

EXPLANATORY NOTE AND DRAFT RESOLUTION OF THE EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS OF IDGC OF SOUTH, PJSC

QUESTION NO. 3: Increasing the Company's charter capital by placing additional shares.

In accordance with Article 48 of the Federal Law "On Joint-Stock Companies", Sub-clause 5 of Clause 10.2 of the Charter of IDGC of the South (hereinafter referred to as the Charter of the Company), the increase of the Company's charter capital by placing additional shares is referred to the competence of the General Meeting of Shareholders of the Company.

As of 30.06.2019 the actual amount of the principal debt of IDGC of the South, PJSC under credits and loans amounted to 24,939,823.1 rubles. The amount of debt on Kalmenergo, a branch of IDGC of the South, PJSC, is 7,525,029.9 rubles.

In order to increase the financial stability of the Company as a whole and the priority step-by-step withdrawal of Kalmenergo, a branch of IDGC of the South, PJSC, to the break-even point of its operations, the shareholders of IDGC of the South, PJSC are offered to provide the Company with financial support by purchasing additional shares of IDGC of the South, PJSC and by allocating funds for priority partial repayment of debt to banks and reducing the loan portfolio of Kalmenergo, a branch of IDGC of the South, PJSC.

The Republic of Kalmykia cannot provide compensation for servicing of a substantial loan portfolio of Kalmenergo, a branch of IDGC of the South, PJSC, through tariffs for electric power transmission services, as it will require their multiple growth (currently the tariffs are among the highest in the Russian Federation). At the same time, the executive authorities in the field of state regulation of tariffs in other regions will not allow to solve the problems of the Republic of Kalmykia at the expense of their consumers in case the Company transfers the credit load existing at the branch of IDGC of the South, PJSC - Kalmenergo to other, more stable branches of the Company.

At present, one of the shareholders of IDGC of the South, PJSC - «ROSSETI South», PJSC - is able to contribute 6.96 billion rubles to the Company's charter capital. In order to attract investment from all shareholders and with the possibility of saving shares of all shareholders is proposed to increase the company's authorized capital by placing additional ordinary registered uncertificated shares in amount of 520 98 013 264 (Ninety eight billion five hundred twenty million thirteen thousand two hundred and sixty four) pieces of ordinary registered uncertificated shares of nominal value 10 (Ten) kopecks each for the total amount at nominal value 9 852 001 326 (Nine billion eight hundred fifty two million one thousand three hundred twenty-six) rubles 40 kopecks, on the following basic conditions:

- type of offering: public offering;
- placement price of one additional ordinary registered uncertificated share (including persons included in the list of persons having a preemptive right to purchase additional shares to be placed): 10 (Ten) kopecks;
- manner of payment: payment for additional ordinary registered uncertificated

shares of the Company shall be made in rubles of the Russian Federation in non-cash form.

In accordance with clause 4 of Art. 39 of the Federal Law "On Joint Stock Companies", clause 10.5. 10 of the Charter of the Company a decision on the placement by public subscription of ordinary shares constituting more than 25 (Twenty-five) percent of previously placed ordinary shares of the Company shall be taken by the General Meeting of Shareholders by a three-fourths majority vote of the shareholders owning voting shares attending the General Meeting of Shareholders.

In accordance with clause 10.8 of Article 10 of the Charter of IDGC of the South, PJSC, voting at the General Meeting of Shareholders on this issue is carried out on the principle of "one voting share - one vote".

DRAFT RESOLUTION:

To increase the authorized capital of IDGC of the South, PJSC by placing additional ordinary registered uncertificated shares in the amount of 98,520,013,264 (ninety-eight billion five hundred and twenty million thirteen thousand two hundred and sixty four) shares of ordinary registered uncertificated shares with the par value of 10 (ten) kopecks each for the total amount of 9,852,001,326 (nine billion eight hundred and fifty-two million one thousand three hundred and twenty-six) roubles and 40 kopecks, under the following basic conditions:

- type of offering: public offering;
- placement price of one additional ordinary registered uncertificated share (including persons included in the list of persons having a preemptive right to purchase additional shares to be placed): 10 (Ten) kopecks;
- manner of payment: payment for additional ordinary registered uncertificated shares of the Company shall be made in rubles of the Russian Federation in non-cash form.