the transaction.</p> <p>The Company owns 100% of the authorized capital of “Recreation center “Energetik” JSC.</p> <p>In addition, the member of the Management Board of the Company Kiek O.P., who is the Chairman of the Board of Directors of “Recreation center “Energetik” JSC, is recognized as an interested party.</p>
10.	<p>Contract for provision of services on metrological maintenance of measuring</p>	<p><b>Contract parties:</b> Customer - “RusHydro” PSC Contractor – IDGC of the South.</p> <p><b>Subject of the Contract:</b></p>	<p>The Company’s Board of Directors, 03.06.2016, minutes of meeting No.190/2016; 06.06.2016.</p>	<p>Shareholder holding more than 20% of the voting shares of the Company - Rossetti PJSC, whose affiliates D.S. Morozov, and Shishkin A.N. occupy posts in the</p>

	<p>instruments between the Company and “RusHydro” PSC 10 June 2016 #10001601000068</p>	<p>The Contractor undertakes to render services in accordance with the terms of the contract for metrological maintenance of measuring instruments specified in the Calculation of the cost of services on metrological maintenance of measuring instruments of the branch of “RusHydro” PSC – “Volzhskaya HPP” (Appendix 1 to the Contract) and hand over the result of the rendered services to the Customer, and the Customer undertakes to pay for the rendered services in amount and on the terms specified in the Contract.</p> <p><b>Price of the Contract:</b> The cost of services is 250 960 (two hundred fifty thousand nine hundred sixty) rubles 51 kopecks, including 18% VAT – 8 282 (thirty eight thousand two hundred eighty two) rubles 11 kopecks. In accordance with Appendix # 1 to the Contract.</p> <p><b>Duration of the Contract:</b> The Contract comes into force from the moment it is signed by the parties and is valid until August 31, 2016, and in respect of mutual settlements – until the fulfillment of obligations. The agreement applies to legal relations that occurred on 01.01.2016.</p>		<p>management bodies (members of the Board of Directors) of the legal entity that is a party to the transaction, “RusHydro” PJSC.</p>
11.	<p>Contract for implementation of works on liquidation of consequences of accidents at energy facilities of “IDGC of the South” PJSC – Astrakhanenergo branch between the Company and “IDGC of the North Caucasus” PJSC 29 June 2016 #10001601000077</p>	<p><b>Contract parties:</b> Customer - IDGC of the South PJSC, Contractor - “IDGC of the North Caucasus” PJSC</p> <p><b>Subject of the Contract:</b> The Contractor undertakes to perform, in accordance with the Customer’s task work to eliminate the consequences of accidents at facilities of “IDGC of the South” PJSC – Astrakhanenergo branch, using the Customer’s materials, in accordance with the List of Facilities (Annex # 3 to the Contract) and hand over the result of the performed work to the Customer according to the act, and the Customer undertakes to accept the result of the work and pay in the order stipulated by the Contract.</p> <p><b>Price of the Contract:</b></p>	<p>The Company’s Board of Directors, 03.06.2016, minutes of meeting No.190/2016; 06.06.2016.</p>	<p>Shareholder of the Company – Rosseti PJSC, which owns more than 20% of the voting shares of “IDGC of the North Caucasus” PJSC, as well as the Chairman of the Board of Directors of the Company Arkhipov S.A., who is the Chairman of the Board of Directors of “IDGC of the North Caucasus” PJSC and the Company’s General Director B.B. Ebzeev as a person belonging to the group of persons to which the Company belongs.</p>

		<p>The cost of the work under the Contract is determined by the contractual price, which at the time of signing the Contract is determined by the Estimate Documentation (Annex # 1, 1.1-1.3 to the contract), the Protocol of the agreement on the contract price (Appendix # 2 to the contract) and amounts to 544 971 (five hundred forty four thousand nine hundred seventy one) rubles 15 kopecks, including 18% VAT – 83 131 (eighty three thousand one hundred thirty one) rubles 19 kopecks..</p> <p><b>Duration of the Contract:</b> The Contract comes into force upon the Party’s signing it and covers legal relationship between the parties that occurred from 18 December 2014 and is valid until complete fulfillment of all contractual obligations by the Parties.</p>		
12.	<p>Contract for implementation of works on liquidation of consequences of accidents at energy facilities of “IDGC of the South” PJSC – Kalmenergo branch between the Company and “IDGC of the North Caucasus” PJSC 29 June 2016 #10001601000076</p>	<p><b>Contract parties:</b> Customer - IDGC of the South PJSC, Contractor - “IDGC of the North Caucasus” PJSC</p> <p><b>Subject of the Contract:</b> The Contractor undertakes to perform, in accordance with the Customer’s task work to eliminate the consequences of accidents at facilities of “IDGC of the South” PJSC – Kalmenergo branch, using the Customer’s materials, in accordance with the List of Facilities (Annex # 3 to the Contract) and hand over the result of the performed work to the Customer according to the act, and the Customer undertakes to accept the result of the work and pay in the order stipulated by the Contract.</p> <p><b>Price of the Contract:</b> The cost of the work under the Contract is determined by the contractual price, which at the time of signing the Contract is determined by the Estimate Documentation (Annex # 1, 1.1-1.319 to the contract), the Protocol of the agreement on the contract price (Appendix # 2 to the contract) and amounts to 458 658 (four hundred fifty eight thousand six hundred fifty</p>	<p>The Company’s Board of Directors, 03.06.2016, minutes of meeting No.190/2016; 06.06.2016.</p>	<p>Shareholder of the Company – Rosseti PJSC, which owns more than 20% of the voting shares of “IDGC of the North Caucasus” PJSC, as well as the Chairman of the Board of Directors of the Company Arkhipov S.A., who is the Chairman of the Board of Directors of “IDGC of the North Caucasus” PJSC and the Company’s General Director B.B. Ebzeev as a person belonging to the group of persons to which the Company belongs.</p>

		<p>eight) rubles 47 kopecks, including 18% VAT – 69 964 (sixty nine thousand nine hundred sixty four) rubles 85 kopecks.</p> <p><b>Duration of the Contract:</b> The Contract comes into force upon the Party’s signing it and covers legal relationship between the parties that occurred from 30 March 2015 and is valid until complete fulfillment of all contractual obligations by the Parties.</p>		
13.	<p>Contract on provision of educational services between the Company and the Private Institution of Additional Professional Education “Energetik” 25 December 2016 #61201501020532</p>	<p><b>Contract parties:</b> Customer – IDGC of the South PJSC. Contractor – Private Institution of Additional Professional Education “Educational Centre “Energetik”.</p> <p><b>Subject of the Contract:</b> The Contractor undertakes, under the task of the Customer, to provide educational services educational programmes “Labour Protection for Managers and Specialists” and “Fire safety and technical minimum for managers and those responsible for fire safety in institutions” to the following listeners: 1. Ebzeev Boris Borisovich; 2. Knish Sergey Alekseevich.</p> <p><b>Price of the Contract:</b> The full cost of paid educational services for the entire period of training of students is 14 100 (fourteen thousand one hundred) rubles 00 kopecks (VAT is not charged). The contractor is not a VAT payer, because of application of the simplified taxation system (Clause 2, Article 346.11 of the Tax Code of the Russian Federation).</p> <p><b>Duration of the Contract:</b> The Contract comes into force upon the signature and is valid until the Parties fully fulfill their obligations under the Contract.</p>	<p>The Company’s Board of Directors, 03.06.2016, minutes of meeting No.190/2016; 06.06.2016.</p>	<p>Member of the collegial executive body (the Management Board of the Company) B.B. Ebzeev, who is the beneficiary of the transaction.</p>
14.	<p>Contract on provision of educational services between the</p>	<p><b>Contract parties:</b> Customer - IDGC of the South PJSC. Contractor – State Public Institution of Rostov Region “The Educational and Methodological Centre for Civil Defense and</p>	<p>The Company’s Board of Directors, 03.06.2016, minutes of meeting No.190/2016; 06.06.2016.</p>	<p>Members of the collegial executive body (the Management Board of the Company): B.B. Ebzeev, P.V. Goncharov, A.A. Chasovskoy,</p>

	<p>Company and the State Public Institution of Rostov Region “The Educational and Methodological Centre for Civil Defense and Emergency Situations of Rostov Region” 23 May 2016 #61001601000043</p>	<p>Emergency Situations of Rostov Region” <b>Subject of the Contract:</b> The Contractor undertakes to provide educational services “Program for development of professional skills of officials and civil defense specialists and the territorial (regional) subsystem of the unified state system for preventing and eliminating emergencies” to the following listeners: 1. Ebzhev Boris Borisovich; 2. Goncharov Pavel Viktorovich; 3. Alexander Alexandrovich Chasovsky; 4. Chekmarev Sergey Alekseevich. <b>Price of the Contract:</b> The cost of services rendered to the Customer under the Contract is 16 704 (sixteen thousand seven hundred four) rubles 00 kopecks. VAT is not charged (clause 14 item 2 article 149 of the Tax code of the Russian Federation). <b>Duration of the Contract:</b> The Contract comes into force upon its signing and shall remain in force until the Parties fulfill all their obligations, but not later than December 31, 2016.</p>		<p>S.A. Chekmarev, who are beneficiaries of the transaction.</p>
15.	<p>Supplementary agreement # 1 to the contract dated November 28, 2014 # UVV-77D-0842-14/10001401000118 of the Commercial Representative Office of the Owner of Electric Power Facilities for the purposes of concluding and implementing</p>	<p>The supplementary agreement specifies the name of the contract of commercial representation and supplements it with the following annexes: - Appendix # 13 - Technical conditions for placing communication equipment at power facilities. Sample; - Appendix # 14 - Agreement on placement of communications equipment at power facilities. Sample; - Appendix # 15 - Agreement on placement of communications equipment at power facilities. The order of interaction, amount of remuneration; - Appendix # 16 - Technical conditions for construction and operation of fiber-optic communication lines in the protected areas of electric grid facilities</p>	<p>The Company’s Board of Directors, 03.06.2016, minutes of meeting No.190/2016; 06.06.2016.</p>	<p>The shareholder of the Company is Rosseti PJSC, which owns more than 20% of the authorized capital and the Company and “FOCL-Power Lines Directorate” JSC</p>

	<p>contracts on placement of fiber-optic communication lines at power grid facilities of the territorial distribution network between the Company and “FOCL-Power Lines Directorate” JSC 16 August 2016 #10001604000069</p>			
16.	<p>Contract for the provision of services between the Company and “FOCL-Power Lines Directorate” JSC 9 June 2016 #10001601000067</p>	<p><b>Contract parties:</b> IDGC of the South PJSC (Customer). “FOCL-Power Lines Directorate” JSC (Contractor). <b>Subject of the Contract:</b> The Contractor shall personally render services to support the reference data for the needs of IDGC of the South PJSC. <b>Price of the Contract:</b> The total cost of services under the contract (price of the contract) is 3 096 864 (three million ninety six thousand eight hundred sixty four) rubles 06 kopecks, including VAT 18% - 472 402 (four hundred seventy two thousand four hundred two) rubles 99 kopecks. <b>Settlement procedure:</b> The Customer pays the cost of the services rendered within 60 (sixty) banking days from the date of signing by the Parties of the act of acceptance of the services rendered, provided the Contractor submits the invoice issued in accordance with the requirements of the legislation of the Russian Federation. <b>Duration of the Contract:</b> The Contract comes into force upon signing and is valid until the Parties fully fulfill their obligations under the Contract.</p>	<p>The Company’s Board of Directors, 03.06.2016, minutes of meeting No.190/2016 от 06.06.2016.</p>	<p>The shareholder of the Company is Rosseti PJSC, which owns more than 20% of the authorized capital and the Company, and “FOCL-Power Lines Directorate” JSC</p>

17.	<p>Contract on repair of the main graphic controller Barco AGC 3390-41 Argus processor AX6 Quad EON / ICPU, by supplying the Supermicro X7DBE-X motherboard with the provision of installation, configuration, software update (startup) and commissioning at the site of the branch of IDGC of the South – Astrakhanenergo, between the Company and “IT Energy Service” LLC 25 August 2016 #30001601005009</p>	<p><b>Contract parties:</b> Customer - IDGC of the South PJSC. Contractor - “IT Energy Service” LLC</p> <p><b>Subject of the Contract:</b> Repair of the main graphic controller Barco AGC 3390-41 Argus processor AX6 Quad EON/ ICPU, by supplying the Supermicro X7DBE-X motherboard with the provision of installation, configuration, software update (startup) and commissioning at the site of the branch of IDGC of the South – Astrakhanenergo</p> <p><b>Price of the Contract:</b> The cost of services is 351 870 (three hundred fifty one thousand eight hundred seventy) rubles 37 kopecks, including 18% VAT – 53 675 (fifty three thousand six hundred seventy five) rubles, 13 kopecks in accordance with Appendix # 1 to the contract.</p> <p><b>Duration of the Contract:</b> The Contract comes into force upon the signature and is valid until the Parties fully fulfill their obligations under the Contract.</p>	<p>The Company’s Board of Directors, 08.07.2016, minutes of meeting No.193/2016 or 11.07.2016.</p>	<p>Shareholder holding more than 20% of the Company’s voting shares –Rosseti PJSC, whose affiliate is “IT Energy Service” LLC</p>
18.	<p>Contract on implementation of works on liquidation of consequences of accidents at energy facilities of “IDGC of the South” PJSC, caused by damage</p>	<p><b>Contract parties:</b> Customer – IDGC of the South PJSC, Customer – “Kubanenergo” PJSC</p> <p><b>Subject of the Contract:</b> The Contractor undertakes to perform work to eliminate the consequences of accidents at facilities of Kubanenergo branches caused by damaged equipment in result of natural</p>	<p>The Company’s Board of Directors, 27.07.2016, minutes of meeting No.196/2016; 29.07.2016.</p>	<p>Shareholder of the Company is Rosseti PJSC, which owns more than 20% of the authorized capital of “Kubanenergo” PJSC, as well as the Company’s General Director B.B. Ebzeev as a person belonging to the group of persons to which the Company belongs.</p>

	<p>resulting from natural disasters between “Kubanenergo” PJSC and the Company 3 October 2016 #10001601000117</p>	<p>disaster and to deliver the results of work to the Customer. Types of work, the volume and description are discussed by the Parties in the activity dependent cost estimate (Annexes 1, 1.1-1.5 to the Contract). The concept (definition) of the accident is understood in the sense in which it is treated in the Rules of investigation of the causes of accidents in the power industry, approved by RF Government Decree No. 846 on 28 October 2009. <b>Price of the Contract:</b> Contract price: The preliminary price of the work performed by the Contractor amounts to 995 757 (nine hundred ninety five thousand seven hundred fifty seven rubles) 16 kopecks, including 18% VAT – 151 895 (one hundred fifty one thousand eight hundred ninety five rubles) 16 kopecks, in accordance with planned volume of work specified in the activity dependent cost estimate (Annexes 1, 1.1-1.5 to the Contract). <b>Duration of the Contract:</b> The Contract comes into force upon the signature and covers legal relationship between the parties that occurred from 29 March 2015 and is valid until complete fulfillment of all contractual obligations by the Parties.</p>		
19.	<p>Contract on admission to National Research University “MPEI”, between the Company and National Research University “MPEI” 17 June 2016 #148/2016</p>	<p><b>Contract parties:</b> Customer - Public Joint Stock Company “Interregional Distribution Grid Company of the South” (IDGC of the South PJSC). Contractor - National Research University “MPEI” <b>Subject of the Contract:</b> The Federal State Budget Educational Institution of Higher Education National Research University “MPEI” undertakes to organize in 2016 admission of no more than 16 (sixteen) citizens who have concluded a contract on training with the Company. The admission is organized within the quota of a</p>	<p>The Company’s Board of Directors, 27.07.2016, minutes of meeting No.196/2016; 29.07.2016.</p>	<p>The Company’s affiliated person Budargin O.M., who is a member of the scientific council of the party of the transaction.</p>

		<p>special admission for higher education, which is allocated from the amount of the target figures for admission of citizens for training due to budgetary allocations of the federal budget, budgets of the constituent entities of the Russian Federation or local budgets (hereinafter referred to as the target admission quota), and the Company undertakes to organize practice for citizens who have concluded education contract, in accordance with the curriculum of the Contractor.</p> <p><b>Duration of the Contract:</b> The Contract comes into force upon the signature and is valid until the Parties fully fulfill their obligations under the Contract.</p>		
20.	<p>Contract on provision of services for organization of the treasury function between Rosseti PJSC and the Company 13 September 2016 #10001601000111</p>	<p>As part of its activities, Rosseti PJSC renders services to the Company on organization of the treasury function with regard to verification and/or control of the proper implementation of the largest payments necessary for the current activities of the Customer. The Contractor shall verify and control the proper implementation of the largest payments in accordance with the Rules for Payment Transactions in the IDGC of the South PJSC, approved by the Board of Directors of IDGC of the South PJSC (minutes of meeting No.162/2015 of 26.06.2015). The Board of Directors (minutes of meeting No.154/2015 of 16.03.2015) determined implementation of measures for centralization and automation of treasury functions as a priority direction of the Company and approved the schedule for implementation of the project for centralization of automation of the treasury function in accordance with paragraph 3 of which is approval of transactions in case of necessity of carrying out of corporate procedures for organization of interaction between the Company and the Unified Treasury of Rosseti PJSC.</p>	<p>The Company's Board of Directors, 27.07.2016, minutes of meeting No.196/2016; 29.07.2016.</p>	<p>Rosseti PJSC – shareholder of the Company, which owns more than 20% of the Company's voting shares, is a party to contract for provision of services for organization of the treasury function.</p>
21.	<p>Contract for implementation of works on liquidation</p>	<p><b>Contract parties:</b> Customer - IDGC of the South PJSC, Contractor - "Kubanenergo" PJSC.</p>	<p>The Company's Board of Directors, 25.08.2016,</p>	<p>Shareholder of the Company - Rosseti PJSC, which owns more than 20% of the authorized capital</p>

	<p>of consequences of accidents at energy facilities caused by damage resulting from natural disasters between “Kubanenergo” PJSC and the Company 3 October 2016 #10001601000118</p>	<p><b>Subject of the Contract:</b> The Contractor undertakes to perform work to eliminate the consequences of accidents at grid facilities caused by damaged equipment in result of natural disaster and to deliver the results of work to the Customer. Types of work, the volume and description are discussed by the Parties in the activity dependent cost estimate (Annexes 1, 1.1-1.7 to the Contract). The concept (definition) of the accident is understood in the sense in which it is treated by the Rules of investigation of the causes of accidents in the power industry, approved by RF Government Decree No.846 dated 28 October 2009.</p> <p><b>Price of the Contract:</b> The preliminary price of the work performed by the Contractor amounts to 3 103 073.62 rubles (three million one hundred three thousand seventy three rubles 62 kopecks), including 18% VAT – 473 350.21 rubles (four hundred seventy three thousand three hundred and fifty rubles 21 kopecks), in accordance with planned volume of work specified in the activity dependent cost estimate (Annexes 1, 1.1-1.7 to the Contract).</p> <p><b>Duration of the Contract:</b> The Contract comes into force upon the signature and covers legal relationship between the parties that occurred from 20 December 2014 and is valid until complete fulfillment of all contractual obligations by the Parties.</p>	<p>minutes of meeting No.199/2016; 25.08.2016.</p>	<p>of Kubanenergo PJSC, as well as the Company’s General Director B.B. Ebzeev as a person belonging to the group of persons to which the Company belongs.</p>
22.	<p>Contract on provision of educational services between IDGC of the South PJSC and TechnoExpert CJSC from 19 August 2016</p>	<p><b>Contract parties:</b> Customer - IDGC of the South PJSC. Contractor – TechnoExpert CJSC.</p> <p><b>Subject of the Contract:</b> The Contractor undertakes to perform training in the field of industrial safety on the programme: “B.7.1. Operation of the gas distribution and gas consumption systems”, as well as to</p>	<p>The Company’s Board of Directors, 12.09.2016, minutes of meeting No.200/2016; 07.09.2016.</p>	<p>Member of the collegial executive body (the Management Board of the Company) - P.V. Goncharov, who is the beneficiary of the transaction.</p>

	#61001601000092	<p>provide services for the certification training and arrangement of certification for managers and specialists of organizations, supervised by Federal Environmental Industrial and Nuclear Supervision service of Russia, the following students:</p> <ol style="list-style-type: none"> <li>1. Goncharov Pavel Viktorovich;</li> <li>2. Petlenko Andrey Vladimirovich;</li> <li>3. Chirkov Andrey Alexandrovich.</li> </ol> <p><b>Price of the Contract:</b> Cost of service is 405 000.00 rubles (four hundred five thousand rubles 00 kopecks) including 18% VAT – 61 779.66 rubles (sixty one thousand seven hundred seventy nine rubles 66 kopecks).</p> <p><b>Duration of the Contract:</b> The Agreement shall enter into force upon its signing and is valid until the Parties fulfill all their contractual obligations</p>		
23.	<p>Supplementary agreement to the contract No.61001601000036 for provision of educational services dated 31.03.2016 between IDGC of the South PJSC and National Research University “MPEI” from 1 July 2016 #61001604000130</p>	<p>Based on a letter from the director of the branch of the National Research University “MPEI” Sultanov M.M., dated 07.07.2016, No.991a-I “On signing of an additional agreement”, the following was changed: the name of the programme, curriculum and terms of training; in this connection the Company needs to conclude an additional agreement to the contract for educational services with National Research University “MPEI”.</p>	<p>The Company’s Board of Directors, 12.09.2016, minutes of meeting No.200/2016; 07.09.2016.</p>	<p>Shareholder holding more than 20% of the voting shares of the Company - Rosseti PJSC, whose affiliated person is Budargin O.M., who is a member of the party’s academic board – a party of the transaction.</p>
24.	<p>Contract for provision of educational services between IDGC of the</p>	<p><b>Contract parties:</b> Customer - IDGC of the South PJSC. Contractor - National Research University “MPEI”. <b>Subject of the Contract:</b></p>	<p>The Company’s Board of Directors, 12.09.2016, minutes of meeting No.200/2016; 07.09.2016.</p>	<p>Shareholder holding more than 20% of the voting shares of the Company - Rosseti PJSC, whose affiliated person is Budargin O.M.,</p>

	<p>South PJSC and National Research University “MPEI” from 2 September 2016 #61001601000107</p>	<p>Under the contract the Contractor undertakes, in accordance with the task of the Customer, to provide educational services in the form of evening classes with the use of distance learning technologies for retraining programmes: “Technology of electric energy generation and transmission in the current conditions” – “Power and Electrical Engineering”, and the Customer undertakes to accept and pay for the services rendered, in the manner and amount established by the Contract. The period of training: August 15, 2016 – February 20, 2017</p> <p><b>Price of the Contract:</b> Cost of services rendered to the Customer under the contract (contract price) is 135 000 (one hundred thirty five thousand rubles 00 kopecks), VAT is not charged according to subparagraph 14 paragraph 2 of Article 149 of the Tax Code of the Russian Federation. The customer shall pay for the rendered services within 60 sixty working days for each stage of training from the date of signing by the Parties of the Act of acceptance of the rendered services, provided that the Contractor submitted an invoice, drawn up in accordance with the requirements of Russian legislation.</p> <p><b>Duration of the Contract:</b> The Contract shall enter into force upon its signing and is valid until the Parties fulfill all their contractual obligations.</p>		<p>who is a member of the party’s academic board – a party of the transaction, as well as Ebzeev B.B., who is a member of the collegial executive body – the Management Board of IDGC of the South PJSC, as a beneficiary of the transaction.</p>
25.	<p>Service contract between the Company and “FOCL-Power Lines Directorate” JSC from 19 September 2016 #10001601000113</p>	<p><b>Contract parties:</b> IDGC of the South PJSC – Customer “FOCL-Power Lines Directorate” JSC – Contractor</p> <p><b>Subject of the Contract:</b> The Contractor shall provide services for the development of configuration of Automated Control System of Maintenance, Repair and Overhaul based on “1C: Enterprise 8. Power Industry. Management of distribution grid company” in accordance with the Terms of Reference (Annex 1 to the</p>	<p>The Company’s Board of Directors, 12.09.2016, minutes of meeting No.200/2016; 07.09.2016.</p>	<p>The shareholder of the Company is Rosseti PJSC, which owns more than 20% of the authorized capital and the Company, FOCL-Power Lines Directorate” JSC, and General Director, member of the Board of Directors of IDGC of the South PJSC – Ebzeev B.B.</p>

		<p>Contract), and provide the customer the right to use (under the terms of a non-exclusive license) software products, referred to in paragraph 1.1 of the Contract, and the Customer undertakes to accept and pay for the services rendered under the contract, and for the obtained right to use in the amount and in the manner provided for by the Contract..</p> <p><b>Price of the Contract:</b> Total cost of services under the contract (contract price) is 4 991 160.00 (four million nine hundred ninety one thousand one hundred sixty) rubles 00 kopecks, including VAT. Total cost of services under the Contract consists of: - the cost of the services in accordance with the Calculations (Appendix 2 to the Contract) is 2 456 760 rubles (two million four hundred fifty six thousand seven hundred sixty) rubles 00 kopeks, including 18% VAT – 452 400 rubles (four hundred fifty two thousand) rubles 00 kopecks. - the cost of performance of the obligation in accordance with Appendix 6 to the Contract is 2 534 400 (two million five hundred thirty four thousand four hundred) rubles 00 kopecks, VAT is not charged.</p> <p><b>Term of service:</b> The planned period of rendering the services is specified in paragraph 1.4 of Terms of Reference (Annex 1 to the Contract) and is not more than 50 working days from the date of signing the Contract.</p> <p><b>Duration of the Contract:</b> The Contract shall enter into force upon its signing and is valid until the Parties fulfill all their contractual obligations.</p>		
26.	Service contract on between the Company and “FOCL-Power Lines Directorate” JSC; 4 October 2016 #10001601000120	<p><b>Contract parties:</b> Customer - IDGC of the South PJSC. Contractor - “FOCL-Power Lines Directorate” JSC</p> <p><b>Subject of the Contract:</b> The Contractor undertakes to provide technical support services for centralized Information Systems (SAP) and to maintain the automated control system of the TO&amp;R for the</p>	The Company’s Board of Directors, 16.09.2016, minutes of meeting No.201/2016; 19.09.2016.	Shareholder of the Company – Rosseti PJSC, owning more than 20% of the authorized capital and the Company, and General Director, member of the Board of Directors of IDGC of the South PJSC - Ebzeev B.B.

		<p>needs of IDGC of the South PJSC in accordance with the Terms of Reference (Appendix # 1 to the contract), and the Customer undertakes to accept and pay for the services provided under the Contract.</p> <p><b>Price of the Contract:</b> The total cost of services under the contract (price of the contract) is no more than 10 000 000 (ten million) rubles 00 kopecks, including VAT.</p> <p><b>Term of services:</b> Provision of services provided for in this contract shall be made within 12 months from the date of signing the contract.</p> <p><b>Duration of the Contract:</b> The Contract shall enter into force upon its signing and is valid until the Parties fulfill all their contractual obligations.</p>		
27.	<p>Contract on maintenance of display wall Barco grid control center between the Company and “FOCL-Power Lines Directorate” JSC from 21 October 2016 #34001601011757</p>	<p><b>Contract parties:</b> IDGC of the South PJSC – Customer; “FOCL-Power Lines Directorate” JSC – Contractor</p> <p><b>Subject of the Contract:</b> 1.1 Under the contract the Contractor undertakes to personally provide services on maintenance of display wall Barco grid control center of IDGC of the South at the address: 15 Prospekt Lenina, Volgograd. The Customer undertakes to accept and pay for the services rendered, in the manner and amount established by this Contract. 1.2 The scope, contents and the quality of services must comply with the Terms of Reference (Annex No.2 to the Contract). 1.3 Services on maintenance of Barco grid control center of IDGC of the South PJSC are performed upon the customer's request within 2 weeks after receipt of the application by the Contractor, not later than 30.12.2016.</p> <p><b>Price of the Contract:</b> The total cost of services under the Contract is 1 889 018 (one million eight hundred eighty nine thousand and eighteen)</p>	<p>The Company’s Board of Directors, 30.09.2016, minutes of meeting No.202/2016; 03.10.2016.</p>	<p>Shareholder of the Company – Rosseti PJSC, owning more than 20% of the Company; voting shares, which affiliated entity is “FOCL-Power Lines Directorate” JSC.</p>

		<p>rubles 99 kopecks, including 18% VAT – 288 155 (two hundred eighty eight thousand one hundred fifty five) rubles 44 kopecks).</p> <p><b>Duration of the Contract:</b> The Contract shall enter into force upon its signing and is valid until the Parties fulfill all their contractual obligations.</p>		
28.	<p>Contract for construction, technical re-equipment and reconstruction of electric grid facilities between the Company and “FOCL-Power Lines Directorate” JSC 15 November 2016 #61201601023058</p>	<p><b>Contract parties:</b> IDGC of the South PJSC – Customer; “FOCL-Power Lines Directorate” JSC – Contractor</p> <p><b>Subject of the Contract:</b> The Contractor undertakes, in accordance with the task of the Customer (the basic requirements listed in the Terms of Reference for choosing a construction company, annex 7 to the Contract) and in accordance with the design and estimate documentation developed by RTSoft CJSC cipher D0308, approved by Order No.32 on 05.02.2016, to carry out work on the project: “Construction of live data multi-display system for ”, unless otherwise stated in the terms of reference for auction (annex number 7 to the contract) and deliver results to the Customer, and the Customer undertakes to accept the result of work and pay for it in the manner prescribed by the Contract.</p> <p><b>Price of the Contract:</b> The price of the Contract is 15 264 448 (fifteen million two hundred sixty four thousand four hundred forty eight) rubles 56 kopecks, including 18% VAT – 2 328 475 (two million three hundred twenty eight thousand four hundred seventy five) rubles 20 kopecks. Duration of works: The duration of works of the Contractor specified in clause 2.1 of the Contract are established by the calendar plan for construction (reconstruction) of the facility (annex # 2 to the Contract) with the separation of the stages of work (in the context of the local cost estimate) and the timing of delivery of</p>	<p>The Company’s Board of Directors, 30.09.2016, minutes of meeting No.202/2016; 03.10.2016.</p>	<p>Shareholder of the Company – Rosseti PJSC, owning more than 20% of the Company also owns 20% of voting shares of the party of this transaction</p>

		<p>materials and equipment of the Contractor (Annex # 3 to the Contract), as well as other materials and equipment of the Contractor (in accordance with the approved design and estimate documentation) required to perform the full scope of work under the Contract and delivery of the result to the Customer.</p> <p>The date of commencement of work under the Contract is from the moment of conclusion of the contract.</p> <p>Completion date – within 6 months from the date of the contract.</p> <p>The date of completion of the work by the Contractor at the site is the date of approval by the Customer of the acceptance certificate for completed construction of the facility by the acceptance commission in the form of KS-14, including the receipt of Act of admission of the capital construction object in operation, issued by the Federal Service for Environmental, Technological, and Nuclear Supervision (Rostekhnadzor RF).</p> <p><b>Duration of the Contract:</b></p> <p>The Contract shall enter into force upon its signing and is valid until the Parties fulfill all their contractual obligations (в том числе гарантийных).</p>		
29.	<p>Contract for implementation of works on liquidation of consequences of accidents at energy facilities caused by damage resulting from natural disasters between “Kubanenergo” PJSC and the Company</p>	<p><b>Contract parties:</b></p> <p>Customer – Kubanenergo PJSC, Contractor – IDGC of the South PJSC.</p> <p><b>Subject of the Contract:</b></p> <p>The Contractor undertakes to perform work to eliminate the consequences of accidents at facilities of the Customer, caused by damaged equipment in result of natural disaster and to deliver the results of work to the Customer. Types of work, the volume and description are discussed by the Parties in the activity dependent cost estimate (Annexes 1, 1.1-1.5 to the Contract). The concept (definition) of the accident is understood in the sense in which it is treated by the Rules of</p>	<p>The Company’s Board of Directors, 30.09.2016, minutes of meeting No.202/2016; 03.10.2016.</p>	<p>Shareholder of the Company – Rosseti PJSC, which owns more than 20% of the authorized capital of Kubanenergo PJSC, A.E. Bogashov, who is a member of the Board of Directors of Kubanenergo PJSC, as well as the Company’s General Director B.B. Ebzeev as a person belonging to the group of persons to which the Company belongs.</p>

	<p>24 October 2016 #10001601000129</p>	<p>investigation of the causes of accidents in the power industry, approved by RF Government Decree No.846 dated 28 October 2009.</p> <p><b>Price of the Contract:</b> The preliminary price of the work performed by the Contractor amounts to 3 103 922 524.87 rubles (nine hundred twenty two thousand five hundred twenty four rubles 87 kopecks), including 18% VAT – 140 724.13 rubles (one hundred forty thousand seven hundred twenty four rubles 13 kopecks), in accordance with planned volume of work specified in the activity dependent cost estimate (Annexes 1, 1.1-1.5 to the Contract).</p> <p><b>Duration of the Contract:</b> The Contract comes into force upon the signature and covers legal relationship between the parties that occurred from 26 June 2015 and is valid until complete fulfillment of all contractual obligations by the Parties.</p>		
30.	<p>Contract of lease of movable and immovable property concluded between the Company and “Energoservis Yuga” JSC; 1 November 2016 #61201601022104</p>	<p><b>Contract parties:</b> Lessor – IDGC of the South PJSC; Lessee – “Energoservis Yuga” JSC.</p> <p><b>Subject of the Contract:</b> The Lessor undertakes to transfer and the Lessee shall accept for payment for temporary possession and use of movable and immovable property (hereinafter referred to as the Leased property), located on the third (3rd) floor of the building (inventory number – 148/31b) at the address: 48 Semashko lane, Leninsky district, Rostov-on -Don, as follows: - Non-residential premises No.12-13, area: 19.0 sq. metres; - Non-residential premises No.14-15, area:16.8 sq. metres; - Non-residential premises No.16, area: 27,5 sq. metres; The list of the Leased movable property is specified in Appendix 1 to the Agreement.</p>	<p>The Company’s Board of Directors, 19.10.2016, minutes of meeting No.205/2016; 20.10.2016.</p>	<p>Ebzeev B.B. as a person exercising the functions of the sole executive body of the Company, having jointly with its affiliates 20 and more percent of shares in a legal entity that is a party to the transaction, also P.V. Goncharov. – a Member of the collegial executive body of the Company (the Management Board), who is a member of the Board of Directors of a legal entity that is a party to the transaction.</p>

		<p>The parameters (number, area) of immovable property are determined in accordance with the technical passport as of 13.05.2010.</p> <p><b>Price of the Contract:</b> The monthly lease payment under the Agreement is 37 763 (thirty seven thousand seven hundred sixty three) rubles 24 kopecks, including VAT 18% – 5 760.49 rubles</p> <p><b>Duration of the Contract:</b> The term of the lease is 11 (eleven) months from the date of signing the Contract by both Parties.</p>		
31.	<p>Contract on of educational services between IDGC of the South PJSC and Autonomous Nonprofit Organization for Advanced Professional Education “Industry center for competence in construction and power industry (“TsKSEnergo”); 10 October 2016 #61001601000137</p>	<p><b>Contract parties:</b> Customer - IDGC of the South PJSC; Contractor – “TsKSEnergo”.</p> <p><b>Subject of the Contract:</b> The Contractor undertakes, in accordance with the Customer’s task, to provide educational services under professional retraining programme “Industrial and civil construction. Construction Organization Management”; “Industrial and civil construction. Organization of building production” and the Customer undertakes to accept and pay for the services rendered, in the manner and amount established by this Contract. List of students is specified and approved by the Parties in Appendix No.1 to the Contract.</p> <p><b>Price of the Contract:</b> Cost of the services rendered to the Customer under the contract (contract price) is 59 000 (fifty nine thousand) rubles 00 kopecks, VAT free in accordance with Articles 346.12 and 346.13 of Chapter 26.2 of the RF Tax Code.</p> <p><b>Срок оказания услуг:</b> Training time: 10.10.2016 – 30.12.2016 Contract time: The Contract shall enter into force upon the signature and is valid until the Parties fulfill their obligations.</p>	<p>The Company’s Board of Directors, 02.11.2016, minutes of meeting No.206/2016; 07.11.2016.</p>	<p>Director General, Chairman of the Collegial Executive Body (the Management Board of the Company) B.B. Ebzeev, who is the beneficiary of the transaction.</p>

<p>32. Debt restructuring agreement under the agency agreement from 09.01.2008 No.407/30-596 between Kubanenergo PJSC and IDGC of the South PJSC; 18 November 2016 #61001601000139</p>	<p><b>Parties to the Agreement:</b> Kubanenergo PJSC (Debtor); IDGC of the South PJSC (Lender).  <b>Subject of the Agreement:</b> Determination of procedure for payment of the debt of the Debtor to the Creditor under the agency agreement from 09.01.2008 No.407/30-596 in the amount of 11 442 392 (eleven million four hundred forty two thousand three hundred ninety two) rubles 86 kopecks, including 18% VAT – 1 745 449 (one million seven hundred forty five thousand four hundred forty nine) rubles 76 kopecks, accrued as of 30.06.2016 (act of verification of mutual settlements as of 30.06.2016).  Procedure of debt payment: The Parties recognize the obligation of the Debtor on the debt payment under the contract from 09.01.2008 No.407/30-596 in the amount of 11 442 392 (eleven million four hundred forty two thousand three hundred ninety two) rubles 86 kopecks, including 18% VAT – 1 745 449 (one million seven hundred forty five thousand four hundred forty nine) rubles 76 kopecks (hereinafter – the principal debt). The Debtor is obliged to pay the principal amount in equal installments according to the payment schedule (Appendix 1 to the Agreement).  Interest shall be paid from the sum of the outstanding part of the principal debt for the period from 01.09.2016 on 31.08.2017 for the use of funds in the amount of the Bank of Russia rate.  Accrual of interest on the remaining debt from the principal debt is carried out on a monthly basis at on the basis that the calendar months has 30 days. Interest for the use of funds shall be paid by the Debtor in favour of the lender by the last payment by 31.08.2017. In case of change of a rate of the Bank of Russia for the period of the Agreement, the accrual of interest is automatically performed at the modified rate from the date of its adoption.</p>	<p>The Company’s Board of Directors, 02.11.2016, minutes of meeting No.206/2016; 07.11.2016.</p>	<p>Shareholder of the Company – Rosseti PJSC, which owns more than 20% of the authorized capital of “Kubanenergo” PJSC, as well as the Company’s General Director B.B. Ebzeev as a person belonging to the group of persons to which the Company belongs.</p>
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33.	<p>Debt restructuring agreement under the lease contract from 05.04.2011 No.244/407/30-513 between Kubanenergo PJSC and the Company; 18 November 2016 #61001601000143</p>	<p><b>Parties to the Agreement:</b> “Kubanenergo” PJSC (Debtor); “IDGC of the South” PJSC (Lender).  <b>Subject of the Agreement:</b> Determination of procedure for payment of the debt of the Debtor to the Creditor under the lease contract from 05.04.2011 No.244/407/30-513 in the amount of 4 214 665 (four million two hundred fourteen thousand six hundred sixty five) rubles 88 kopecks, including 18% VAT – 633 562 (six hundred thirty three thousand five hundred sixty two) rubles 17 kopecks, that accrued as of 30.06.2016 (act of verification of mutual settlements as of 30.06.2016), as well as the interest for the use of funds.  <b>Repayment of debt:</b> The Parties recognize the obligation of the debtor to pay the debt under the contract of lease of immovable property from 05.04.2011 No.244/407/30-513 with regard of the decision of the Arbitration Court of Krasnodar region from 20.03.2013 on case No.A32-35671/2012 of 4 214 665 (four million two hundred fourteen thousand six hundred sixty five) rubles 88 kopecks, including 18% VAT – 633 562 (six hundred thirty three thousand five hundred sixty two) rubles 17 kopecks, consisting of:  - the amounts owed under the Agreement: 4 153 352 rubles 00 kopecks, including debt i of 964 171 rubles 00 kopecks, claimed in accordance with the decision of the Arbitration Court of the Krasnodar region on 20.03.2013 on case No.A32-35671/2012 for the period from 16.06.2011 to 30.06.2012;  - interest on the borrowed funds in the amount of 38 765 rubles 05 kopecks, claimed in accordance with the decision of the</p>	<p>The Company’s Board of Directors, 02.11.2016, minutes of meeting No.206/2016; 07.11.2016.</p>	<p>Shareholder of the Company – Rosseti PJSC, which owns more than 20% of the authorized capital of “Kubanenergo” PJSC, as well as the Company’s General Director B.B. Ebzeev as a person belonging to the group of persons to which the Company belongs.</p>

	<p>Arbitration Court of the Krasnodar region from 20.03.2013 on case No.A32-35671/2012;</p> <p>- expenses on payment of the state fee in the amount of 22 548 rubles 83 kopecks, claimed in accordance with the decision of the Arbitration Court of the Krasnodar region from 20.03.2013 on case No.A32-35671/2012;</p> <p>The debt in the amount of 1 025 484 rubles 88 kopecks collected in accordance with the decision of the Arbitration Court of the Krasnodar region from 20.03.2013 on case No.A32-35671/2012, is paid by the Debtor in a lump sum within 14 (fourteen) working days from the date of signing the Agreement.</p> <p>The debtor is obliged to pay the debt in the amount of 3 189 181 (three million one hundred eighty nine thousand one hundred eighty one) rubles 00 kopecks, including 18% VAT – 486 485 (four hundred eighty six thousand four hundred eighty five) rubles 24 kopecks (hereinafter – the principal debt) in equal installments according to the payment schedule (Appendix 1 to the Agreement).</p> <p>Accrual of interest on the remaining debt from the principal debt is carried out on a monthly basis at on the basis that the calendar months has 30 days. Interest for the use of funds shall be paid by the Debtor in favour of the lender by the last payment by 31.08.2017. In case of change of a rate of the Bank of Russia for the period of the Agreement, the accrual of interest shall be automatically performed at the modified rate from the date of its adoption. Current monthly payments under the rent contract from 05.04.2011 No.244/407/30-513 shall be paid by the Debtor in the manner and time stipulated in the Contract.</p> <p><b>Term of the Agreement:</b> The Agreement comes into force from the date of its signing and is valid until the Debtor completes its obligations under the Agreement, but not before</p>		
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		the review and approval of this issue by the Board of Directors of both companies.		
34.	Debt restructuring agreement under the rent contract from 01.06.2010 No.272/407/30-624 between Kubanenergo PJSC and the Company; 18 November 2016 #61001601000142	<p><b>Parties to the Agreement:</b>  “Kubanenergo” PJSC (Debtor); “IDGC of the South” PJSC (Lender).  Subject of the Agreement: Determination of procedure for payment of the debt of the Debtor to the Creditor under the rent contract from 01.06.2010 No.272/407/30-624 in amount of 1 980 932 (one million nine hundred eighty thousand nine hundred thirty two) rubles 84 kopecks, including VAT 18% - 302 176 (three hundred two thousand one hundred seventy six) rubles 20 kopecks, that accrued as of 30.06.2016 (act of verification of mutual settlements as of 30.06.2016).  <b>Repayment of debt:</b> The Parties recognize the obligation of the debtor to pay the debt under the contract of rent from 01.06.2010 No.272/407/30-624 in amount of 1 980 932 (one million nine hundred eighty thousand nine hundred thirty two) rubles 84 kopecks, including VAT 18% - 302 176 (three hundred two thousand one hundred seventy six) rubles 20 kopecks (hereinafter – the principal debt).  The Debtor is obliged to pay the principal amount in equal installments according to the payment schedule (Appendix 1 to the Agreement).  Interest shall be paid from the sum of the outstanding part of the principal debt for the period from 01.09.2016 on 31.08.2017 for the use of funds in the amount of the Bank of Russia rate.  Accrual of interest on the remaining debt from the principal debt is carried out on a monthly basis at on the basis that the calendar months has 30 days. Interest for the use of funds shall be paid by the Debtor in favour of the lender by the last payment by 31.08.2017. In case of change of a rate of the Bank of Russia for the period of the Agreement, the accrual of interest is</p>	The Company’s Board of Directors, 02.11.2016, minutes of meeting No.206/2016; 07.11.2016.	Shareholder of the Company – Rosseti PJSC, which owns more than 20% of the authorized capital of “Kubanenergo” PJSC, as well as the Company’s General Director B.B. Ebzeev as a person belonging to the group of persons to which the Company belongs.

		<p>automatically performed at the modified rate from the date of its adoption. Current monthly payments under the rent contract from 01.08.2011 No.640/407/30-990 shall be paid in the manner prescribed by the contract.</p> <p><b>Term of the Agreement:</b> The Agreement comes into force upon the signature and is valid until the Debtor fulfills all its obligations under the Agreement, but not before the review and approval of this issue by the Board of Directors of both companies.</p>		
35.	<p>Debt restructuring agreement the rent contract from 01.08.2011 No.640/407/30-990 between “Kubanenergo” PJSC and the Company; 18 November 2016 #61001601000140</p>	<p><b>Parties to the Agreement:</b> “Kubanenergo” PJSC (Debtor); “IDGC of the South” PJSC (Lender). Subject of the Agreement: Determination of procedure for payment of the debt of the Debtor to the Creditor under the rent contract from 01.08.2011 No.640/407/30-990 in amount of 42 671 421 (forty two million six hundred seventy one thousand four hundred twenty one) rubles 00 kopecks, including 18% VAT - 6 509 199 (six million five hundred nine thousand one hundred ninety nine) rubles 81 kopecks, that accrued as of 30.06.2016 (act of verification of mutual settlements as of 30.06.2016), excluding legally enforced settlement of debt in the amount of 16 430 026 rubles 73 kopecks, payable prior to the conclusion of this Agreement (decision of the Arbitration Court of Krasnodar region that entered into force on 19.03.2013 on case No.A32-26690/2012 case (a writ of execution from 19.03.2013 was issued). <b>Repayment of debt:</b> The Parties recognize the obligation of the debtor to pay the debt under the contract of lease of immovable property from 01.08.2011 No. 640/407/30-990 in amount of 42 671 421 (forty two million six hundred seventy one thousand four hundred twenty one) rubles 00 kopecks, including 18% VAT - 6 509199 (six million five hundred nine</p>	<p>The Company’s Board of Directors, 02.11.2016, minutes of meeting No.206/2016; 07.11.2016.</p>	<p>Shareholder of the Company – Rosseti PJSC, which owns more than 20% of the authorized capital of “Kubanenergo” PJSC, as well as the Company’s General Director B.B. Ebzeev as a person belonging to the group of persons to which the Company belongs.</p>

		<p>thousand one hundred ninety nine) rubles 81 kopecks (hereinafter – the principal debt).</p> <p>The Debtor is obliged to pay the principal amount in equal installments according to the payment schedule (Appendix 1 to the Agreement).</p> <p>Interest shall be paid from the sum of the outstanding part of the principal debt for the period from 01.09.2016 on 31.08.2017 for the use of funds in the amount of the Bank of Russia rate.</p> <p>Accrual of interest on the remaining debt from the principal debt is carried out on a monthly basis at on the basis that the calendar months has 30 days. Interest for the use of funds shall be paid by the Debtor in favour of the lender by the last payment by 31.08.2017. In case of change of a rate of the Bank of Russia for the period of the Agreement, the accrual of interest is automatically performed at the modified rate from the date of its adoption.</p> <p>Current monthly payments under the rent contract from 01.08.2011 No.640/407/30-990 shall be paid in the manner prescribed by the contract.</p> <p><b>Term of the Agreement:</b> The Agreement comes into force upon the signature and is valid until the Debtor fulfills all its obligations under the Agreement, but not before the review and approval of this issue by the Board of Directors of both companies.</p>		
36.	<p>Debt restructuring agreement under the contract of transfer of powers of the sole executive body of “Kubanenergo” JSC from 14.09.2007 No.407/30-1143/26 between</p>	<p><b>Parties to the Agreement:</b> “Kubanenergo” PJSC (Debtor); “IDGC of the South” PJSC (Lender).</p> <p><b>Subject of the Agreement:</b> Determination of procedure for payment of the debt of the Debtor to the Creditor under the contract from 14.09.2007 No.407/30-1143/26 on the transfer of powers of the sole executive body of “Kubanenergo” in the amount of 50 957 186 (fifty million nine hundred fifty seven thousand one hundred eighty six) rubles 94 kopecks, including</p>	<p>The Company’s Board of Directors, 02.11.2016, minutes of meeting No.206/2016; 07.11.2016.</p>	<p>Shareholder of the Company – Rosseti PJSC, which owns more than 20% of the authorized capital of “Kubanenergo” PJSC, as well as the Company’s General Director B.B. Ebzeev as a person belonging to the group of persons to which the Company belongs.</p>

<p>“Kubanenergo” PJSC and the Company; 18 November 2016 #61001601000141</p>	<p>18% VAT – 7 773 130 (seven million seven hundred seventy three thousand one hundred thirty) rubles 21 kopecks, accrued as of 30.06.2016 (act of verification of mutual settlements as of 30.06.2016).</p> <p><b>Procedure of debt payment:</b> The Parties recognize the obligation of the Debtor on the debt payment under the contract from 14.09.2007 No.407/30-1143/26 on the transfer of powers of the sole executive body of “Kubanenergo” in the amount of 50 957 186 (fifty million nine hundred fifty seven thousand one hundred eighty six) rubles 94 kopecks, including 18% VAT – 7 773 130 (seven million seven hundred seventy three thousand one hundred thirty) rubles 21 kopecks (hereinafter – the principal debt).</p> <p>The Debtor is obliged to pay the principal amount in equal installments according to the payment schedule (Appendix 1 to the Agreement).</p> <p>Interest shall be paid from the sum of the outstanding part of the principal debt for the period from 01.09.2016 on 31.08.2017 for the use of funds in the amount of the Bank of Russia rate.</p> <p>Accrual of interest on the remaining debt from the principal debt is carried out on a monthly basis at on the basis that the calendar months has 30 days. Interest for the use of funds shall be paid by the Debtor in favour of the lender by the last payment by 31.08.2017. In case of change of a rate of the Bank of Russia for the period of the Agreement, the accrual of interest is automatically performed at the modified rate from the date of its adoption.</p> <p><b>Term of the Agreement:</b> The Agreement comes into force upon the signature and is valid until the Debtor fulfills all its obligations under the Agreement, but not before the review and approval of this issue by the Board of Directors of both companies.</p>		
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<p>37. Debt restructuring agreement under the contract from 30.03.2015 No.407/30-270/1000150100004 2 between “Kubanenergo” PJSC and the Company; 28 November 2016 #61001601000150</p>	<p><b>Parties to the Agreement:</b>  “Kubanenergo” PJSC (Debtor); “IDGC of the South” PJSC (Lender).  Subject of the Agreement: Determination of procedure for payment of the debt of the Debtor to the Creditor under the contract from 30.03.2015 No.407/30-270/10001501000042 in amount of 15 539 398 (fifteen million five hundred thirty nine thousand three hundred ninety eight) rubles 98 kopecks, including 18% VAT - 2 370 416 (two million three hundred seventy thousand four hundred and sixteen) rubles 79 kopecks, that accrued as of 30.06.2016 (act of verification of mutual settlements as of 30.06.2016), taking into account the of mutual settlements according to the letter dated 20.07.2016 No.MR5 / 3000/708 in the amount of 1 274 227 (one million two hundred and seventy four thousand two hundred twenty seven) rubles 28 kopeks for the contract from 10.05.2016 No.407/30-384.  <b>Repayment of debt:</b> The Parties recognize the obligation of the debtor to pay the debt under the contract from 30.03.2015No.407/30-270/10001501000042 in the amount of 14 265 171 (fourteen million two hundred sixty five thousand one hundred seventy one) rubles 70 kopecks, including 18% VAT - 2 176 043 (two million one hundred seventy six thousand forty three) rubles 14 kopecks (hereinafter – the principal debt).  The Debtor is obliged to pay the principal amount in equal installments according to the payment schedule (Appendix 1 to the Agreement).  Interest shall be paid from the sum of the outstanding part of the principal debt for the period from 01.09.2016 on 31.08.2017 for the use of funds in the amount of the Bank of Russia rate.  Accrual of interest on the remaining debt from the principal debt is carried out on a monthly basis at on the basis that the calendar months has 30 days. Interest for the use of funds shall</p>	<p>The Company’s Board of Directors, 02.11.2016, minutes of meeting No.206/2016; 07.11.2016.</p>	<p>Shareholder of the Company – Rosseti PJSC, which owns more than 20% of the authorized capital of “Kubanenergo” PJSC, as well as the Company’s General Director B.B. Ebzeev as a person belonging to the group of persons to which the Company belongs.</p>
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		<p>be paid by the Debtor in favour of the lender by the last payment by 31.08.2017.</p> <p>In case of change of a rate of the Bank of Russia for the period of the Agreement, the accrual of interest is automatically performed at the modified rate from the date of its adoption.</p> <p><b>Term of the Agreement:</b> The Agreement comes into force upon the signature and is valid until the Debtor fulfills all its obligations under the Agreement, but not before the review and approval of this issue by the Board of Directors of both companies.</p>		
38.	<p>Debt restructuring agreement under the contract from 17.01.2014 No.407/30-699/10001401000047 between “Kubanenergo” PJSC and the Company 28 November 2016 #61001601000151</p>	<p><b>Parties to the Agreement:</b> “Kubanenergo” PJSC (Debtor); “IDGC of the South” PJSC (Lender).</p> <p>Subject of the Agreement: Determination of procedure for payment of the debt of the Debtor to the Creditor under the contract from 17.01.2014 No.407/30-699/10001401000047 in amount of 26 373 548 (twenty six million three hundred seventy three thousand five hundred forty eight) rubles 25 kopecks, including 18% VAT - 4 023 083 (four million twenty three thousand eighty three) rubles 63 kopecks, hat accrued as of 30.06.2016 (act of verification of mutual settlements as of 30.06.2016).</p> <p><b>Repayment of debt:</b> The Parties recognize the obligation of the debtor to pay the debt under the contract from 17.01.2014 No.407/30-699/10001401000047 in amount of 26 373 548 (twenty six million three hundred seventy three thousand five hundred forty eight) rubles 25 kopecks, including 18% VAT - 4 023 083 (four million twenty three thousand eighty three) rubles 63 kopecks (hereinafter – the principal debt).</p> <p>The Debtor is obliged to pay the debt in amount of 26 373 548 (twenty six million three hundred seventy three thousand five hundred forty eight) rubles 25 kopecks, including 18% VAT - 4 023 083 (four million twenty three thousand eighty three)</p>	<p>The Company’s Board of Directors, 02.11.2016, minutes of meeting No.206/2016; 07.11.2016.</p>	<p>Shareholder of the Company – Rosseti PJSC, which owns more than 20% of the authorized capital of “Kubanenergo” PJSC, as well as the Company’s General Director B.B. Ebzeev as a person belonging to the group of persons to which the Company belongs.</p>

		<p>rubles 63 kopecks in accordance with the Agreement as well as interest for use of funds, using the following procedure:</p> <ul style="list-style-type: none"> <li>- the Debtor undertakes the obligation to repay the entire the principal amount indicated in paragraph 2.1 of the Agreement, within 5 working days after receipt of funds from the additional issue of shares to the account of “Kubanenergo” PJSC;</li> <li>- interest for use of the funds shall be paid on the outstanding amount of the principal debt for the period from 07.01.2016 until the day of actual payment of the principal amount in accordance with the key rate of the Bank of Russia.</li> </ul> <p>Accrual of interest on the remaining debt from the principal debt is carried out on a monthly basis at on the basis that the calendar months has 30 days. Interest for the use of funds shall be paid by the Debtor in favour of the Lender within 5 business days after Kubanenergo receives funds from the additional issue of shares.</p> <p>In case of change of a rate of the Bank of Russia for the period of the Agreement, the accrual of interest is automatically performed at the modified rate from the date of its adoption.</p> <p><b>Term of the Agreement:</b> The Agreement comes into force upon the signature and is valid until the Debtor fulfills all its obligations under the Agreement, but not before the review and approval of this issue by the Board of Directors of both companies.</p>		
39.	<p>Contract on provision of educational services for the professional training programme between the Company and the Federal State Budgetary</p>	<p><b>Contract parties:</b>  Customer – Public Joint Stock Company “Interregional Distribution Grid Company of the South”;  Academy (Performer) – the Federal State Budgetary Educational Institution of Higher Education “Russian Presidential Academy of National Economy and Public Administration”  The Academy undertakes to render in accordance with the instructions of the Customer educational services at the expense</p>	<p>The Company’s Board of Directors, 24.11.2016, minutes of meeting No.207/2016; 28.11.2016.</p>	<p>Director General, Chairman of the Collegial Executive Body (the Management Board of the Company) B.B. Ebzeev, who is the beneficiary of the transaction.</p>

<p>Educational Institution of Higher Education “Russian Presidential Academy of National Economy and Public Administration” 24 November 2016 #61001601000145</p>	<p>of the Customer to Ebzeev Boris Borisovich, in accordance with the curriculum of the retraining programme" “Top Manager” on the conditions stipulated by the Agreement, and the Customer undertakes to accept and pay for the services in the manner prescribed by the Contract.</p> <p>Contract price and payment procedure: The cost of services under the Contract is 150 000 (one hundred fifty thousand) rubles 00 kopecks, it is not subject to VAT in accordance with Articles 346.12 and 346.13 of Chapter 26.2 of the RF Tax Code.</p> <p>Contract price is fixed for the entire period of study. Payment for education is carried out in advanced payment every three months in accordance with the following payment schedule: - For 2016 academic year: 1. payment of 30 000 (thirty thousand) rubles 00 kopecks within 3 banking days from the contract signing date; 2. payment of 40 000 (forty thousand) rubles 00 kopecks until 10 December 2016; - For 2017 academic year: 3. payment of 40 000 (forty thousand) rubles 00 kopecks until 20 February 2017, 4. payment of 40 000 (forty thousand) rubles 00 kopecks until 20 May 2017.</p> <p>Period of rendering the services: The period of training: November 7, 2016 –June 2017</p> <p><b>Term of the Contract:</b> The Agreement shall enter into force upon signature by the Parties. Obligations of the Academy under the Agreement shall be deemed fulfilled from the date of dismissal from the Academy of the student and issuing to the student the document stipulated by the Agreement.</p>		
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40.	<p>Sales contract between Kubanenergo PJSC and the Company; 13 December 2016 #61001601000160</p>	<p><b>Parties to the Contract:</b>  Seller – Public Joint Stock Company “Interregional Distribution Grid Company of the South”;  Buyer – Public Joint Stock Company of Power Industry and Electrification of Kuban.  <b>Subject of the Contract:</b>  Seller transfers to the Buyer and the Buyer accepts and pays for the property specified in the Annex 9 to the decision of the Board of Directors.  <b>Price of the Contract:</b>  The acquisition cost is equal to the market value of the property in accordance with the reports on the market value No.16/2-933 and No.16/4-935 made by independent appraiser “FIKON” LLC and is 101 321 880 (one hundred one million three hundred twenty one thousand eight hundred eighty) rubles 00 kopecks, including 18% VAT – 15 455 880 (fifteen million four hundred fifty five thousand eight hundred eighty) rubles 00 kopecks.  The procedure of transfer of the property:  Ownership rights on the property pass in accordance with the procedure established by the legislation of the Russian Federation.  <b>Contract time:</b>  The Contract shall enter into force upon the signature and is valid until the Parties fulfill their obligations under this Contract.</p>	<p>The Company’s Board of Directors, 30.11.2016, minutes of meeting No.208/2016; 02.12.2016.</p>	<p>Shareholder of the Company – Rosseti PJSC, which owns more than 20% of the authorized capital of “Kubanenergo” PJSC, as well as the Company’s General Director B.B. Ebzeev as a person belonging to the group of persons to which the Company belongs.</p>
41.	<p>Contract on provision of services for arrangement of communication channels and organizing a VPN between the</p>	<p><b>Contract parties:</b>  IDGC of the South – Customer;  “FOCL-Power Lines Directorate” JSC – Operator.  <b>Subject of the Contract:</b>  The Operator undertakes to provide the Customer with the Communication services and VPN services for the needs of IDGC of the South PJSC and its branches: Astrakhanenergo,</p>	<p>The Company’s Board of Directors, 19.12.2016, minutes of meeting No.209/2016; 21.12.2016.</p>	<p>The shareholder of the Company is Rosseti PJSC, which owns more than 20% of the authorized capital and the Company, and “FOCL-Power Lines Directorate” JSC</p>

<p>Company and “FOCL-Power Lines Directorate” JSC 30 December 2016 #10001601000147</p>	<p>Volgogradenergo, Kalmenergo, Rostovenergo; and the Customer undertakes to accept and pay for the Services provided to it in accordance with the terms of the Contract. The list of Services, as well as additional rights and obligations of the Parties, are determined by Additional Agreements and Order Forms for the provision of Services to these Supplementary Agreements.</p> <p>The Contract between the Parties on provision of a specific Service is deemed to be achieved at the time of signing the Supplementary Agreement to the Contract. In the event that the Supplemental Agreement provides for signing of an Order Form, the Contract between the Parties on rendering a specific Service shall be deemed to be achieved when they sign the Order Form to such Supplemental Agreement.</p> <p>The Operator undertakes to ensure reduction in total payments for the services provided by 1-3% annually by optimizing the cost of the unit prices specified in the Annex to the Contract.</p> <p><b>Price of the Contract:</b></p> <p>The maximum value of the Contract is 141 990 399 (one hundred forty one million nine hundred ninety three thousand ninety nine) rubles 40 kopecks, including VAT.</p> <p>Tariffs for Services that are subject to state regulation are established and changed in accordance with the current legislation of the Russian Federation. The Operator is obliged to notify the Customer about this not later than 10 (ten) calendar days prior to the change in the cost of the Services (introduction of new tariffs for the Services) by written notification.</p> <p>The Operator has the right to change unilaterally, not more than 1 (one) time in a calendar year and not more than 10%, Tariffs for Services that are not subject to state regulation with prior notification of the Customer in 30 (thirty) calendar days before the introduction of new Tariffs. Changes are considered to have come into force from the moment of signing by the Parties of</p>		
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		<p>the Supplementary Agreement to this Contract. The Customer is entitled to refuse to accept changes within 30 (thirty) calendar days from the date of receipt of the notification by the Operator, by submitting a written notice to the Operator. If the Customer's written refusal is absent within the established term, the changes shall be deemed accepted by the Customer.</p> <p><b>Duration of the Contract:</b> The Contract comes into force from the date of its signing by both Parties and is valid for three years from the date of entry into force of the Contract.</p> <p><b>Term of services:</b> The term for the provision of the Services will be specified in the Supplementary Agreements and/or in the Order Forms for the provision of Services under the Contract. The term for the provision of the Services specified in the Supplementary Agreement (corresponding to the Service Order Form) will automatically be renewed for each subsequent year within the validity of the Contract until the Customer or the Operator notifies the other Party in writing on termination of the next one-year period of the provision of the Services in 30 (thirty) calendar days prior to the expected date of termination of the provision of the Services.</p>		
42.	Purchase and sale agreement between "FGC UES" PJSC and the Company 30 December 2016 #34001601015140	<p><b>Contract parties:</b> Seller - Public Joint Stock Company "Interregional Distribution Grid Company of the South"; Buyer - Public Joint Stock Company "Federal Grid Company of the Unified Energy System"</p> <p><b>Subject of the Contract:</b> The Seller undertakes to transfer the property to the Buyer, and the Buyer undertakes to accept and pay for the property consisting of production base specified in the Appendix to this decision owned by the Seller located at: 1A Granovitaya str., Volgograd, Volgograd Region.</p>	The Company's Board of Directors, 29.12.2016, minutes of meeting No.212/2016; 09.01.2017	"FGC UES" PJSC is an affiliated entity of Rosseti PJSC, a shareholder of the Company holding more than 20% of shares.

		<p><b>The price of the contract and the procedure for settlements:</b>  Value of the alienated Property is equal to the market value determined on the basis of the market value appraisal report #16/08-937, performed by FIKON LLC, and amounts to 17 130 060 (seventeen million one hundred thirty thousand sixty) rubles 00 kopecks, including 18 VAT % - 2 613 060 (two million six hundred thirteen thousand sixty) rubles 00 kopecks. The amount specified in the contract of purchase and sale is payable by the Buyer within 30 (thirty) calendar days from the date of receipt of the invoice issued by the Seller after the parties signed the contract.</p> <p><b>The order of property transfer:</b>  The ownership of property passes in accordance with the procedure established by the legislation of the Russian Federation.</p>	
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#### **Appendix No. 6 - Report on compliance with the principles and recommendations of the Corporate Management Code**

This report on compliance with the principles and recommendations of the Corporate Management Code was reviewed by the Board of Directors of IDGC of the South PJSC at its meeting on April \_\_, 2017 (minutes of meeting \_\_ dated \_\_\_\_ 2017). The Board of Directors confirms that the data contained in this report contain complete and reliable information on compliance by the company with the principles and recommendations of the Corporate Management Code for 2015.

Evaluation methodology: An assessment of compliance with the principles of corporate management enshrined in the Corporate Management Code was made in accordance with the sample proposed in the recommendations for compiling a report on compliance with the principles and recommendations of the Corporate Management Code (Bank of Russia Letter No.IN-06-52/8 of 17.02.2016).

#	Principles of Corporate Management Code	Criteria for assessment of compliance with corporate management principle	Status of compliance with corporate management principle	Explanations on deviation from criteria for assessment of compliance with corporate management principle
<b>1.1</b>	<b>The Company shall treat all shareholders equally and fairly when they exercise their right to participate in the management of the Company</b>			
1.1.1	The Company creates most favourable conditions for participation of shareholders in the General Shareholders Meeting, development of grounded opinion on agenda items of the General Shareholders Meeting and coordination of their actions, and gives them an opportunity to express their opinion on the issues.	1.The Company's internal document, adopted by the General Shareholders Meeting, determines procedures for conducting the General Shareholders Meeting is in public access on the corporate website and on the webpage provided by information agency. 2. The Company provides accessible way of communicating with the Company, such as a phone, email, personal meetings that allow shareholders to express their opinion and submit their questions on agenda during the process of preparation for the General Shareholders Meeting. The Company took such measures on the eve of each General Meeting in the reporting period	<b>Observed</b>	
1.1.2	Procedure for notifying on General Shareholders Meeting and providing materials for the meeting enables the shareholders to prepare for it properly	1. Announcement on the General Shareholders Meeting is published (posted) on the website at least 30 days before the meeting. 2. Announcement on the General Shareholders Meeting states the place, time of meeting, etc. 3. Shareholder were granted access to information concerning persons that had proposed candidates for the Board of Directors and the Audit Commission	<b>Observed</b>	
1.1.3	In the course of preparation and holding of the General Shareholders Meeting, shareholders can timely receive information about the	1. During the reporting period, shareholders were provided with opportunities to ask the members of executive bodies and the Board	<b>Observed</b>	

	meeting and materials to it, ask questions to executive bodies and members of the BoD, and communicate with each other	<p>of Directors of the Company questions before and during the AGM.</p> <p>2. Position of the Board of Directors (as well as special opinions included in the minutes) on each issue of the agenda of General Meetings held during the reporting period was included in the materials for the General Shareholders Meeting.</p> <p>3. The Company provided authorized shareholders an access to the list of persons entitled to participate in the General Shareholders Meeting, starting from the date of its receipt by the Company, in all cases when General Shareholders Meetings were held in the reporting period.</p> <p>4. Shareholders are provided with access to information on candidates to the auditors, the Board of Directors and the Audit Commission, sufficient to form an opinion on professional qualities of candidates, their compliance with the requirements established by the legislation of the Russian Federation</p>		
1.1.4	Implementation of the shareholders' right to demand a General Shareholders Meeting, propose candidates to management bodies and suggest items for the agenda of the General Shareholders Meeting was not obstructed by any difficulties.	<p>1. In the reporting period, shareholders had the opportunity to propose items for the agenda of the Annual General Shareholders Meeting for at least 60 days after the end of the corresponding calendar year.</p> <p>2. In the reporting period the Company did not refuse to include such items to the agenda or candidates for membership in the Company's bodies because of spelling mistakes or other minor shortcomings in the shareholder's proposition</p>	<b>Observed</b>	
1.1.5	Each shareholder could freely exercise their right to vote in the the	1. Regulations for the General Meeting Shareholders of the Company contains	<b>Observed</b>	

	easiest and most convenient for them way	<p>provisions according to which each member of the General Shareholders Meeting can request a copy of the voting ballot that they completed, certified by the Company's Counting Commission.</p> <p>2. The number of persons registering the shareholders and the time allocated for registering shareholders is sufficient to register all shareholders who wish to participate in the Meeting.</p> <p>3. The voting results were announced before the closing of the meetings held in the reporting year.</p>		
1.1.6	The order of conduct of the General Shareholders Meeting set by the Company provides everyone participating at the meeting an equal opportunity to express their opinion and ask questions on matters of concern	<p>1. General Shareholders Meetings held in the form of a meeting (joint presence of shareholders) in the reporting period provided sufficient time for reports on items on the agenda and discussion of these items.</p> <p><b>2. Candidates to the management and control bodies of the Company answered questions posed by shareholders at the meeting when they were nominated for election.</b></p> <p><b>3. The Board of Directors while making decisions related to preparation and holding of General Shareholders Meetings, considered the issue of use of telecommunications to provide shareholders with remote access to participate in General Meetings in the reporting period.</b></p>	<b>Partially observed</b>	The Company sends invitations to participate in the General Meeting of Shareholders to candidates to the management and control bodies, however, not always the invited candidates can ensure their presence at the meeting due to various factors of a working and personal nature. Nevertheless, shareholders can ask any questions to those candidates who are present at the meeting. During the reporting period, the Board of Directors did not consider the use of telecommunications to provide remote access for shareholders to participate in the meeting. However, the shareholder can call or send an email to the Company (contact information is posted on the official website of the Company) and ask questions.
<b>1.2</b>	<b>The shareholders are provided equal and fair opportunity to participate in the company's profit by receiving dividends</b>			
1.2.1	The Company elaborated and implemented a transparent and clear procedure to determine the amount of dividends and their payment	1. The Company prepared, approved by the Board of Directors and disclosed at the corporate website the dividend policy.	<b>Observed</b>	

		2. The Company is working with shareholders (personal meetings of the Company's employees and shareholders, telephone communication, e-mail) to explain to shareholders the importance of timely notifying the Company's Registrar on changes in the data required for dividend payments.		
1.2.2	The Company does not take a decision payment of dividends if this decision, though officially not violating restrictions established by law, is economically unjustified and may lead to misconceptions about the Company's business	The Company's dividend policy contains a list of financial/economic circumstances under which the Company should not pay the dividends	<b>Observed</b>	
1.2.3	The Company does not allow the worsening of dividend rights of its current shareholders	In the reporting period the Company did not take any actions which could lead to the worsening of dividend rights of its current shareholders	<b>Observed</b>	
1.2.4	The Company strives to prevent shareholders from using other means of gaining profit (income) at the cost of the Company, apart from dividends and liquidation value	In order to prevent shareholders from using other means of gaining profit (income) at the cost of the Company, apart from dividends and liquidation value, the Company's internal documents set out control mechanisms which ensure timely identification and approval of transactions with entities affiliated (associated) with major shareholders (persons entitled to exercise a number of votes accounted for by voting shares) in such cases when the law does not officially recognize these transactions as interested-party transactions	<b>Observed</b>	
<b>1.3</b>	<b>The system and practices of corporate management ensure equal conditions for all shareholders owning shares of the same category (type), including minority shareholders and foreign shareholders, and equal treatment of them from the part of the Company</b>			
1.3.1	The Company created conditions to ensure fair treatment to each	During the reporting period management of potential conflicts of interest of major	<b>Observed</b>	

	shareholder by management bodies and controlling persons, as well as to prevent abuse on the part of large shareholders with respect to minority shareholders.	shareholders was efficient, and there were no conflicts between the shareholders		
1.3.2	The Company does not take actions which cause or may cause artificial reallocation of corporate control	There aren't any quasi-treasury shares, legal entities controlled by the company do not own shares in the Company or did not participate in voting during the reporting period.	<b>Observed</b>	
<b>1.4</b>	<b>Shareholders are provided with reliable and efficient methods to register ownership of shares and an opportunity to freely and quickly dispose of their shares</b>			
1.4	Shareholders are provided with reliable and efficient methods of registration of ownership of shares and an opportunity to freely and quickly dispose of their shares	Quality and reliability of activities carried out by the Company's Registrar and related to keeping a register of the owners of securities meet the needs of the Company and its shareholders	<b>Observed</b>	
<b>2.1</b>	<b>The Board of Directors carries out strategic management of the company, establishes the key principles and approaches for creation of risk management and internal control systems, supervises the work of the company's executive bodies, and performs other key functions</b>			
2.1.1	The Board of Directors bears responsibility for adoption of decisions related to appointment executive bodies and discharge from their functions, including due to improper performance of their functions. The Board of Directors also supervises that the executive bodies of the company act in accordance with the approved development strategy and the main areas of the company's activities.	<p>1. The Board of Directors has determined by the Charter powers to appoint, discharge from functions members of the executive bodies.</p> <p><b>2. The Board of Directors reviews the reports of the Sole Executive Body on activity of the Company as well as implementation of the Company's business plan</b></p>	<b>Partially observed</b>	The Company did not approve the Strategy for future periods. The Company plans to take into account these recommendations.
2.1.2	The Board of Directors defines the main guidelines of the Company's activities in the long term, evaluates and approves key performance indicators and principal business	<b>During the reporting period the Board of Directors discussed issues pertaining approval of the strategy, business plan of the Company, as well as consideration of criteria and reached indicators</b>	<b>Partially observed</b>	The Company did not approve the Strategy for future periods. The Company plans to take into account these recommendations.

	goals of the Company, evaluates and approves strategy and business plans for the core activities of the Company	<b>(including interim indicators) of the Company's business plans</b>		
2.1.3	The Board of Directors determines principles and approaches to creating a risk management and internal control system in the Company.	1. The Board of Directors determined principles and approaches to creating a risk management and internal control system in the Company. 2. The Board of Directors assessed risk management and internal control systems of the Company in the reporting period	<b>Observed</b>	
2.1.4	The Board of Directors defines the Company's policy on remunerations and (or) compensations paid to the members of the Board of Directors, executive bodies or other key managers	The Company elaborated and introduced a policy (regulations) on payment of remunerations and or compensations to the members of the Board of Directors, executive bodies and other key managers of the Company.	<b>Observed</b>	
2.1.5	The Board of Directors plays a key role in prevention, detection and settlement of internal conflicts between the Company's bodies, shareholders and employees	1. The Board of Directors plays a key role in prevention, detection and settlement of internal conflicts. 2. The Company established a system to identify transactions related to conflicts of interest and a system of measures aimed at resolving such conflicts	<b>Observed</b>	
2.1.6	Совет директоров играет ключевую роль в обеспечении прозрачности общества, своевременности и полноты раскрытия обществом информации, необременительного доступа акционеров к документам общества. The Board of Directors plays a key role in ensuring transparency of the Company, timeliness and	1. The Board of Directors approved the Regulation on Information Policy. <b>2. The Board of Directors is recommended to assign to the Committee of the Board of Directors or the Corporate Secretary of the Company the obligation to comply with the Company's information policy.</b>	<b>Partially observed</b>	The company appointed employees responsible for implementation of the information policy. The Company has an approved Information Policy, however, this policy was adopted in 2013 and may not take into account all recommendations of the Code. Reports on compliance with information policy are prepared quarterly.

	completeness of disclosed information, easy access for shareholders to the Company's documents			
2.1.7	The Board of Directors controls the corporate management practice in the Company and plays a key role in significant corporate events of the Company	During the reporting period the Board of Directors discussed the issue of the corporate management practice in the Company.	<b>Partially observed</b>	The Board of Directors regularly took part in the formation of the Company's corporate management system during the reporting period (approved the quantitative and personal composition of the committees of the Board of Directors, the Management Board, approved the Regulations on the Corporate Secretary), but did not review or assess the existing corporate management practices of the Company. The company plans to take into account these recommendations.
<b>2.2</b>	<b>The Board of Directors is accountable to the Company's shareholders</b>			
2.2.1	Information on the Board of Directors activity is disclosed and provided to shareholders.	1. The Annual Report of the Company for the reporting period includes information on attendance of meetings of the Board of Directors and Committees by individual directors. 2. The Annual Report includes information on the main results of assessment of activity of the Board of Directors carried out in the reporting period.	<b>Partially observed</b>	Information on the main results of the evaluation of the work of the Board of Directors was not included in the report, as the evaluation was not carried out in the reporting period.
2.2.2	The Chairman of the Board of Directors is available for communication with shareholders of the Company	The Company has a procedure enabling shareholders to send their questions and opinions on them to the Chairman of the Board of Directors via the Corporate Secretary	<b>Observed</b>	
<b>2.3</b>	<b>The Board of Directors is an efficient and professional governing body of the Company, able to make objective independent judgments and make decisions in the interests of the Company and its shareholders</b>			
2.3.1	Only persons having spotless business and personal reputation and knowledge, skills and experience required for making	<b>1. The procedure for the Board of Directors performance assessment also includes evaluation of professional</b>	<b>Not observed</b>	In spite of the fact that the Company does not have a specially approved procedure for evaluating the effectiveness of the work of the Board of Directors and the Personnel and

	<p>decisions within the competence of the Board of Directors as well as for its efficient performance, are elected as members of the Board of Directors.</p>	<p><b>qualification of members of the Board of Directors.</b>  <b>2. During the reporting period the Board of Directors (or its Nominations Committee) assessed candidates for the Board of Directors from the point of view of experience, knowledge, business reputation, lack of conflict of interest, etc.</b></p>		<p>Remuneration Committee has not conducted any special evaluation of candidates for the Board of Directors, the Company has developed the practice of requesting consent to nominate candidates. In this document, candidates reflect a brief information about themselves: information about education and work experience. This information is included in the materials for shareholders and is posted on the official website in the section "Meeting of Shareholders". Thus, each shareholder can conduct an independent appraisal of the candidate for which he/she votes. In addition, after election to the Board of Directors, a newly elected member of the Board of Directors fills out a questionnaire, which indicates detailed information about himself, including education, work experience, ownership of the Company's shares, positions in other organizations, etc. The Company has approved the Anti-Corruption Policy, which is also aimed at identifying a conflict of interests.</p>
2.3.2	<p>Members of the Board of Directors are elected by a transparent procedure enabling shareholders to obtain information about the candidates which is sufficient to form an opinion about their personal and professional qualities</p>	<p><b>In all cases of conducting the General Shareholders Meeting in the reporting period, agenda included items on election of the Board of Directors, the Company provided its shareholders with biographical details of all candidates for the Board of Directors, results of their assessment carried out by the Board of Directors (or its Nominations Committee), as well as information on whether the candidate met criteria of independence in accordance with the Recommendations No. 102-107 of the Code and the written consent of the</b></p>	<p><b>Partially observed</b></p>	<p>The Board of Directors, as well as the Personnel and Remuneration Committee, did not evaluate the candidates to the Board of Directors during the reporting period (the evaluation was conducted only for candidates to the collegial executive body). Also, the Company did not provide information on the applicant's compliance with the independence criteria in accordance with recommendations 102 - 107 of the Code in the materials for shareholders. The company plans to take into account these recommendations.</p>

		<b>candidates for election to the Board of Directors</b>		
2.3.3	The composition of the Board of Directors is balanced by qualification, experience, knowledge and professional qualities of its members and the shareholders trust the Board	For effective performance of its functions, the composition of the Board of Directors should be balanced, including the qualifications of members, their experience, and the number of independent directors, and enjoy the trust of shareholders	<b>Observed</b>	
2.3.4	The quantitative composition of the Company's Board of Directors allows it to organize its activity in the most efficient way, which includes opportunity of establishing Committees of the Board of Directors, as well as provides significant minority shareholders of the company with the opportunity to elect a candidate to the board of directors for which they vote.	The quantitative composition of the Company's Board of Directors allows it to organize its activity in the most efficient way, which includes opportunity of establishing Committees of the Board of Directors, as well as provides significant minority shareholders of the company with the opportunity to elect a candidate to the board of directors for which they vote.	<b>Observed</b>	
<b>2.4</b>	<b>The Board of Directors shall include sufficient number of independent directors.</b>			
2.4.1	An independent director is a person who has sufficient professional skills, experience and independence to form his/her own opinion, is able to make objective and fair judgments independently of the executive bodies of the Company, separate groups of shareholders or other interested parties. At the same time, it should be noted that under normal circumstances a candidate (an elective member of the Board of Directors) associated with the Company, its major shareholder, major counterparty, competitor or	During the reporting period all independent members of the Board of Directors met all independence criteria specified in the Recommendations No. 102-107 of the Code or were recognized as independent by the Board of Directors	<b>Observed</b>	

	the government cannot be considered independent			
2.4.2	The Company carries out our evaluation whether candidates for the Board of Directors meet the independence criteria, and a regular analysis is carried out to determine whether independent members of the Board of Directors meet the independence criteria. When carrying out the evaluation, the content should prevail over the form.	<p><b>1. In the reporting period the Board of Directors (or the Nominations Committee of the Board of Directors) established an opinion on independence of each candidate for the Board of Directors and provided the shareholders with a corresponding statement.</b></p> <p><b>2. In the reporting period the Board of Directors (or the Nominations Committee of the Board of Directors) considered the independence of the current members of the Board of Directors who are specified in the Annual Report as independent directors of the Company at least once.</b></p> <p>3. The Company developed procedures specifying actions required from a member of the Board of Directors if he/she ceases to be an independent director, including obligations to promptly inform the Board of Directors on this fact.</p>	<b>Partially observed</b>	<p>The Board of Directors did not evaluate the candidates to the Board of Directors for independence, did not provide relevant conclusions to the shareholders.</p> <p>The rule determining the necessary actions of a member of the board of directors in the event that it ceases to be independent is currently registered only in the Regulations on the Audit Committee. The company plans to take into account these recommendation</p>
2.4.3	Independent directors account for at least one third of elective members of the Board of Directors.	<b>Independent directors account for at least one third of elective members of the Board of Directors.</b>	<b>Partially observed</b>	The Board of Directors is elected by the shareholders at the annual General Meeting of Shareholders. The Company cannot influence the process of selecting directors by shareholders and ensure the election of the necessary number of independent directors. The Board of Directors of the Company in the reporting year had 2 independent directors.
2.4.4	Independent directors play a key role in preventing internal conflicts in the Company and in committing to the company significant corporate actions.	<b>Independent directors (who have no conflict of interest) preliminarily assess significant corporate actions related to a possible conflict of interest, and the</b>	<b>Partially observed</b>	In practice, independent directors preliminarily assess significant corporate actions related to a possible conflict of interest, and, if necessary, through their corporate secretary, bring their

		<b>results of such an assessment are provided to the Board of Directors.</b>		opinion to the attention of the Board of Directors.
<b>2.5</b>	<b>The Chairman of the Board of Directors ensures that functions assigned to the Board of Directors are performed as efficiently as possible.</b>			
2.5.1	The Board of Directors is chaired by an independent director, or a senior independent director is selected from elective independent directors to coordinate the work of independent directors and communicate with the Chairman of the Board of Directors.	<p><b>1. The chairman of the board of directors is an independent director, or a senior independent director is defined among independent directors.</b></p> <p>2. The role, rights and duties of the Chairman of the Board of Directors (and, if applicable, of the senior independent director) are specified in internal documents of the Company.</p>	<b>Partially observed</b>	The Chairman of the Board of Directors cannot always be an independent director. In accordance with internal documents and established practice of the company, the Chairman of the Board of Directors is elected by the members of the Board of Directors of the Company from the members of the Board of Director by a majority of votes of the total number of members of the Board of Directors and the Board of Directors has the right at any time to re-elect the Chairman of the Board of Directors by a majority of votes of the total number of members of the Board of Directors. The senior independent director was not elected. It is planned to amend the Regulations on the Board of Directors, according to which independent directors will have the opportunity to elect a senior independent director. The company plans to take into account these recommendations.
2.5.2	The Chairman of the Board of Directors ensures a constructive atmosphere at the meetings, open discussion of agenda items and control over implementation of decisions made by the Board of Directors	<p>1. The Chairman of the Board of Directors organizes predation of the work plan for the Board of Directors, oversees implementation of the decisions of the Board of Directors, formation of the agenda for meetings of the Board of Directors, development of the most effective decisions on the agenda items and, if necessary, open discussion of these issues, as well as the constructive atmosphere of the meetings.</p> <p>2. The Chairman of the Board of Directors shall ensure the effective functioning of the committees of the Board of Directors,</p>	<b>Observed</b>	

		including taking the initiative to nominate the members of the Board of Directors to the membership of a committee based on their professional and personal qualities and taking into account the proposals of the members of the Board of Directors on the formation of committees.		
2.5.3	The Chairman of the Board of Directors takes all necessary measures to ensure timely provision of members of the Board of Directors with information required to make decisions on the agenda items	1. The duty of the Chairman of the Board of Directors to take measures to ensure timely provision of members of the Board of Directors with materials on issues on the agenda of the meeting of the Board of Directors is set out in internal documents of the Company.	<b>Observed</b>	
<b>2.6</b>	<b>Members of the Board of Directors act reasonably and in good faith in the interests of the Company and its shareholders on the basis of sufficient information, exercising due diligence and care</b>			
2.6.1	Members of the Board of Directors make decisions taking into account all available information, in the absence of a conflict of interest, and given equal treatment of shareholders of the Company, within a standard business risk.	<p>1. The Company's Internal documents stipulate that a member of the Board of Directors must inform the Board of Directors if there is a conflict of interest in relation to any issue on the agenda of the meeting of the Board of Directors or a Committee of the Board of Directors, prior to discussion of that issue.</p> <p>2. The Company's internal documents stipulate that a member of the Board of Directors must refrain from voting on any issue if he/she has a conflict of interest.</p> <p>3. The Company established a procedure which allows the Board of Directors to obtain professional advice on issues within its competence at the cost of the Company</p>	<b>Partially observed</b>	The rule obliging to notify on conflict of interests on the agenda item is contained only in the Regulations on the Audit Committee of the Board of Directors. Due to the fact that the changed requirements for corporate governance came into effect during the reporting period, the Company did not manage to make the necessary changes to the relevant internal documents. The rule allowing the Board of Directors to receive professional advice on matters within its competence, at the expense of the company, is prescribed only in the Regulations on the Audit Committee.
2.6.2	The rights and duties of members of the Board of Directors are clearly determined and set out in internal documents of the Company.	The Company adopted and published an internal document which clearly determines the rights and duties of members of the Board of Directors.	<b>Observed</b>	

2.6.3	Members of the Board of Directors have sufficient time to perform their duties	<b>1. Individual attendance of meetings of the Board and Committees, as well as the time devoted to preparation for participation in the meetings, were taken into account when performing the assessment of the Board of Directors in the reporting period. 2. In accordance with internal documents of the Company, members of the Board of Directors must inform the Board of Directors of their intention to join the management bodies of other organizations (apart from organizations controlled by or affiliated with the Company) and of the fact of such an appointment.</b>	<b>Partially observed</b>	In the reporting period, the Board of Directors was not evaluated. The internal documents do not contain rules that oblige the members of the Board of Directors to notify on their intention to join the management bodies of other organizations or the fact of such appointment. However, according to the established practice, the members of the Board of Directors inform the Company about this. The company plans to take into account these recommendations.
2.6.4	All members of the Board of Directors have equal opportunities to access documents and information of the Company. Newly elected members of the Board of Directors are provided with sufficient information on the Company and performance of the Board of Directors in the shortest possible time.	1. In accordance with internal documents of the Company, members of the Board of Directors have the right to access documents and make inquiries concerning the Company and its affiliated organizations, and the Company's executive bodies are obliged to provide the said information and documents. <b>2. The Company has a formalized orientation programme for newly elected members of the Board of Directors.</b>	<b>Partially observed</b>	The Company does not have a formalized orientation programme for newly elected members of the Board of Directors. However, there is a practice of introducing new members of the BoD by providing answers to the questions of interest, acquaintance with the main internal documents regulating the activities of the Company and its management and control bodies. On the Company's official website, in the sections "About the Company", "Disclosure of Information", "Shareholders and Investors" a wide range of information about the Company is disclosed, which may be introduced to a newly elected member of the Board of Directors.
<b>2.7</b>	<b>Meetings of the Board of Directors, preparation and participation of the members of the Board of Directors ensure the effective functioning of the Board of Directors.</b>			
2.7.1	Meetings of the Board of Directors are held as necessary, taking into account the scope of activities and the tasks facing the Company in a certain period of time.	The Board of Directors held at least six meetings in the reporting year.	<b>Observed</b>	

2.7.2	The internal documents of the company stipulate the procedure for preparing and holding meetings of the board of directors, which ensures that members of the board of directors can properly prepare for the meeting.	An internal document has been approved in the Company that determines the procedure for preparing and holding meetings of the board of directors, which also stipulates that information on the meeting should be made available, as a rule, no less than 5 days before the date of the meeting.	<b>Observed</b>	
2.7.3	The form of the meeting of the Board of Directors is determined taking into account the importance of the issues on the agenda. The most important issues are addressed at in-person meetings.	<b>The Charter or internal document of the company stipulates that the most important issues (according to the list contained in recommendation 168 of the Code) should be addressed at in-person meetings</b>	<b>Not observed</b>	The requirements for the consideration of the most important issues at in-person meetings of the Board of Directors are not contained in the internal documents of the Company. However, according to the established practice, the Company tries to discuss the most important issues at the in-person meetings. The form of the meeting and the agenda of the meeting of the Board of Directors are determined by the Chairman of the Board of Directors.
2.7.4	Resolutions on the most important issues of the Company's activity are adopted at the meeting of the Board of Directors by a qualified majority or by a majority of votes cast by all elective members of the Board of Directors	The Charter of the Company provides that decisions on the most important issues set forth in Recommendation 170 of the Code should be taken at a meeting of the Board of Directors by a qualified majority of not less than three-quarters of the votes or by a majority of all elected members of the Board of Directors.	<b>Partially observed</b>	In the Charter, the list of decisions on which decisions are made by a qualified majority or a majority of the members of the Board of Directors does not include all the issues listed in recommendation 170 of the Code. The company plans to take into account these recommendations.
<b>2.8</b>	<b>The Board of Directors establishes committees for preliminary consideration of the most important issues of the company's activities.</b>			
2.8.1	For the preliminary consideration of issues related to the control over financial and economic activities of the company, the company established an audit committee consisting of independent directors.	<ol style="list-style-type: none"> <li>1. <b>The Board of Directors has established an audit committee consisting exclusively of independent directors.</b></li> <li>2. The internal documents of the company set out the tasks of the audit committee, including, among others, the tasks contained in recommendation 172 of the Code.</li> <li>3. At least one member of the audit committee, who is an independent director,</li> </ol>	<b>Partially observed</b>	The audit committee consisted not only of independent directors. The Regulations on the Audit Committee contain provisions that specify the requirements for composition of the committee in terms of the number of independent directors. The Company plans to introduce this practice taking into account the actual election of the Board of Directors at the Annual General Meeting of Shareholders.

		has experience and knowledge in the preparation, analysis, evaluation and audit of accounting (financial) statements. 4. The meetings of the audit committee were held at least once a quarter in the reporting period.		
2.8.2	For preliminary consideration of items related to the formation of an effective and transparent remuneration practice, a remuneration committee has been set up consisting of independent directors and is headed by an independent director who is not the chairman of the board of directors.	<b>1. The Board of Directors established a remuneration committee, which consists only of independent directors. 2. The chairman of the remuneration committee is an independent director who is not the chairman of the board of directors. 3. The internal documents of the company set out the tasks of the remuneration committee, including, among others, the tasks contained in recommendation 180 of the Code.</b>	<b>Partially observed</b>	The Board of Directors established a personnel and remuneration committee. The chairman of the committee is not an independent director, however, he/she is not the Chairman of the Board of Directors. The tasks of the committee are defined in the Regulations on the Personnel and Remuneration Committee, however, due to the fact that this version of the document was approved in 2014, it does not contain all the norms listed in the recommendations of the Code.
2.8.3	For preliminary consideration of issues related to implementation of personnel planning (succession planning), professional composition and efficiency of the work of the board of directors, a committee on nominations (appointments, personnel) has been created, the majority of whose members are independent directors.	<b>1. The Board of Directors established a Nominations Committee (or another committee performing its duties specified in Recommendation No. 186 of the Code), and most of its members are independent directors. 2. The Company's internal documents set out duties of the Nominations Committee (or another committee with shared functions), including duties specified in Recommendation No. 186 of the Code</b>	<b>Partially observed</b>	The Board of Directors established a personnel and remuneration committee. The tasks of the committee are defined in the Regulations on the Personnel and Remuneration Committee, however, due to the fact that this version of the document was approved in 2014, it does not contain all the norms listed in the recommendations of the Code. The company plans to take into account these recommendations.
2.8.4	Taking into the scale of activity and the risk level, the Board of Directors ensured that the composition of its Committees fully meets the objectives of the Company. Additional Committees were either formed or deemed unnecessary (the	<b>In the reporting period the Board of Directors of the Company discussed whether the composition of its Committees met the objectives of the Board of Directors and the Company's activity. Additional Committees were either formed or deemed unnecessary</b>	<b>Partially observed</b>	In the reporting period, the Board of Directors did not consider the issue of compliance of the composition of its committees with the tasks of the Board of Directors and the objectives of the Company's activities. After AGM approved the new Board of Directors, the BoD determined the quantitative and personal composition of the

	Strategy Committee, the Corporate Governance Committee, the Ethics Committee, the Risk Management Committee, the Budget Committee, the Committee on Healthcare, Safety and Environment, etc.)			committees that the BoD defined earlier as necessary to achieve the objectives and goals set for the Board of Directors.
2.8.5	The composition of the Committees is such that it allows a comprehensive discussion of issues for preliminary consideration taking into account different opinions.	<b>1. The Committees of the Board of Directors are chaired by independent directors</b> <b>2. Internal documents (policies) of the Company stipulate that persons who are not members of the Audit Committee, the Nominations Committee and the HR and Remunerations Committee may attend meetings of the Committees only by invitation of the Chairman of the respective Committee</b>	<b>Partially observed</b>	From 24.11.2016 the Audit Committee of the Board of Directors of the Company is chaired by the independent director Shevchuk A.V.
2.8.6	The Chairmen of the Committees inform the Board of Directors and its Chairman on activity of their Committees on a regular basis	In the reporting period the Chairmen of the Committees informed the Board of Directors of performance of the Committees regularly	<b>Partially observed</b>	The Board of Directors considered only the report of the audit committee. The company plans to take into account these recommendations.
<b>2.9</b>	<b>The Board of Directors arranges an assessment of activity of the Board of Directors, its Committees and members of the BoD</b>			
2.9.1	Evaluation of the quality of work of the Board of Directors is aimed at assessing performance of the Board of Directors, its Committees and members, determining whether their work meets the company's development requirements, intensifying the work of the Board of Directors and identifying opportunities for improvement of its performance	<b>1. Self-assessment or an external assessment of the Board of Directors carried out in the reporting period included the assessment of the work of its Committees, certain members of the BoD and the Board of Directors in general.</b> <b>2. Results of self-assessment or an external assessment of the Board of Directors carried out in the reporting period were considered at in-person meeting of the Board of Directors</b>	<b>Not observed</b>	The Company does not have an approved procedure for self-assessment of the effectiveness of the Board of Directors. The effectiveness of the Board of Directors was not assessed in the reporting period.
2.9.2	Assessment of activity of the Board of Directors, its Committees and members is carried out on a regular	<b>To conduct an independent assessment of the quality of the work of the board of directors, at least once the company</b>	<b>Not observed</b>	The effectiveness of the Board of Directors was not assessed. The company plans to take into account these recommendations.

	basis at least once a year. An external organization (consultant) is engaged to perform an independent assessment of the quality of work of the Board of Directors at least once in three years	<b>involved external organization (consultant) in the last three reporting periods.</b>		
<b>3.1</b>	<b>The corporate secretary of the company carries out effective current interaction with shareholders, coordination of the company's actions to protect the rights and interests of shareholders, supporting the effective work of the Board of Directors.</b>			
3.1.1	The Corporate Secretary has the knowledge, experience and qualifications, sufficient for performance of the duties, an impeccable reputation and enjoys the trust of the shareholders	1. The Company adopted and disclosed an internal document – the Regulations on the Corporate Secretary 2.. Biography of the Corporate Secretary is disclosed on the Company’s website and in the Annual Report; it is as detailed as that of the members of the Board of Directors and the Company's executive officers	<b>Observed</b>	
3.1.2	The Corporate Secretary has sufficient independence from the executive bodies of the company and has the necessary powers and resources to carry out the tasks assigned to him/her.	The Board of Directors approves the appointment and dismissal of the Corporate Secretary and additional remuneration	<b>Observed</b>	
<b>4.1</b>	<b>The amount of remuneration paid by the Company is sufficient for attracting, motivating and retaining employees who have the competence and qualification required by the Company. Remuneration is paid to members of the Board of Directors, executive bodies and other key managers of the Company in accordance with the remuneration policy adopted by the Company.</b>			
4.1.1	Remuneration paid by the Company to members of the Board of Directors, executive bodies and other key managers is sufficient to motivate them so that they work efficiently, allowing the Company to attract and retain competent and qualified specialists. At the same time, the Company avoids paying larger than necessary amounts of remuneration, as well as allowing	The company has adopted an internal document (documents) - a policy (policies) for remuneration paid to members of the board of directors, executive bodies and other key executives, which clearly defines the approaches to remuneration of these individuals.	<b>Observed</b>	

	an unreasonably large gap between the amounts of remuneration paid to the mentioned persons and the Company's employees			
4.1.2	The Company's remuneration policy was developed by the Remunerations Committee and approved by the Board of Directors. The Board of Directors supported by the Remunerations Committee ensures control over the introduction and implementation of the remuneration policy in the Company and, if necessary, revises it and makes adjustments to it	In the reporting period the remunerations committee considered the remuneration policy (policies) and its (their) implementation and, where necessary, provided the Board of Directors with relevant recommendations	<b>Observed</b>	
4.1.3	The company's remuneration policy contains transparent mechanisms for determining the remuneration of members of the board of directors, executive bodies and other key management personnel of the company, and regulates all types of payments, benefits and privileges granted to these individuals.	1. The company's remuneration policy (policies) contains (contain) transparent mechanisms for determining the remuneration of members of the board of directors, executive bodies and other key management personnel of the company, and regulates (regulate) all types of payments, benefits and privileges granted to these individuals.	<b>Observed</b>	
4.1.4	The Company determines the policy of reimbursement of expenses (compensations), which specifies the list of expenses subject to reimbursement, and the level of service for which members of the board of directors, executive bodies and other key management personnel of the company can claim. Such a policy can be an integral part of the policy of the company on remuneration.	1. The remuneration policy (policies) or in other internal documents of the company establish the rules of reimbursement of expenses to members of the board of directors, executive bodies and other key management personnel of the company.	<b>Observed</b>	

<b>4.2</b>	<b>The system of remuneration for the members of the Board of Directors ensures that the directors' financial interests are aligned with long-term financial interests of shareholders</b>			
4.2.1	The Company pays fixed annual remuneration to the members of the Board of Directors. The Company does not pay remuneration for participating in individual meetings of the Board of Directors or Committees under the Board of Directors. The Company does not offer short-term and additional financial incentives to the members of the Board of Directors	1. Fixed annual remuneration was the only monetary form of remuneration to members of the board of directors for their work on the board of directors during the reporting period.	<b>Observed</b>	In accordance with the Regulations on the Payment of Remunerations and Compensations to the Members of the Board of Directors of the Company in edition of 2016, members of the Board of Directors are paid a fixed annual remuneration calculated on the basis of the Company's revenues.
4.2.2	Long-term ownership of the Company's shares is the most important factor ensuring that financial interests of members of the Board of Directors are aligned with the long-term interests of shareholders. At the same time, the Company does not make the sale of shares depend on compliance with certain performance indices and the members of the Board of Directors do not participate in stock options plans	<b>If the internal document(document s) - the company's remuneration policy (policies) stipulate provision of company shares to the members of the board of directors, clear rules for the ownership of shares by members of the board of directors should be provided and disclosed, aimed at encouraging long-term ownership of such shares.</b>	<b>Not observed</b>	Общество планирует учесть данные рекомендации. The internal document does not stipulate the provision of Company shares to the members of the Board of Directors and, accordingly, does not contain clear rules for the ownership of shares by members of the Board of Directors aimed at encouraging long-term ownership of such shares. The company plans to take into account these recommendations.
4.2.3	The company does not provide for any additional payments or compensation in the event of early termination of the powers of the members of the board of directors in connection with the transfer of control over the company or other circumstances.	1.The company does not provide for any additional payments or compensation in the event of early termination of the powers of the members of the board of directors in connection with the transfer of control over the company or other circumstances.	<b>Observed</b>	
<b>4.3</b>	<b>The system of remuneration of members of executive bodies and other key management personnel of the company provides for dependence of remuneration on the result of the work of the company and their personal contribution to achieving this result.</b>			

4.3.1	Remuneration for members of executive bodies and other key managers of the Company is determined in such a way as to ensure reasonable and justified ratio of fixed components of remuneration to its variable components, which depend on the Company's performance and an employee's personal contribution to this performance	<p>1. In the reporting period annual performance indicators approved by the Board of Directors were used to determine variable components of remuneration for members of executive bodies and other key managers of the Company.</p> <p>2. In the course of the last evaluation of the system of remuneration for the members of executive bodies and other key managers of the Company, the Board of Directors (the Remunerations Committee) made sure that the Company effectively combined fixed and variable components of remuneration.</p> <p><b>3. The Company has a procedure ensuring that the bonuses wrongfully received by the members of executive bodies and other key managers are returned to the Company</b></p>	<b>Partially observed</b>	The Company does not have a procedure that ensures the return to the company of bonus payments wrongfully received by members of the executive bodies and other key management personnel of the company. During the reporting period, the Board of Directors (the Personnel and Remuneration Committee) did not evaluate the remuneration system for members of executive bodies and other key management personnel of the company.
4.3.2	The Company introduced a long-term motivation programme for members of the executive bodies and other key executives of the company with the use of company shares (options or other derivative financial instruments, the underlying asset for which are the shares of the company).	<p><b>1. The Company introduced a long-term motivation programme for members of the executive bodies and other key executives of the company with the use of company shares (financial instruments based on the shares of the company).</b></p> <p><b>2. The long-term incentive plan for members of executive bodies and other key managers of the Company provides stipulates that the right to sell shares and other financial instruments used in such a plan may be exercised no earlier than three years after their provision. At the same time, the right to sell them is related to compliance with the Company's certain performance indices.</b></p>	<b>Not observed</b>	The Company is considering the possibility of organizing an option program for members of the executive bodies and other key management personnel of the company.

4.3.3	The amount of compensation (the “golden parachute”), paid by the Company in case of early termination of the powers of members of executive bodies or key managers on the initiative of the Company and in case of absence of any fraudulence on their part, does not exceed the double amount of the fixed component of annual remuneration.	1. The amount of compensation (the “golden parachute”), paid by the Company in case of early termination of the powers of members of executive bodies or key managers on the initiative of the Company and in case of absence of any fraudulence on their part, does not exceed the double amount of the fixed component of annual remuneration.	<b>Observed</b>	
<b>5.1</b>	<b>The Company has established an effectively functioning system of risk management and internal control aimed at providing reasonable confidence in achieving the goals set for the Company.</b>			
5.1.1	The Board of Directors of the company determined principles and approaches to organization of the system of risk management and internal control in the Company.	A regulatory and methodological framework has been established to ensure functioning and improvement of the risk management system (RMS). The Board of Directors of the company approved internal control policies and risk management policies (minutes of meeting No.142/2014 dd 14.08.2014), which determine the functional roles of participants in the relevant processes. These documents are submitted to all interested persons and are accessible to all employees of the company. Work is under way to update these documents in order to improve the mechanisms for monitoring and managing risks in the Company.	<b>Observed</b>	
5.1.2	The executive bodies of the company ensure creation and maintenance of functioning of an effective system of risk management and internal control in the Company.	The company has approved organizational and administrative documents that ensure effective functioning of the risk management system, including: - methodology for assessing operational risks, sample of the passport of operational risks, limits of ranges of the probability	<b>Observed</b>	

		<p>scale, scale of consequences, scales of significance of risks (Order #512; 11.08.2015);</p> <p>- instructions on planning and implementation of risk management measures (Order No.777 of 11.12.2015);</p> <p>Risk assessment is carried out on a regular basis, and the the company assigned the owners of risks from among the top managers. Reports on management of risks and measures to minimize them are reviewed on a quarterly basis by the board of the company, are annually submitted for consideration of the board of directors and reviewed by the audit committee twice a year.</p>		
5.1.3	<p>The system of risk management and internal control in the Company provides an objective, fair and clear picture of the current state and prospects of the Company, the integrity and transparency of the company's reporting, the soundness and acceptability of the risks accepted by Company.</p>	<p>The Company has an effective system of revealing and fixing facts of violations, abuses and thefts, prevention and counteraction of corruption, violations and abuses. The anti-corruption policy (the minutes of the Board of Directors minutes nO.149/2015, 12.01.2015), the regulation on communication by employees about the receipt of a gift in connection with their official position (order of the company No. 533 of 21.08.2015) were approved, updated and submitted to employees, order of reception, consideration and permission of applications from applicants about possible facts of corruption (order No.122; 02.03.2015), the rules for preparation and submission of information on disclosure of the chain of owners of counterparties (order No. 2; 12.01.2015), etc</p>	<b>Observed</b>	

5.1.4	The Company's Board of Directors takes necessary measures to make sure that the Company's risk management and internal control system is in line with the principles of and approaches to its organization determined by the Board of Directors and functions efficiently	The Board of Directors, the Audit Committee pay sufficient attention to understanding the risks of the Company. Risk management reports are reviewed by the Audit Committee and the Board of Directors. Information on key operational risks is considered by the Board of Directors in the report on implementation of the business plan on a quarterly basis. Reports on the conducted verification activities are reviewed by the Audit Committee on a quarterly basis	<b>Observed</b>	
<b>5.2</b>	<b>For a systematic independent evaluation of the reliability and effectiveness of the system of risk management and internal control, and the practice of corporate management, the Company organizes an internal audit.</b>			
5.2.1	To conduct internal audit, the Company established a separate structural unit or engaged an independent third-party organization. Functional accountability of the internal audit unit is separate from its administrative accountability. The internal audit unit is functionally accountable to the Board of Directors	In accordance with the internal audit policy approved by the Board of Directors of the Company (minutes of meeting dated 14.09.2014 No.142/2014) and the Regulations on Internal Audit and Control Division (approved on October 23, 2014, effective since 12.01.2015), the Internal Audit and Control Division is functionally subordinated to the Board of Directors (Audit Committee of the Board of Directors), administratively it is subordinated to the General Director.	<b>Observed</b>	
5.2.2	The Internal Audit Division evaluates the effectiveness of the internal control system, evaluates the effectiveness of the risk management system, and also the corporate management system. The Company applies generally accepted standards of activity in the field of internal audit.	The Internal Audit Division assessed in the reporting period the effectiveness of the system of internal control and risk management of the Company for 2014. The report on the results of the evaluation was reviewed by the Audit Committee of the Board of Directors of the Company (Minutes of meeting No. 29 dated 28.03.2015) and approved by the Board of	<b>Observed</b>	

		Directors of the Company (Minutes of meeting No. 155/2015 dated 27.03.2015).		
<b>6.1</b>	<b>The Company and its activities are transparent to shareholders, investors and other interested parties.</b>			
6.1.1	The Company has developed and implemented an information policy that ensures effective communication between the company, shareholders, investors and other interested persons.	1. The Board of Directors approved the Company's information policy developed considering the recommendations of the Code. <b>2. The Board of Directors (or one of its Committees) considered the issues related to the Company's compliance with its information policy at least once in the reporting period</b>	<b>Partially observed</b>	The Company has an approved information policy, however, this policy was adopted in 2013 and may not take into account all recommendations of the Code. Reports on compliance with information policy are formed quarterly.
6.1.2	The Company discloses information on the corporate governance system and practices, including detailed information on compliance with the principles and recommendations of the Code.	1. The Company discloses information on its corporate governance system and general corporate governance principles used by it, including disclosure on the Company's website. 2. The Company discloses information on the composition of executive bodies and the Board of Directors, independence of its members and their membership in the Committees of the Board of Directors (in accordance with definitions given in the Code). <b>3. If there is an entity controlling the Company, the Company publishes a memorandum of this entity detailing its plans concerning corporate management code</b>	<b>Partially observed</b>	The Company does not publish a memorandum of the controlling person regarding the plans of such person with respect to corporate governance in the community. The decision to prepare the memorandum is made by the controlling person. If the relevant decision is made by the controlling entity, the Company will publish a memorandum on plans for corporate governance.
<b>6.2</b>	<b>The Company timely discloses full, up-to-date and reliable information about the Company in order to ensure that the shareholders of the company and investors can make grounded decisions.</b>			
6.2.1	The Company discloses information in accordance with the principles of regularity, consistency and efficiency, as well as availability, reliability,	1. The information policy of the company defines approaches and criteria for determining information that can have a significant impact on the value of the company and the value of its securities and	<b>Observed</b>	

	completeness and comparability of the disclosed data.	<p>procedures that ensure the timely disclosure of such information.</p> <p>2. If the securities of a company are traded on foreign organized markets, the disclosure of material information in the Russian Federation and in such markets is carried out synchronously and is equivalent during the reporting year.</p> <p>3. If foreign shareholders own a significant number of shares in the company, during the reporting year, information was disclosed not only in Russian, but also in one of the most common foreign language.</p>		
6.2.2	The company avoids a formal approach when disclosing information and discloses significant information about its activities, even if disclosure of such information is not provided for by law.	<p>1. During the reporting period, the Company disclosed the annual and half-year financial statements prepared in accordance with IFRS. The annual report of the company for the reporting period includes annual financial statements prepared in accordance with IFRS, together with an audit report.</p> <p><b>2. The Company shall disclose full information on the company's capital structure in accordance with Recommendation 290 of the Code in the annual report and on the company's website on the Internet.</b></p>	<b>Observed</b>	
6.2.3	The annual report, being one of the most important tools of communication with shareholders and other interested parties, contains information that allows to evaluate the results of the company's activities during the year.	<p><b>1. The annual report of the company contains information on key aspects of the company's operating activities and its financial results</b></p> <p><b>2. The annual report of the company contains information on the environmental and social aspects of the company's activities.</b></p>	<b>Observed</b>	
<b>6.3</b>	<b>The Company provides equal and unhindered access to information and documents at the shareholders' request</b>			

6.3.1	The Company provides equal and unhindered access to information and documents at the shareholders' request	The Company's information policy stipulates that shareholders must be granted equal and unhindered access to information, including information on legal entities controlled by the Company, at the shareholders' request	<b>Observed</b>	
6.3.2	When providing information to shareholders, the company ensures a reasonable balance between the interests of specific shareholders and the interests of the company itself, which is interested in preserving the confidentiality of important commercial information that may have a significant impact on its competitiveness.	1. During the reporting period, the company did not refuse to satisfy the shareholders' requests for information, or such refusals were justified. 2. In cases determined by the information policy of the company, shareholders are warned about the confidential nature of the information and assume the responsibility to preserve its confidentiality.	<b>Observed</b>	
<b>7.1</b>	<b>Actions that significantly affect or may affect the structure of the share capital and financial condition of the Company and, accordingly, the shareholders' position (significant corporate actions) are carried out on fair terms ensuring compliance with the rights and interests of shareholders as well as other interested parties.</b>			
7.1.1	Significant corporate actions are: reorganization of the company, acquisition of 30 percent or more of the company's voting shares (merge), the company's material transactions, increase or decrease of the company's charter capital, listing and delisting of the company's shares, as well as other actions that could lead to a significant change in rights of shareholders or violation of their interests. The Company's charter defines the list (criteria) of transactions or other actions that are significant corporate actions, and such actions are attributed to the	1. The Company's Charter defines the list of transactions or other actions that are significant corporate actions and criteria for their determination. Decisions on significant corporate actions are within the competence of the Board of Directors. In cases where implementation of these corporate actions is directly attributed by the law to the competence of the general meeting of shareholders, the board of directors provides shareholders with appropriate recommendations. 2. According to the Charter of the Company at least the following is referred as significant corporate actions: reorganization of the company, acquisition of 30 or more percent of the company's	<b>Observed</b>	

	competence of the Company's board of directors.	voting shares (takeover), significant transactions by the company, increase or decrease of the company's charter capital, listing and delisting of the company's shares.		
7.1.2	The Board of Directors plays a key role in making decisions or providing recommendations for significant corporate actions, the Board of Directors relies on the position of independent directors of the Company.	<b>1. The company provides for a procedure in accordance with which independent directors declare their position on significant corporate actions before they are approved.</b>	<b>Not observed</b>	This procedure is not reflected in the internal documents of the Company, however, in practice, independent directors voice their position on significant corporate actions before they are approved.
7.1.3	When substantial corporate actions affect the rights and legitimate interests of shareholders, equal conditions are provided for all shareholders of the Company, and if the mechanisms envisaged by law are not sufficient to protect the rights of the shareholders, additional measures that protect the rights and legitimate interests of the shareholders of the Company are taken. At the same time, the Company is guided not only by compliance with the formal requirements of legislation, but also by the principles of corporate governance set out in the Code.	1. The Charter of the Company, taking into account the specifics of the Company's activities, establishes lower minimum criteria for the attribution of transactions of the company to significant corporate actions. 2. During the reporting period, all significant corporate actions were approved before they were implemented.	<b>Observed</b>	
<b>7.2</b>	<b>The Company provides such order of committing significant corporate actions that allows the shareholders to receive timely full information about such actions, provides them with the opportunity to influence the commission of such actions and guarantees compliance and an adequate level of protection of their rights in the course of performance of such actions.</b>			
7.2.1	Information on performance of significant corporate actions is disclosed with an explanation of the	1. In the reporting period, the Company disclosed in a timely and detailed manner information on the Company's significant	<b>Observed</b>	

	reasons, conditions and consequences of such actions.	corporate actions, including the grounds and timing of such actions.		
7.2.2	Rules and procedures related to implementation by the Company of significant corporate actions are set out in the internal documents of the company.	<p>1. Internal documents of the Company establish procedure for engaging an independent appraiser to determine the value of property alienated or acquired by a major transaction or an interested party transaction.</p> <p>2. Internal documents of the company establish the procedure for inviting an independent appraiser to estimate the cost of acquiring and repurchasing shares of the Company.</p> <p>3. The Company's internal documents establish an expanded list of grounds on which members of the Company's Board of Directors and other persons stipulated by law are recognized as interested in the Company's transactions.</p>	<b>Observed</b>	

## **Appendix No. 7 - Contact information**

Please, address questions on the information included in this annual report to Elena Nikolaevna Pavlova, Head of the Corporate Governance and Shareholder Relations Department

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