



2011

ANNUAL  
REPORT

МРСК ЮГА



ENERGY OF THE SOUTH –  
THE ENERGY FOR ACHIEVEMENTS

# 2011

## ANNUAL REPORT



Open Joint Stock Company  
“Interregional Distribution Grid Company of the South”

## DISCLAIMER

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

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

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

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

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

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

# TABLE OF CONTENTS

<b>Disclaimer</b>	<b>2</b>
<b>Address to shareholders of the Chairman of the Board of Directors of IDGC of the South, JSC</b>	<b>4</b>
<b>Interview with the General Director — Chairman of the Management Board of IDGC of the South, JSC</b>	<b>6</b>
<b>Basic operating results</b>	<b>10</b>
<b>1. ABOUT THE COMPANY</b>	<b>12</b>
Geographical location	16
Brief development history	16
Corporate structure	17
Key milestones and facts	20
<b>2. POSITION OF IDGC OF THE SOUTH, JSC IN THE INDUSTRY</b>	<b>26</b>
<b>3. DEVELOPMENT STRATEGY</b>	<b>30</b>
<b>4. OPERATIONAL REPORT</b>	<b>42</b>
Activities on Electric Power Transmission	44
Energy Saving and Increase of Energy Efficiency	49
Technological Connection to the Electric Mains of the Company	50
Improvement of Operational Reliability and Electric Power System Efficiency	58
Information Technologies Development	60
Development of Automation Technologic Control Systems	63
Procurement Activity	64
<b>5. INVESTMENT REPORT</b>	<b>68</b>
Investment operations scope	70
Tendencies and framework of capital investments	71
Long-term investment program	74
<b>6. FINANCIAL REPORT</b>	<b>76</b>
Basic Provisions of the Society Accounting Policy	78
Analysis Financial Situation and Business Results of the Society	83
<b>7. CORPORATE REPORT</b>	<b>96</b>
Corporate governance	98
The revision commission	127
Auditor	129
The internal control and risk management system	130
Legal support of the Company business	137
Property management	138
<b>8. SHARE CAPITAL AND SECURITIES MARKET</b>	<b>144</b>
Share capital	146
Circulation of shares at the stock market	149
Dividends	155
<b>9. SUSTAINABILITY REPORT</b>	<b>156</b>
Personnel of IDGC of the South, JSC	159
Environmental policy	167
Customer-oriented policy	169
Forecast of emergencies at facilities of the distribution grid complex in 2012	170
Public relations, relations with public authorities, international cooperation, congress and exhibition activities	176
<b>Glossary</b>	<b>180</b>
<b>APPENDICES:</b>	<b>183</b>
1. Information on electricity transmission services by IDGC of the South, JSC	184
2. Information on tariffs and volumes of demand for technological connection	188
3. Annual financial report of IDGC of the South, JSC for 2011	202
4. Auditor's report	212
5. Auditing Committee opinion	214
6. Report on compliance of IDGC of the South, JSC with the Corporate Governance Code	217
7. Information about the participation of IDGC of the South, JSC in non-core business areas	226
8. Information on interested-party transactions conducted by IDGC of the South, JSC in 2011	229
<b>Contact information</b>	<b>247</b>

# ADDRESS TO SHAREHOLDERS OF THE CHAIRMAN OF THE BOARD OF DIRECTORS OF IDGC OF THE SOUTH, JSC

## Dear shareholders!

One of the largest inter-regional distribution grid companies of Russia, IDGC of the South, JSC, despite the difficult working conditions caused by consumers' debts for the services provided to them by IDGC of the South, JSC, by legislative restriction of electric power tariffs growth and for some other reasons, has been able to show positive results by the end of 2011: the profit of 117 million rbl. has been gained. This was possible due to the coordinated work of the members of the Society Board of Directors and due to IDGC of the South, JSC management.

In 2011, the IDGC of the South, JSC included the representatives of the major shareholder, the Holding IDGC, JSC, to the IDGC of the South, JSC Board of Directors, as well as representatives of the minorities. Participation of the representative of the Non-commercial Organisation of Investors Rights Protection Association in the Society Board of Directors has become an additional guarantee of respect of minority shareholders' interests.

During the accounting year, the Company management under the guidance of the Board of Directors has focused its efforts on the system solution for certain priority problems: formation of the uniform integrated hi-tech control system of IDGC of the South, JSC; realization of client-oriented approach within the Company's activity; provision of qualitative and reliable power supply for consumers; realization of the Activity Program of Decrease of Injuries Risks of External Persons at IDGC of the South, JSC Facilities; improvement of financial indicators of the Society activity, including decrease of account receivables as part of the activities plan of the IDGC of the South, JSC financial improvement for 2010–2012.

The end of 2011 can be considered successful due to exceedance of physical indicators of execution of repair and short-

term investment programs by the Society which has allowed not only raising reliability of the power supply complex, but creating a reserve for its subsequent development as well.

The Program of the Society Innovative Development, approved by the Board of Directors for 2011–2016, defining the innovative, research, design and experimental activity as one of the major factors of development of the Russian distributive power supply network complex, urged to give to this process a special impulse. The program determines the basic directions of innovative development of the Company, generates priority directions of research, design and experimental works, and the plan for execution of research, design and experimental works for the next few years.

For perfection and increase of the management system efficiency, achievement of high industrial and economic activity indicators, IDGC of the South, JSC has shifted to the new structure of Society branches management since the 1<sup>st</sup> of August, 2011.

The Board of Directors defines one of priority directions of the Society activity. This is implementation of the integrated system of the internal control and risks management. Standardization of the monitoring environment and risks of key business processes is carried out in 2011 as a part of this work by introduction of Provisions of Monitoring Environment and Risks of Basic Business Processes.

An integrated management system is developed, implemented, certified and effectively functions in IDGC of the South, JSC, conforming to international standards ISO 9001:2008 Quality management systems — Requirements, ISO 14001:2004 Environmental management systems — Requirements with guidance for use, OHSAS 18001:2007 Management system for professional health and safety. Requirements.

**Aleksey Yurievich  
Perepyolkin**

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



The supervising audit on conformity to requirements of the above standards was conducted successfully in December, 2011, on platforms of Astrakhanenergo and Kalmenergo, the IDGC of the South, JSC branches, as well as in the executive body of the IDGC of the South, JSC. No critical discrepancies were detected, which testified to high level of administrative and industrial culture. Certificates lifetime has been prolonged till December, 2012.

SGS Vostok Limited CJSC acted as a certification body. It is a part of the SGS group, which is the world leader at the market of monitoring, examination, tests and certification.

Recertifying audit of the IDGC of the South, JSC Integrated Management System is planned for 2012. If it is passed successfully, the international standards conformity certificates will be issued by 2015.

Despite toughening of the requirements for corporate management practice put forward by Expert RA Rating Agency, the

IDGC of the South, JSC is acknowledged as the company with developed practice of the corporate management, the 6+ national rating level of the Society corporate management is confirmed.

In 2011, the IDGC of the South, JSC shares rates are the same in the Quotation list «B» of Moscow Interbank Currency Exchange CJSC.

We appreciate your trust, and we assure the shareholders that the Society management in 2012 will focus its efforts on:

- Increase of the Society investment potential and value;
- Maintenance of reliable and safe functioning of the power supply network complex;
- Increase of information transparency.

We hope that obtained results, set tasks and strategic objectives of the IDGC of the South, JSC allow counting on trust of public authorities and external investors, and for attraction of large-scale investments into electric power industry of Southern Federal District as well.

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

**Aleksey Yurievich Perepyolkin**

# INTERVIEW WITH THE GENERAL DIRECTOR — CHAIRMAN OF THE MANAGEMENT BOARD OF IDGC OF THE SOUTH, JSC

## The Success Strategy: from generation to consistent development

For IDGC of the South, JSC the year 2011 became a kind of turning point: for the first time from the moment of the establishment in 2007 the Company has managed to finish the year with the positive finance result. Neither problems with the debts of the consumers for the services of IDGC of the South, JSC nor legislative restrictions on the growth of electricity tariffs have hindered it. “The fact that the Company succeeded in making profit in rather tangled market situation proves that the formation stage is practically complete”, the General Director of IDGC of the South, JSC Sergey Arkhipov pointed out. “We are going to the stage of the fruitful work and expect that the year 2012 will become even more successful for the Company”.

— *Sergey Aleksandrovich, a positive financial result achieved by the end of 2011, with losses in 2010 of 3.6 billion, can be evaluated as a historic turning point. It is evident that the Company development strategy selected by the top management team and realized by the collective proves its value. Due to what has such a meaningful result been achieved?*

— The achieved result is not a limit, but only a starting point. The positive trend line was the fact that the Company finished the year with the profit at the rate of RUR 117 million. In 2011, the Company managed to increase the revenues for the electricity transmission by 8%. The whole revenue amounts to RUR 24 billion, where RUR 22 billion, or 93%, are electricity transmission services, RUR 1.5 billion, or 6%, are services for technological hooking up and RUR 204 million are other incomings.

One of the past year foreground lines of activity was increasing of the Company operating efficiency. To achieve this goal, in 2010 already, the financial recovery plan of IDGC of the South, JSC for 2010–2011 was developed and approved, it provides for the reduction of controlled operational costs, reducing debts receivable, fulfillment of income plan, reserve optimization and other activities.

Increase in income from technological hooking up services in 2011 by RUR 1.2 billion in comparison with 2010 has also influenced the net profit growth.

— *The year of 2011 was marked by the Company financial recovery: an ambitious program was implemented consistently. Can we say that the consistency in solving this problem has brought its results?*

— The figures can show it eloquently: the economic effect from the realization of the financial recovery program of the Company amounted to RUR 2.4 billion. The Company has been carrying out the activities for the cost reduction of the raw material, materials and production services, for the cost reduction of procurement, optimization of stock recording and a line of other activities throughout the year. In particular, the program for energy saving was developed and is being implemented, this program allows to reduce the costs for energy both for loss compensation and for production and economic needs. Approval of the new Company organization structure and improvement of the business processes allowed optimizing of the costs for the remuneration of labor. The significant result was obtained due to optimizing of the costs for raw materials, materials and production services, due to reduction of procurement costs during performing the regulated procedures and other activities. This year will be not an exception; we will continue development in the direction of the further cost reduction.

— *The opposition to non-payments remained one of the burning problems for the Company in 2011. How can you rate the achieved results in this direction?*

— Figuratively speaking, we have done less than we desired but more than we could. Only internal reserves can ensure the stable functioning of the Company: continuation of the activities for costs reduction, indebtedness recovery, and innovative technologies implementation. Non-payments are a serious deterrent to development of the Company. In accordance with the records of January 2012 the collective debt of consumers to IDGC of the South, JSC has reached RUR 7,130.5 million. This situation affects adversely the Company development, prevents to plan the business activity clearly, realize investment programs.

To reduce this overhang a group of actions was carried out in 2011. The executive bodies were involved widely to the problem of non-payments of electricity transmission consumers and also to

**Sergey Aleksandrovich  
Arkhipov**

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



regulate the disputes. Introducing changes in the legislation in force was initiated, which are directed to the settlement of disputes in the area of volume of performed services, provision of the declared power, payments and others. The problematic issues concerning debtors were submitted for consideration of commission for electricity transmission service receivable control of Holding IDGC, JSC. And this is not a complete arsenal of means which were used by the Company.

Certain parameters may illustrate the effectiveness of these means. Thus, for example, the debts receivable of provider of last resort Energosbyt Rostovenergo, JSC was reduced by RUR 681 million. In general, the reduction for the branch Rostovenergo amounts RUR 866.1 million.

A settlement was made with one of the main Company debtors VMZ Krasny Oktyabr, JSC about the transfer of actual payments for the service of electricity transmission to the full extent. The offers about the conclusion of the restructuring schedule for debts receivable were considered, but the agreement was not achieved in this question due to bankruptcy proceedings and change of bankruptcy manager in accordance with the results of 2011.

It should be taken into account that there was a variety of objective reasons, which hindered the reduction of debts receivable level. They include imperfection of legal framework in the area of electric energy as well as absence of revenue metering principals and interaction regulations between IDGC of the South, JSC and FGC UES, JSC while limiting power consumption mode at the direct hooking up of the consumer to the UNEG; and also the intentional delay of trials at the debt collection in the claim-right and some other.

The work in respect of the debtors is also continued in 2012. So, a meeting was held in the Ministry of Energy of Russia regarding non-payments of Volgogradenergosbyt, JSC in February. At the present time, the Agreement was made about the assignment of the debt of the VMES MUP. A campaign is being carried out for the conclusion of "direct" contracts with the consumers which allows to escape dealers in the question of funds transfer for the energy transmission service on behalf of consumers in accordance with the power provision contracts (the providers of last resort

which have the most part of debts receivable at the moment) and to interact directly with the consumer.

On December 7, 2011, a mandate was given the board meeting IDGC of the South, JSC to provide the reduction of the level of the expired debts receivable by 8% in reference to the set level of the 1 of October 2011 until the end of 2011. Following the results of 2011, this mandate was executed. The level of debts receivable was reduced by 9.95%.

*— In the past year the Company has exceeded the planned figures for the investment program realization. What parameters of it are most significant?*

— IDGC of the South, JSC performed more than 100% of the investment program realization in 2011.

The assimilation of capital investment amounted to RUR 4.1 billion, or 101%, of annual plan. It exceeds the actual achieved extent of 2010 more than twice. And commission of fixed assets was exceeded, in comparison with 2010, more than 1.5 times and amounted to more than RUR 2.8 billion, or 67% of annual plan. The remainder of the planned commission will be realized during the first quarter of 2012.

The commissioning of the facilities also exceeded the planned value: commissioning of MVA amounted to 407.7 or 178% of annual plan; commission of km — 1,184.6 or 106% of annual plan, particularly, the amount of reconstructed power transmission lines in 2011 exceeded the last year extent and amounted to 791 km.

The construction of two higher-priority objects was finished in 2011 and their commissioning was performed — 110/10–6 kV Kirovskaya (Yubileinaya) Substation with the power transmission line 110 kV, construction of 110/10/6kV P-27 (Central) substation with cable line of 110 kV.

The commissioning of Yubileinaya substation in November 2011 made a significant contribution in the socioeconomic development of Astrakhan, particularly in small and medium business, created the conditions for hooking up new consumers.

In 2011 a large-scale project for the construction of the substations and power transmission lines was started within the energy

provision of the objects of the Caspian pipeline consortium in the Republic of Kalmykia with the total estimated cost of more than RUR 1.9 billion. About 300 km of energy transmission lines with the power 110 kV will be mounted and 7 existing substations of the branch Kalmenergo, JSC reconstructed within this project.

One can't help mentioning that an unscheduled large-scale reconstruction of the electrical networks was carried out in 2011 in the following districts: Neklinovskiy, Tatsinskiy of the Rostov Region, Privolzhskiy, Yenotayevskiy, Volodarskiy of the Astrakhan Region, this allowed to reduce their depreciation and to increase the reliability of the power distribution networks. The costs of this activities amounted to RUR 474.7 million.

*— In this connection, name the most significant projects that will be realized in the nearest time, please?*

— The investment program of IDGC of the South, JSC will be increased in 2012; the volume of the investments will amount to more than RUR 5 billion.

A final stage of the external electric power supply of Bystryanskaya mine in the Rostov Region is among the key projects of the short-term investment program of IDGC of the South, JSC for 2012. The project started in 2008. The reconstruction of the high voltage line 110 kV B-3-B-12 will increase the reliability and quality of the electric power supply for the consumers in the Tatsinskiy, Belokalitvinskiy districts and other districts of the Rostov Region.

The construction of the substation 110/10 kV NPS-2 and NPS-3 with the feed lines 110 kV and reconstruction of the neighboring line 110 kV will be continued in 2012. The project started in the Republic of Kalmykia in last year and will be finished in 2013. These projects are realized within the implementation of the contracts concluded about the technological connection with KTK-R, CJSC and will allow providing continuous supply of the oil pumping stations of the concern.

The oil pipeline system of the Caspian pipeline consortium is a largest oil transit route from the Caspian region to the world markets. The main pipeline of total length of 1,511 km connects the reservoirs of West Kazakhstan with the Russian coast of the Black Sea.

One of the key investment projects of 2012 is the construction of the 110/10 kV Aeroportovskaya substation with the electric power transmission line 110 kV (Astrakhan, the project started in the last year and will be finished in 2014). The substation will increase the reliability of the power supply for one of the dynamic microdistricts of Astrakhan — Zatsaryovskiy, where, except the international airport, the objects of the social and cultural purpose, high-rise apartment houses are being constructed. The realization of the construction project of the Aeroportovskaya substation will also contribute in the further development of the shipbuilding and ship repairing, one of the most promising directions of the regional economics.

About 4 thousand km of the electric power transmission lines will be constructed and modernized until 2017 within IDGC of the South, JSC. IDGC of the South, JSC will modernize about 3,400 km and construct about 500 km of the electric power transmission lines from 2012 to 2017, in accordance with the long-term investment program.

In accordance with the long-term investment program for 2012–2017, from about of 4 thousand kilometres of the electric power transmission lines that are planned to be constructed and modernized in the next 6 years, 2,327 km are located in the Rostov Region, 1,003 km are located in the Volgograd Region, 400 km are located in the Astrakhan Region, 121 km are located in the Republic of Kalmykia.

Construction of the substations and electric power transmission lines within the electric power provision for the objects of the Caspian pipeline consortium in the Republic of Kalmykia and also construction of the Sportivnaya substation in the Rostov Region in 2016 and Levoberezhnaya substation in 2017 with total estimated cost about RUR 3.5 billion are among the most significant projects of the investment program.

*— The results of the year of 2011 give evidence that the strategy selected by the top management of the Company is correct. What directions of this strategy will be realized in the nearest future and in perspective?*

— One of the highest-priority activities directions has been and remains the reduction of the level of the electric energy losses.

The present model of the retail market is a serious reason for the commercial losses in the electrical distribution networks. The existing retail market of the electric energy is marked by the non-competitive conditions and the significant level of the monopolization. The power supply companies, the providers of last resort, get the significant profit making use of their monopoly position (the power supply business has become the most profitable segment in the chain “generation — networks — power supply” as a consequence of the restructuring the electrical energy industry) and they are not interested in the constructive interaction with other parties of the retail market.

The Company has been set a goal to reduce the electric energy losses till 9.40% in 2012. The high-priority this area target is to reduce the electric energy losses until the plan values in the branches Astrakhanenergo and Kalmenergo. The main reason of the above plan losses is commercial losses due to the non-regulated relationships with the provider of last resort in the area of formation of the productive supply of the electric energy to the consumers.

It should be noted that the IS-U module of SAP AG software was put into operation for calculation of electric power transmission services costs in December 2011. The commissioning of the common software in all branches will allow executive body to promptly control the accounts with the services consumers, identify the failures with the purpose of taking managerial decisions.

Carrying out the activities within the legislation in force in changeover to the use of the common energy meters (for recording the electric energy amounts at the boundary of share of balance participation with the electric networks of the collective housings) for reducing the commercial losses of electric energy is planned to be continued in 2012. Regarding the final consumers, for increasing the reliability in productive supply formation, the activities of electric energy transmission departments will be directed at strengthening of control for meter indications, finding out and preclusion of the unrecorded consumption. Regarding the power supply companies, the contractual work for settlement of disputes in the part of extent and cost of the services will be continued. The Company activities will also be aimed at solving of the problem of the ownerless networks in the interest of the consumers.

Regardless the limitation of the tariff growth at the level of not more than 15% of the level of 2010, RAB regulation was kept by the branches Astrakhanenergo, Rostovenergo, Kalmenergo in 2011. Due to the fact of the revenue reduction from the electric power transmission and, accordingly, reduction of the tariff sources, the reduction of the investment program for the electrical power transmission for 2011 and 2012 at the extent ratable with the reduction of essential gross revenues was agreed for the minimization of the deterioration of the financial-economic situation in the regions.

The most significant directions of the development of IDGC of the South, JSC in 2012 are the following:

- keeping the RAB regulation for the branches of Astrakhanenergo, Rostovenergo, Kalmenergo, which provides for the optimization of the long-term parameters without changing the amount of the invested capital and their stabilization by the executive bodies for the long-term perspective. The preliminary calculations have showed that this is possible;

- changeover of Volgogradenergo branch for the RAB regulation. IDGC of the South, JSC is carrying out the contract campaign for the conclusion of the “direct” contracts for the electric energy provision with the consumers of the provider of last resort and independent energy supply companies. The objective of these activities is to exclude the dealer between the consumer and the network organization for the direct interaction in technological issues to increase the quality and reliability of the energy provision and also to reduce the financial risks of non-payment for the services from the energy supply companies.

IDGC of the South, JSC is planning the creation of the system of the remote indications acquisition from the energy meters on the whole service area. The modernization and automation of about 25 thousand points of energy accounting is planned during 2012. Using of the technology Smart Metering (smart energy accounting) is planned in the future.

We are of the opinion that the potential of these areas is enough high: by means of the activities I have mentioned we plan to manage far higher indicators than in 2011 in the next year. In accordance with the business plan approved by the shareholders, the volume of the proceeds of IDGC of the South, JSC in 2012 should amount to not less than RUR 26 billion 113 million.

# MAIN OPERATING RESULTS OF IDGC OF THE SOUTH, JSC FOR 2011

Amount of electric power  
delivered to consumers —  
**26,835,938 thousand kW·h**

*Anticipation for 2012 —  
27,416,727 thousand kW·h*

Territory of the presence region —  
**334 thousand km<sup>2</sup>**

Population —  
**about 8.4 mln people**

Electric power loss —  
**9.47%**

*Anticipation for 2012 —  
9.40%*

**6,803** engineering connections with  
total capacity of **210,885 kW** added

*Anticipation for 2012 —  
7,201 engineering connections with total  
capacity of 205,628 kW*

Income from services of power  
delivery — **RUR 22,688 mln**

*Anticipation for 2012 —  
RUR 24,105.4 mln*

Average staff list size —  
**14,435 people**

**Income of services  
of engineering connection —  
RUR 1,463.9 mln**

**Investment outlay —  
RUR 4,107 mln**

*Anticipation for 2012 —  
RUR 5,397 mln*

**EBITDA —  
RUR 4.2 bln**

*Anticipation for 2012—  
RUR 4.8 bln*

**Commissioning of 1,184.6 km  
power networks and 407.7 MV•A  
of transformer capacity**

*Anticipation for 2012 —  
722 km of power networks and  
272 MV•A of transformer capacity*

**Sales margin —  
14.5%**

**Company capitalization —  
RUR 3,283.5 mln**





# ABOUT THE COMPANY



IDGC of the South, JSC had profit of RUR 117 mln in 2011. The economic effect from fulfilling the Company's financial restructuring program was RUR 2.4 bln.

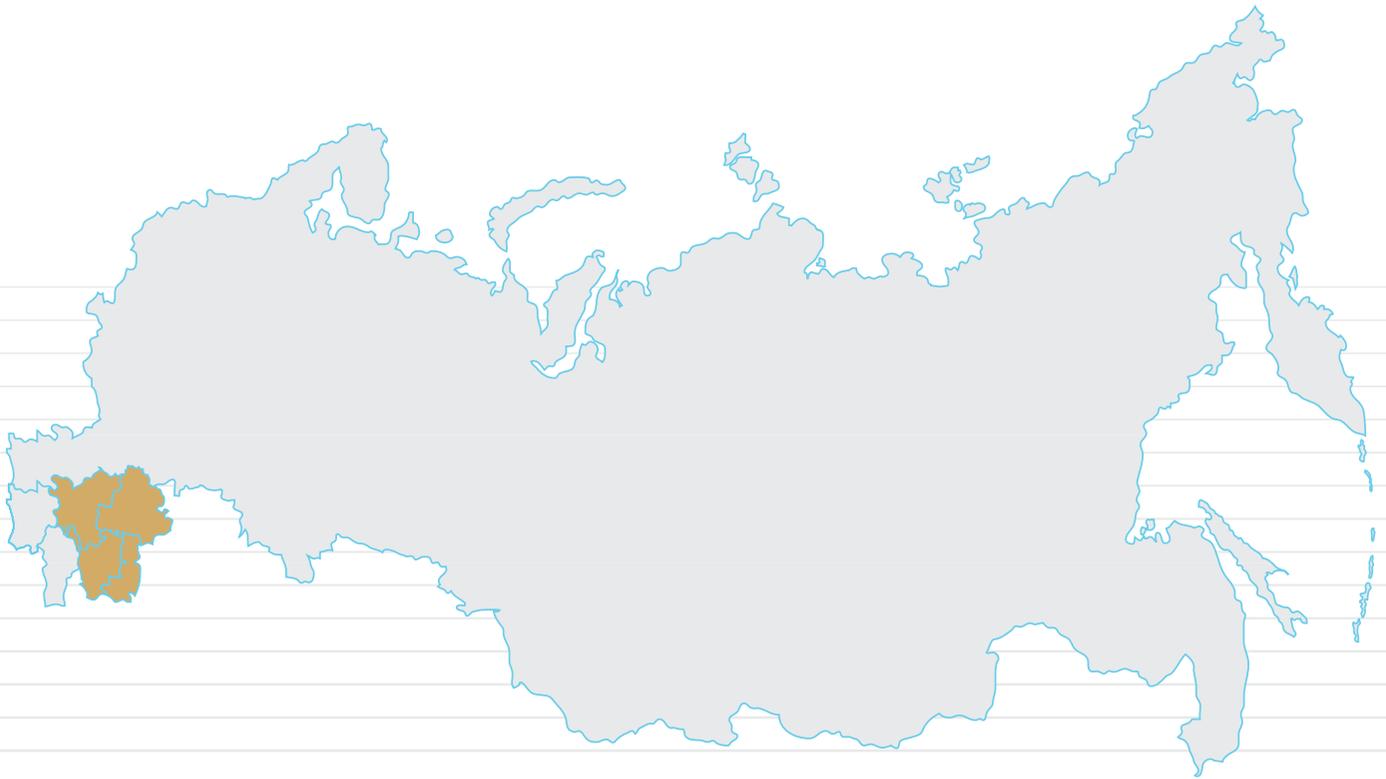


# COMMITMENT AND OVERCOMING DIFFICULTIES

# 1

## ABOUT THE COMPANY





Astrakhan



Volgograd



Rostov-on-Don



Elista

## GEOGRAPHICAL LOCATION

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

In terms of territorial responsibility, the operation of IDGC of the South, JSC was confined to the areas stretching to the administrative boundaries with Krasnodar and Stavropol Territories in the south, to the Sea of Azov and national boundary with the adjoining Ukraine in the west, administrative boundaries with Voronezh and Saratov

Regions in the north and to the national boundary with Kazakhstan, the Caspian Sea and administrative boundaries with the Republic of Dagestan and the Karachay-Cherkess Republic in the east.

The regions of IDGC of the South, JSC operation are characterized with continental climate.

The total area of IDGC of the South, JSC presence is about 334,000 square kilometres with the population of 8.4 million people and average population density of 25 people per square kilometre.

## BRIEF DEVELOPMENT HISTORY

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

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

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

Later on the Management Board of RAO UES of Russia fulfilling the functions of extraordinary general meeting of IDGC of the South, JSC shareholders (Minutes № 1795np/6 dated 25.12.2007), as well as general meetings of shareholders of five distribution grid companies (DGS) — Astrakhanenergo, JSC,

Volgogradenergo, JSC, Kubanenergo, JSC, Rostovenergo, JSC, Kalmenergo, JSC have adopted decisions on reorganization of companies by joining them to IDGC of the South, JSC.

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

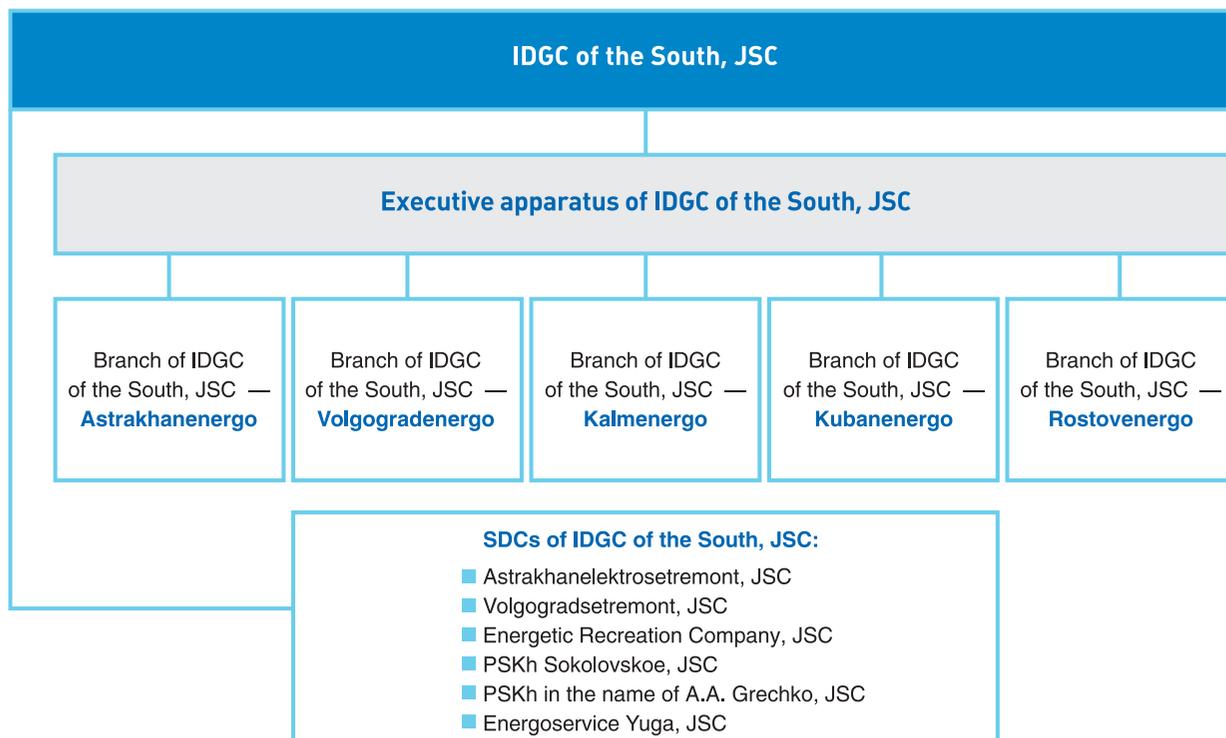
From that moment IDGC of the South, JSC carries out its business as a single operation company.

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

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



# CORPORATE STRUCTURE



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

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

- Economics and finance;
- Services development and rendering;
- Capital construction and investments;
- Technical issues;
- Corporate management, property management, consolidation of grid assets and legal support;
- HR management, corporate development and labour remuneration, administration and supply, business administration;
- Security, state secrets protection;
- Energy saving and enhancement of energy efficiency.

By the resolutions of the Board of Directors the corporate structure of IDGC of the South, JSC was amended as follows:

- Minutes № 16/2008 dated 25 July 2008;
- Minutes № 21/2008 dated 23 December 2008;
- Minutes № 28/2009 dated 3 June 2009;
- Minutes № 31/2009 dated 7 August 2009;
- Minutes № 52/2010 dated 6 August 2010;
- Minutes № 59/2011 dated 11 February 2011;
- Minutes № 65/2011 dated 1 June 2011.

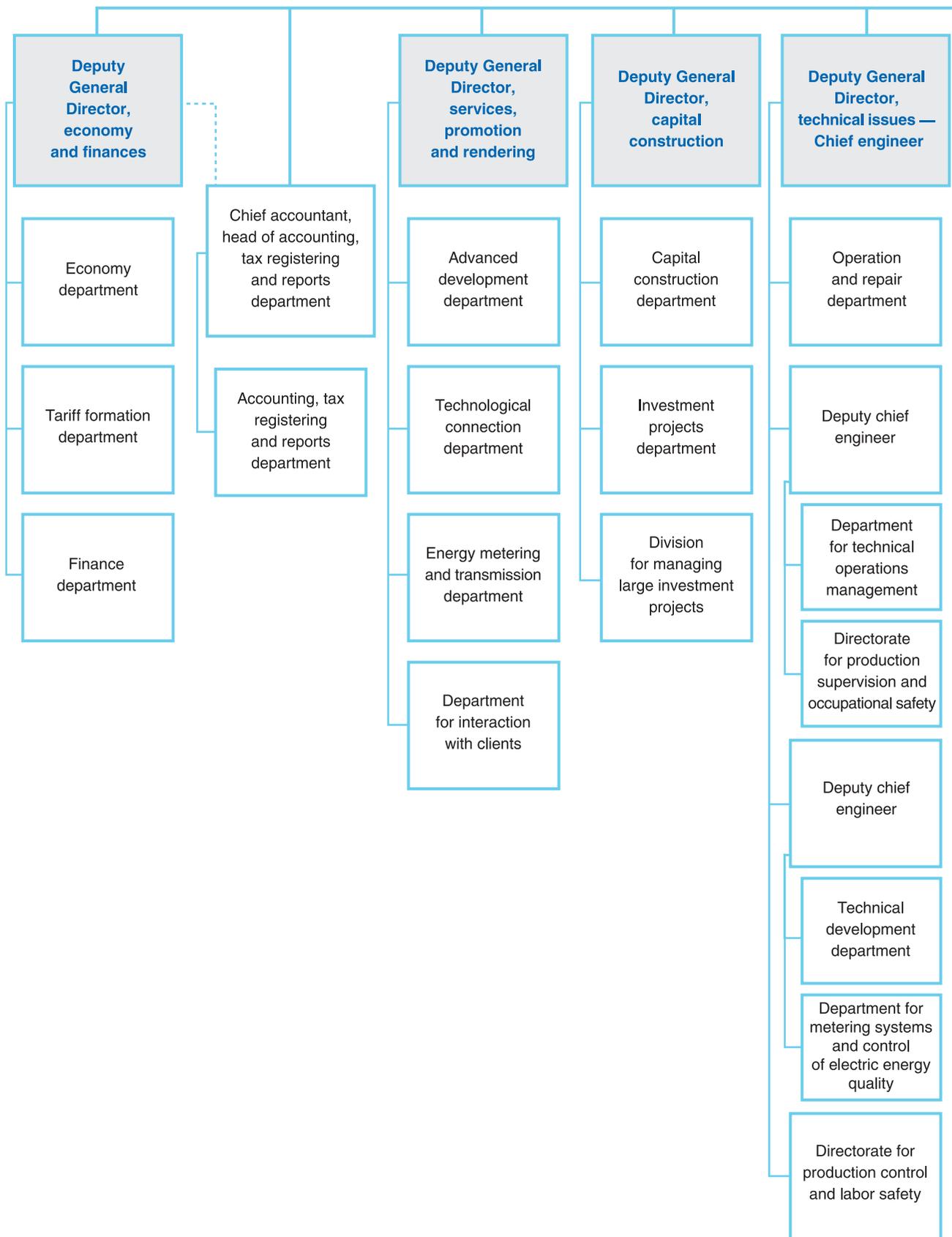
Some activities are carried out through independent structural subdivisions directly subordinated to the IDGC of the South, JSC General Director:

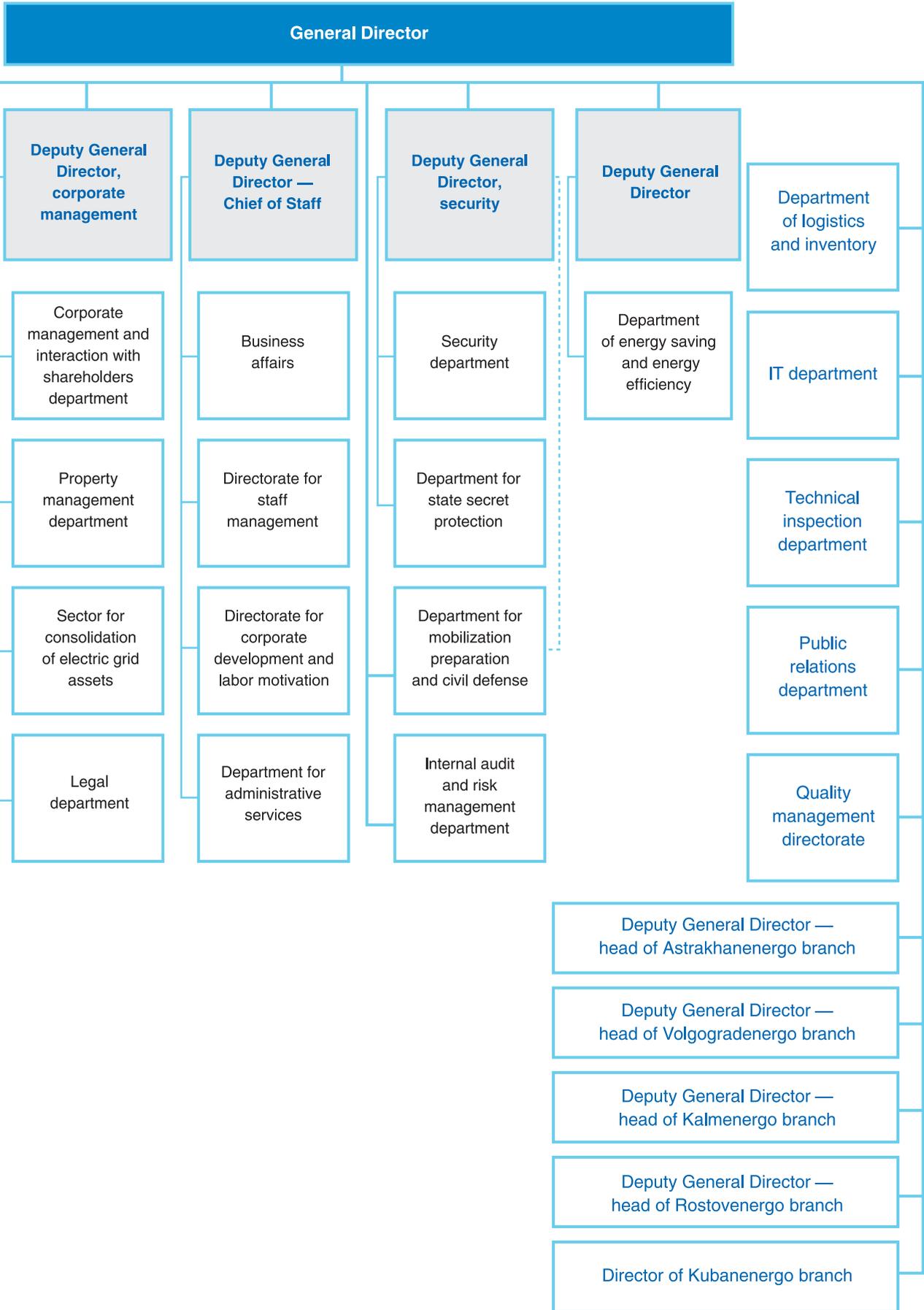
- Department of accounting and tax accounting and reports;
- Department of internal audit and risk management;
- Department of logistics and inventory;
- IT department;
- Technical inspection department;
- Public relations department;
- Quality management directorate;
- Department for mobilization preparation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

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

## Corporate structure of IDGC of the South, JSC executive office

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





## Company Subsidiaries

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

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

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

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

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

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

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

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

## IDGC of the South, JSC owns 100% of voting shares in the following companies

(refer to Appendix 7 hereof for details):

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

## KEY MILESTONES AND FACTS

### January

- Four teams of power engineers and seven specialty equipment units of IDGC of the South, JSC subsidiaries — Volgogradenergo and Rostovenergo were allocated to provide assistance to power engineers in central regions of Russia suffered from freezing rain and slush which lead to breaks in overhead power lines and collapse of transmission towers in the end of 2010 and first days of 2011.
- The IDGC of the South, JSC Board of Directors approved investment program for 2011–2015 with a total construction cost over RUR 29 bln.
- IDGC of the South, JSC received a letter of appreciation from IDGC of the Central and Volga Regions, JSC stating a high level of professionalism of Volgogradenergo representatives who took part in elimination of technical disorders in the Nizhniy Novgorod Region in January 2011.

### February

- The project “A Letter to a Veteran” launched by IDGC of the South, JSC was awarded a regional prize “Silver Bowman — South” for public relations development.



January



February



- Professionalism of specialists of IDGC of the South, JSC subsidiary — Rostovenergo was noted in the letter of appreciation from MOESK, JSC (Moscow United Electric Grid Company) for prompt assistance in restoring power supply in regions suffered from natural disasters in January 2011.
- The team of IDGC of the South, JSC won the second prize at the 3<sup>rd</sup> All Russia Winter Spartakiad sports event held among power engineers of IDGC Holding, JSC.
- IDGC of the South, JSC launched the staff training course “Distribution Zone Management School” that was completed in 2011 by more than 100 managers of the Company subsidiaries electricity distribution zones.
- IDGC of the South, JSC approved a customer oriented policy which is a step in the chain of activities aimed at building open and trusting relationships between the Company and its customers.

### March

- IDGC of the South, JSC launched a pilot project “Energy Efficient Distribution Zone” on the basis of one of the Company’s electricity distribution zones.
- IDGC of the South, JSC held an enlarged session of the Technical Council defining pilot projects to introduce new equipment in 2011.
- IDGC of the South, JSC established a designated working group on preparation of the electric grid complex facilities of IDGC of the South for the World Football Cup to be hosted by Rostov-on-Don and Volgograd in 2018.

### April

- IDGC of the South, JSC approved the Company’s Mission, Vision, Values and Strategic Goals until 2016.
- Arkhipov S. A., General Director of IDGC of the South, JSC, took part in the production meeting of IDGC Holding, JSC on summarizing the results of the autumn-winter period 2010/2011.
- IDGC of the South, JSC subsidiary — Astrakhanenergo held the session of the Company Management Board chaired by Arkhipov S. A., General Director of the IDGC of the South, JSC and the Management Board Chairman. The session decided on the key financial and administrative issues in the Company.
- Over 1,000 specialists of IDGC of the South, JSC participated in the National Tree Planting Day held as part of the IDGC Holding, JSC federal program “Electric Grid Complex protects the environment”. This resulted in more than 2,000 trees planted by power engineers on April 23.
- By the Decree № 497 of the President of the Russian Federation dated 22 April 2011 three specialists of IDGC of the South were awarded the title “The Honoured Power Engineer of the Russian Federation” for the substantial contribution to power industry development, professional achievements and years of conscientious work.
- A group of senior managers of IDGC of the South, JSC headed by the General Director visited places of military honour in the Ukraine taking part in the nation-wide campaign “Victory Banner Relay Race” organized by IDGC Holding, JSC to commemorate the 66<sup>th</sup> anniversary of the Victory in the Great Patriotic War.



March



April

## May

- IDGC of the South, JSC joined the nation-wide historical and memorial campaign “Homeland of Feat for the Homeland of Hero” organized by IDGC Holding, JSC. Power engineers of IDGC of the South, JSC took part in the ceremony of reburial of remains of 53 soviet soldiers died during liberation of the region from fascist occupants in Russkoye village, Kuybyshev district of the Rostov Region.
- At the meeting of technical directors of subsidiaries and affiliated companies of IDGC Holding, JSC in Rostov-on-Don IDGC of the South, JSC presented its pilot project aimed to enhance reliability of the electric grid complex of the South of Russia.
- Ten specialists of IDGC of the South, JSC were awarded honorary diplomas by the Ministry of Energy of the Russian Federation for a significant contribution to the Fuel and Energy Complex development, many years of conscientious work and successful pass of autumn-winter period.

## June

- The annual General Meeting of IDGC of the South, JSC shareholders took place in Rostov-on-Don.
- On June 22, the Grief and Memory Day, the regions of IDGC of the South, JSC operation hosted closing events of the All-Russian historical and memorial campaign “Victory Banner Relay Race” organized by IDGC Holding, JSC.
- Yuri Sentyurin, Secretary of State, Deputy Minister of Energy of the Russian Federation held briefing with the management of IDGC of the South, JSC and visited new 110 kV Centralnaya substation during his business trip to Rostov-on-Don.
- IDGC of the South, JSC took part in the meeting with the Ministry of Industry and Energy of the Rostov Region on technological connection of the facilities, being constructed for the 2018 World Football Cup in Rostov-on-Don, to the electric grids.

## July

- The extraordinary general meeting of IDGC of the South, JSC shareholders took place in Rostov-on-Don. The meeting resulted in the decision on the dissolution of the acting Board of Directors followed by election of the new Board of Directors of the Company.
- IDGC of the South, JSC participated in the All-Russian Energy Audit and Service Forum.
- Young specialists from IDGC of the South, JSC participated in the All-Russian educational forum “Seliger-2011”.



May



June



July

## August

- S. A. Arkhipov, General Director of IDGC of the South, JSC, visited Neklinovsky district to hold the meeting with the district administration on reconstruction of local electric grids.
- IDGC of the South, JSC social report is included into the National Registry of Corporate Non-Financial Reports.
- In Rostov-on-Don S. A. Arkhipov, General Director of IDGC of the South, JSC, hold a meeting with Yu. A. Kulish, Chairman of the regional committee of the social organization All-Russian Electric Union, to discuss the development of social partnership.

## September

- The city of Azov, Rostov Region, hosted the 4<sup>th</sup> Spartakiad sports event among power engineers of IDGC of the South, JSC. The first prize was awarded to the team of IDGC of the South, JSC subsidiary — Volgogradenergo.
- Power engineers of IDGC of the South, JSC won the first prize at the All-Russian competition among operational and repair personnel of the distribution grid complex of IDGC Holding, JSC in Vologda.
- The team of IDGC of the South, JSC won the second prize at the 3<sup>rd</sup> All-Russian Summer Spartakiad sports event among power engineers of the distribution grid complex of IDGC Holding, JSC held in Moscow suburbs.
- As part of the “Sochi-2011” 10<sup>th</sup> International Investment Forum IDGC Holding, JSC and the Government of the Astrakhan Region signed the agreement on collaboration to develop the electric power system in the region and ensure reliable power supply to consumers.
- The Annual Report of IDGC of the South, JSC was marked with a special prize from “Expert RA” rating agency for the “Best representation of a company business activity in the Southern Federal District”.
- The affiliated company of the IDGC of the South, JSC — Energoservis Yuga, JSC and large international consulting company Lighthouse LLC dealing with energy saving, signed an agreement on cooperation.
- In Moscow Nikolay Shvets, General Director of IDGC Holding, JSC, and Aleksey Orlov, Head of the Republic of Kalmykia, signed the agreement on collaboration to develop the electric power system in the region and ensure reliable power supply to consumers.

September



## October

- IDGC of the South, JSC took part in the 10<sup>th</sup> all-Russian workshop “Tariffs regulation in 2011 and functions of the regulatory bodies for 2012” in Sochi.
- IDGC Holding, JSC, authorities and regulatory bodies of the Astrakhan, Volgograd and Rostov Regions and of the Republic of Kalmykia held an enlarged session to discuss distribution grid complex operation on the Southern Federal District.
- IDGC of the South, JSC established a talent pool consolidating young specialists.
- As part of the offsite workshop of HR managers in Rostov-on-Don, IDGC Holding, JSC and subsidiaries and affiliated companies of IDGC Holding, JSC held a round-table conference.

## November

- The photo of Albert Zarubi, senior engineer of the team responsible for use and repair of cable lines of the city distribution zone of IDGC of the South, JSC subsidiary — Volgogradenergo, was placed on the IDGC Holding, JSC honours board.
- Corporate media (web-site and newspaper) of IDGC of the South, JSC won the first prize of the national media contest “Silver Strings — 2011”.
- IDGC of the South, JSC signed the Report on verification of IDGC of the South, JSC preparedness for operation in the autumn-winter period 2011/2012.
- The Annual Report of IDGC of the South, JSC became the winner of two Russian contests — XIV<sup>th</sup> annual contest of annual reports and company web-sites, organized by the “Stock Market” magazine, and XIV<sup>th</sup> yearly contest of annual reports organized by MICEX and RTS.

## December

- IDGC of the South, JSC introduced the general hotline telephone number: 8-800-100-70-60.
- Official accounts were created in popular social networks — Facebook and Twitter.
- New Network Management Centre started in Rostov-on-Don.
- The Consortium of the Russian Institute of Directors and Expert RA rating agency — “RID — Expert RA” ranked IDGC of the South, JSC as +6 “Developed Practice of Corporate Management” by the scale of National Corporate Management Rating.



November



December



## Events after the reporting date

### January

- Corporate standard “System of centralized customer servicing in IDGC of the South, JSC was put into effect.
- Emergency offsite teams and specialty equipment of IDGC of the South, JSC were allocated to provide assistance to the Kubanenergo, JSC specialists in restoring power supply in the south-west energy district of the Krasnodar Territory.
- IDGC of the South, JSC signed the agreement on acquisition of the largest meat-processing plant in the Republic of Kalmykia.

### February

- Innovative project developed by Sergey Nekhaev, Manager of the Department of Energy Saving and Energy Efficiency Enhancement of IDGC of the South, JSC, won the first prize “Energy saving and energy efficiency” of the national contest “Power Industry in the Future” of science intensive innovative concepts and projects among the young organized by IDGC Holding, JSC.
- Mobile engineering teams of IDGC of the South, JSC are sent to the Krasnodar Territory to provide assistance to power engineers of Kubanenergo, JSC in restoration of power supply cut off due to unfavourable climatic conditions.
- S. Bozhenov, Head of the Administration of the Volgograd Region, and S.A. Arkhipov, General Director of IDGC of the South, JSC held a scheduled meeting in Volgograd to discuss the development of the power industry in the Region.
- The team of IDGC of the South, JSC won the third prize at the IV<sup>th</sup> National Winter Spartakiad sports event held among power engineers of Holding IDGC, JSC.
- Sergey Shmatko, Minister of Energy of the Russian Federation, visited the Grids Management Centre of IDGC of the South, JSC subsidiary — Astrakhanenergo and held meeting with its management as part of his visit to Astrakhan on liquidation of damages caused by the explosion in a house in Nikolay Ostrovsky Street.

### March

- Repair and restoration teams of IDGC of the South, JSC assisted power engineers of Kubanenergo in elimination of technological disorders in the south and south-west of the Krasnodar Territory.

February 2012



# 2

## POSITION

# OF IDGC OF THE SOUTH, JSC IN THE INDUSTRY

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

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

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

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

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

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

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

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

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

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



Therewith, any other grid company located in the territory of IDGC of the South, JSC operation, is a subordinate and was to enter into a service agreement on power transmission with IDGC of the South, JSC to carry out its business in 2011 (this refers to Level 3 companies connected to IDGC of the South, JSC grids).

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

The power supplied to consumers located in the territory of IDGC of the South, JSC operation is mostly transmitted via the Company's grids.

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

## Performance of the main IDGC of the South, JSC production facilities (as of 31 December 2011)

Index	Unit of measurement	Total	IDGC of the South, JSC subsidiary — Astrakhanenergo	IDGC of the South, JSC subsidiary — Volgogradenergo	IDGC of the South, JSC subsidiary — Kalmenergo	IDGC of the South, JSC subsidiary — Rostovenergo
Number and capacity of 35–220 kV substations, total	pcs	1,218	136	396	117	569
	MVA	18,532	2,119	6,557	1,112	8,744
Incl. 220 kV substations	pcs	4	0	2	2	0
	MVA	517	0	126	391	0
110 kV substations	pcs	638	90	260	46	242
	MVA	14,741	1,755	5,637	512	6,838
35 kV substations	pcs	576	46	134	69	327
	MVA	3,274	364	795	210	1,906
<b>Total length of overhead lines</b>	<b>km</b>	<b>155,802</b>	<b>18,965</b>	<b>44,973</b>	<b>19,125</b>	<b>72,739</b>
Length of 35–220 kV overhead lines	km	27,733	3,034	8,932	4,154	11,613
Incl. 220 kV overhead lines	km	386	0	141	245	0
110 kV overhead lines	km	15,783	2,444	5,969	1,956	5,415
35 kV overhead lines	km	11,564	590	2,822	1,954	6,199
Length of 0.38–10 kV overhead lines	km	128,069	15,931	36,041	14,971	61,125
Incl. 10 kV overhead lines	km	72,385	9,249	21,174	11,941	30,021
6 kV overhead lines	km	3,945	1,053	900	24	1,968
0.38 kV overhead lines	km	51,739	5,630	13,967	3,006	29,136
<b>Total length of cable lines</b>	<b>km</b>	<b>2,119</b>	<b>1,032</b>	<b>428</b>	<b>1</b>	<b>658</b>
Incl. 110–35 kV cable lines	km	67	2	0	0	66
10–0.38 kV cable lines	km	2,051	1,030	428	1	593
Number and capacity of 6.10–0.38 kV transformer and distribution substations	pcs	30,472	3,442	10,030	3,145	13,855
	MVA	5,077	862	1,890	306	2,018

## Physical wear of IDGC of the South, JSC power grids (as of 31 December 2011)

Power grid facilities	Wear, %
General wear of substation equipment, including:	83.38
Power transformers	67.64
Commutation devices (switches)	50.94
General wear of power lines, including:	70.21
35–220 kV overhead lines	58.61
0.38–10 kV overhead lines	76.33
35–110 kV cable lines	44.00
0.38–10 kV cable lines	54.12

## Production energy costs

Item №	Name	Unit of measurement	2011	
			Estimated	Actual
1	Energy resources provided under supply/purchase agreements, including	mIn RUR, incl. VAT	330,284	308,496
1.1	Electric power	mIn RUR, incl. VAT	272,682	247,639
		ths. kW.h	63,606	61,852
1.2	Heat	mIn RUR, incl. VAT	13,960	14,691
		Gcal	14,809	13,731
1.3	Cold water supply	mIn RUR, incl. VAT	11,125	6,883
		ths. m <sup>3</sup>	400	253
1.4	Hot water supply	mIn RUR, incl. VAT	0,885	2,520
		ths. m <sup>3</sup>	14	15
1.5	Natural gas	mIn RUR, incl. VAT	1,824	1,643
		ths. m <sup>3</sup>	313	331
1.6	Other (diesel fuel, kerosene, petroleum etc.)	mIn RUR, incl. VAT	29,807	35,117
		Tons of oil equivalent	1,708.8	2,187.2

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

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

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

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

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

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

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

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

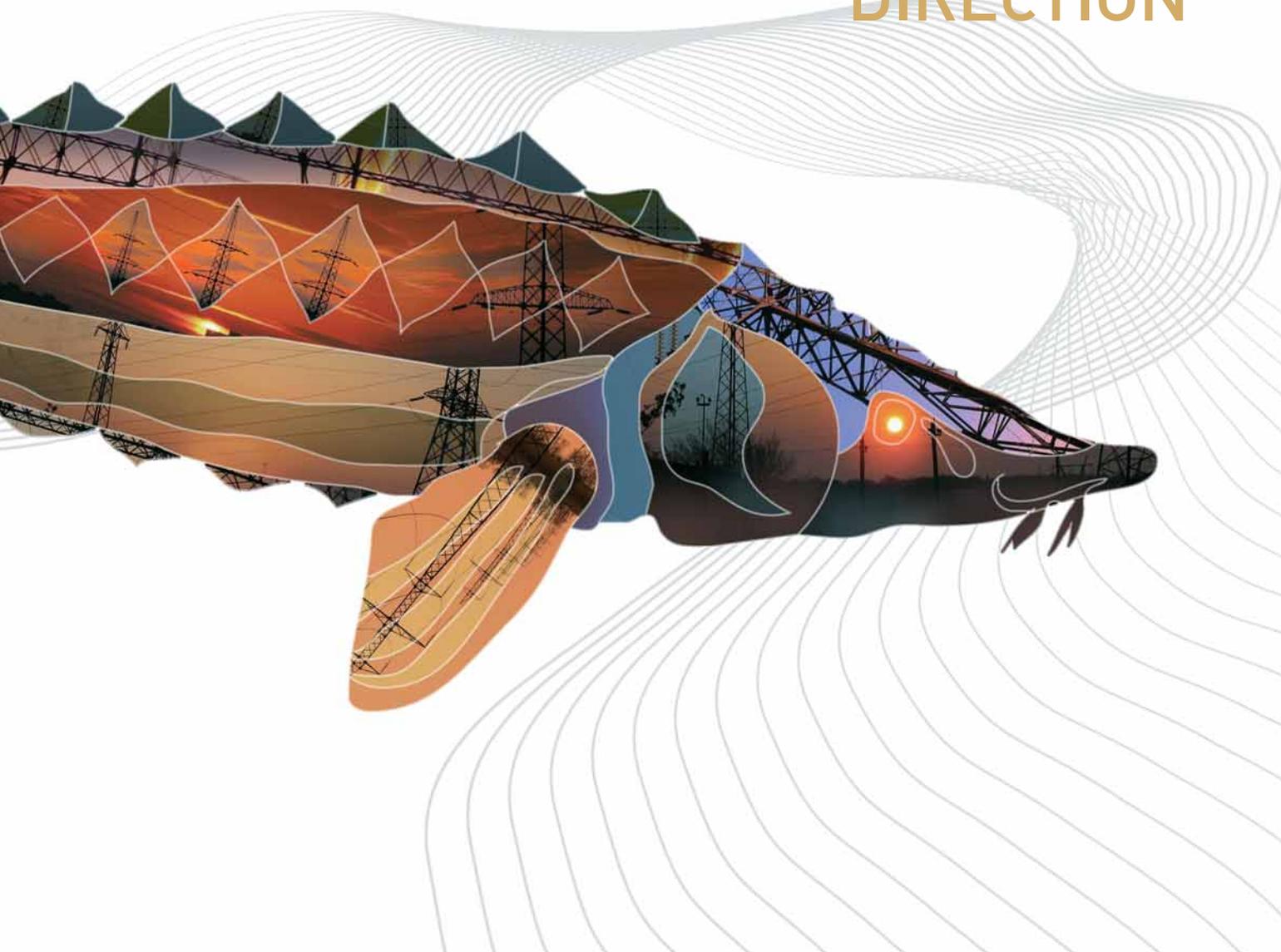


# 3

# DEVELOPMENT STRATEGY

IDGC of the South, JSC has the goal of reducing its losses to 9.40% in 2012. The Company's Program for Innovational Development with financing of about RUR 8.09 bln has been approved.

# TAKING THE RIGHT DIRECTION



# 3

## DEVELOPMENT STRATEGY

### The mission of IDGC of the South, JSC

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

### Strategic priorities of IDGC of the South, JSC

- Increasing the quality and reliability of electricity supply for end-consumers.
- Saving tariff sources of investments for updating and developing the grid infrastructure.
- Increasing the operating efficiency and investment attractiveness.
- Growth of the Company accompanied by the creation of additional cost both in power industry and in new markets.
- Improving interaction with consumers, society and investors.

**The main strategic goal of the Company is providing uninterrupted electricity supplies to consumers and increasing the quality level of the provided services.**

One of the main tasks of improving the quality and reliability of electricity supply for consumers is a gradual transition (in a 5-year term) to calculation and use of the SAIDI and SAIFI international power supply reliability indicators in the production activity, as well as periodic assessment of their values and dynamics in order to correct production goals.

In 2011 an unprecedented grid cut-out accounting system was implemented in a 0.4 kV network.

In 2011 the Company confirmed its compliance with international quality standards (ISO 9001:2008 "Quality management systems. Requirements"), environment (ISO 14001:2004 "Ecological management systems. Requirements"), work safety (OHSAS 18001:2007 "Occupational health and safety management systems. Requirements").

Certification was carried out by SGS Vostok Limited, a member of the SGS Group, the world leader in control, verification, testing and certification.

Auditors of SGS Vostok Limited, CJSC had established that the Company demonstrates an ability of the integrated management system to systematically achieve compliance with the agreed requirements to services, policies, and objectives.

Repairs of the Company's main production assets were carried out in 2011 in order to increase the reliability of the work of the energy system and energy supplies of IDGC of the South, JSC.

Technical maintenance, diagnostics, and testing of electricity equipment were done in the required amount.

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

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

Due to the implementation of these operations, on 9 November 2011 IDGC of the South, JSC received a passport of readiness for the 2011/2012 fall-winter period.

**The main objectives for 2012**, along with the increased reliability and quality of the services provided by the Company:

- execution of the planned values of the electrical energy transmission services reliability level agreed with the regulatory body for 2012;
- execution of the "Reliability criterion" system indicators (quarterly and in general for 2012);
- automation of the equipment outages accounting process, forming and adjustment of the accidents causes investigation reports, analysis of investigation results into accident causes through introduction of modern software products (including in the Modus software package).

# THE COMPANY'S STRATEGY IN THE OPERATION REGIONS

## Astrakhan Region

During the reporting year the branch of JDGC of the South, JSC — Astrakhanenergo carried out activities to improve electrical grids' reliability:

- Reconstruction of substations;
- Increase of electric power lines' sections;
- New construction of power-supply centres;
- Laying of overhead and cable lines complicated in compact planning urban conditions;
- Grid connection of new consumers.

2011 was marked by significant events for the entire Astrakhan Region. On 16 September 2011, **the Agreement on cooperation in the development of the Astrakhan Region electric power system and ensuring a reliable electricity supply to the consumers in the Astrakhan Region was signed** between the Government of the Astrakhan Region and IDGC Holding, JSC in Sochi in order to:

- ensure social and economic development and energy security of the Astrakhan Region;
- create conditions necessary for the construction, reconstruction, modernization and proper maintenance of electricity supply facilities;
- consolidation of the power distribution networks in the region on the basis of the branch IDGC of the South, JSC — Astrakhanenergo ensuring the creation of possibility of new customers' connection to the electrical networks and increasing of the consumed power of users already connected.

Interaction with the Administration of the Astrakhan Region is not limited by the fulfillment of the obligations of the Agreement, but also lies in the execution of the resolution of the Government of the Russian Federation № 823 dated 17.10.2009, by which the "Regulations for Development and Approval of Schemes and Programs for Long-Term Development of the Electric-Power Industry of the Constituent Entities of the Russian Federation" were approved.

IDGC of the South, JSC contributes to the development and formulation of the electrical energy industry development schemes and programs of the region, which will be based on the Astrakhan Region power demand, including the elimination of "narrow" places in the electric power system complicating the work in the direction of the Company's activities for technological connection and electric energy transportation.

On 15 November 2011 **a new power facility was put into operation — the 110 kV Yubileynaya substation (with a 110 kV transmission line)**, which was designed to improve the electricity supply reliability in several areas of Astrakhan and is aimed at creating the necessary conditions for connection of new facilities (consumers).

The 110 kV Yubileynaya substation is equipped with latest equipment, including control, protection, and alarm microprocessor systems. With the commissioning of the substation a large part of the electricity distribution networks will be gradually transferred to the 10 kV voltage.

## Development prospects

The long-term investment program of the branch of the IDGC of the South, JSC — Astrakhanenergo for the period 2012–2017 provides for the realization of the following operations:

- reconstruction of the 110 kV Volodarovka substation with replacement of the 6.3 MVA T2 transformer by a 16 MVA one will ensure general reliability of electricity supply of the facilities located in the Volodarsky District of the Astrakhan Region, as well as the dairy plant which is current being built in the Volodarsky village;
  - reconstruction of the 110 kV Vostochnaya substation with replacement of the power transformers by 2×25 MVA ones to connect the social and domestic consumers of the Sovetskiy District of Astrakhan;
  - reconstruction of the 35 kV Nachalovo substation with replacement of the power transformers by 2×10 MVA ones to connect the low-rise building residential districts currently under construction and the developing individual housing construction in the Nachalovo village of the Astrakhan Region;
  - reconstruction of the 35 kV Oktyabrskaya substation with replacement of the power transformers by 2×10 MVA ones to connect the facilities of the Trusovsky District of Astrakhan currently under construction and individual building in the Narimanov District of the Astrakhan Region;
  - reconstruction of the 110 kV Kiri-Kili substation with replacement of the transformers by 2×40 MVA ones to connect the facilities of the Leninsky District of Astrakhan which are currently under construction;
  - reconstruction of the 110 kV Lesnaya-New substation with installation of a second transformer with the capacity of 40 MVA to ensure the reliability of power distribution of the Severnaya Central Heating and Power Plant and connection of new consumers;
  - construction of the new 110 kV Aeroportovskaya substation with a 110 kV transmission line and two transformers with the total capacity of 40 MVA, necessary to meet the growing load of the existing facilities of the Zatsarevsky District of the Astrakhan Region, as well as facilities being connected along the Aeroportovskoe Street with the capacity of 13 MW;
  - construction of the new 110 kV Shipovskaya substation (with the subsequent transfer of the 10 kV voltage loads from the existing 35 kV Trusovskaya substation) with a 110 kV transmission line and two transformers with the capacity of 40 MVA to connect the facilities of the Trusovsky District of Astrakhan currently under construction.
- It is also planned to continue the started reconstruction of the existing system-initiated overhead lines 110 kV on the wooden poles with a replacement by reinforced concrete and metal:
- "Kapustin Yar — Pologoe Zaymische" (№ 701) — with an approximate length of 26.6 km;
  - "Pologoe Zaymische — Pokrovka" (№ 702) — 18.87 km;
  - "Vladimirovka — Pokrovka" (№ 703) — 12.2 km.

In the regional development plans till 2015 it is scheduled to build a combined-cycle plant with the capacity of 235 MW in the territory of the Tsentralnaya boiler house in Astrakhan, a gas turbine power plant in the Municipal Entity Closed Administrative Territorial Entity of Znamensk with the capacity of 44 MW, as well as the site A-PS-5A (pump station) (the applicant is Caspian Pipeline Consortium — R, CJSC), for technical connection of which to the electric networks of the branch of the IDGC of the South, JSC — Astrakhanenergo, it is planned to carry out the following operations:

- reconstruction of the 110/35/10 kV Zenzeli substation with adoption of the “Bridge with switches in the line circuits and a repair jumper from the lines (110-5N)” scheme (2012);
- construction of the “Kapustin Yar substation — 110 kV switchboard of the gas turbine power plant” 110 kV overhead line and the loop entry from the “Kapustin Yar — Sovetskaya” 110 kV overhead line (№ 742) to the 110 kV switchboard of the gas turbine power plant with an expansion of the 110 kV Kapustin Yar substation with one 110 kV line switch-bay (2012);

## Volgograd Region

To ensure a reliable power supply to Volgograd Region consumers, the branch of IDGC of the South, JSC — Volgogradenergo promptly carries out a repair campaign, performs activities of the investment program aimed at modernization of the electric grid complex:

- reconstruction of substations with the voltage of 35 kV and above;
- overhauls of outboard isolation of the 110 (35) kV overhead line;
- construction of new feeding centres with the voltage of 110 kV;
- reconstruction of the distribution network (0.4/6/10 kV).

As part of the investment program of the Volgogradenergo branch of IDGC of the South, JSC, **in 2011 arrangements for electric grid modernization of the Volgograd Region**, increasing the reliability of electricity supply and the possibility of technological connection of new consumers, have been made:

- reconstruction of the substation of the 110/10 kV main pumping station № 2 (with replacement of T-1 transformer with the capacity of 5.6 MVA by a 6.3 MVA one), which provides electricity to those living in villages and the garden suburb, as well as socially significant facilities (kindergarten, school, post office) of the Kamyshin District of the Volgograd Region;
- reconstruction of the 110/6 kV Sportivnaya substation, with replacement of the 25 MVA T-2 transformer by a 32 MVA one, which provides power to residents of the Traktorozavodsky District of Volgograd, industrial plants, hospitals, kindergartens and schools, as well as to the municipal premetro and water and wastewater treatment plant;
- reconstruction of substations with the voltage of 35 kV and above with replacement of 6–10 kV oil circuit breakers by vacuum ones;

- expansion of the 110 kV Kiri-Kili substation with two 110 kV line switch-bays, construction of the “CCGT-235 — Kiri-Kili” double-circuit 110 kV transmission line and loop entry from the 110 kV “CDS — Buzanskaya” overhead line (№ 170) in 2013.

In 2011 the question of the “closed” power supply centres of the FGC UES, JSC parent organization, requiring reconstruction of obsolete equipment and increasing of the transformer capacity, was resolved. The investment program of FGC UES, JSC for 2012–2013 provides for works on the 220 kV Kharabali substation to replace the existing 110/10 kV transformers with the capacity of 2×6.3 MVA by 2×16 MVA transformers.

Complex reconstruction works on the 220 kV Vladimirovka substation with the transformer replacement are continuing (completion of works is scheduled for 2013).

Implementation of the above activities will ensure electricity supply to the existing consumers, and in the future the possibility of unhindered technological connection of new ones.

- automated ice load control information system equipment was installed on the wires of the 110 kV overhead lines №№ 71, 72, 73, Fork-2, the routes of which pass through the Sovetskiy and Kirovskiy Districts of Volgograd, due to the fact that ice coatings on the wires of these 110 kV overhead lines had been observed on numerous occasions, which used to significantly worsen the reliability of electricity supply to consumers.

Overhauls of suspended insulation with replacement of worn-out porcelain insulators by glass ones of the PS-70E type in the amount of 5,375 pcs. have been performed on the following facilities:

- 110 kV overhead line № 19 (110 kV Yubileynaya substation — 110 kV Zelenaya substation);
- 110 kV overhead line № 16 (110 kV VGTZ-1 substation — 110 kV Severnaya substation);
- 35 kV Nabatovskaya substation;
- 110 kV overhead line № 649 (500 kV Balashovskaya substation — 110 kV Kardailskaya substation), including cable replacement — 2.3 km.

### Development prospects

Activities for development of electrical energy industry are mainly planned in Volgograd and Volzhskiy.

Within the limits of the investment program of the branch of IDGC the South, JSC — Volgogradenergo for 2012–2017 it is planned to perform works on the following large-scale facilities:

#### Volgograd:

- **reconstruction of the 110 kV Fork-2 substation** with replacement of power transformers by 2×40 MVA ones to improve the reliability of power supply to socially significant

facilities: The Volgograd Regional Perinatal Centre, the Volgograd Cardiology Centre, sanatorium Volgograd; in addition, the reconstruction will allow to provide the Volgograd State University with electric power and to satisfy the need for transformer capacity of the constantly increasing electrical load of the residential district on the Zevina Street in the Sovetskiy District of Volgograd, as well as the swimming pool in the Kirov District, the shopping and recreation centre Gera, CJSC;

- **reconstruction of the 110 kV Elshanskaya substation** with replacement of the 28 and 30 MVA power transformers by 2×40 MVA ones, which is aimed at improving the reliability of power supply to the current consumers and at connection of new consumers of the Sovetskiy District of Volgograd;
- **reconstruction of the 110 kV Festivalnaya substation** with replacement of the existing power transformers 16 MVA by 40 MVA ones in order to improve the reliability of power supply to the Samarskaya pumping station and for connection of new consumers of the residential complex currently under construction at Sheksninskaya Street;
- **reconstruction of the 110 kV Yablochnaya substation** with installation of a second power transformer with the capacity of 10 MVA in order to connect the social and domestic consumers currently under construction in the Sovetskiy District of Volgograd.

**Volzhskiy:**

- **reconstruction of the 110 kV Gorodskaya-2 substation** with installation of an additional power transformer with the capacity of 40 MVA to improve the power supply reliability of existing and newly connected facilities in Volzhskiy.

## Republic of Kalmykia

Development of the electric grid complex is a necessary condition for successful economic and social development of the region.

In 2011 the branch of IDGC of the South, JSC — Kalmenergo carried out activities under the investment program for reconstruction and new construction of overhead lines and substations with a voltage of 35 kV and above.

The branch of IDGC of the South, JSC — Kalmenergo established constructive cooperation with the Ministry of Housing and Energy of the Government of the Republic of Kalmykia in the part of implementation (adjusting) the scheme and program of the long-term electrical energy industry development of the constituent entity of the Russian Federation.

On 21 September 2011 the Agreement on carrying out activities to ensure reliable power supply and create conditions for technological connection of consumers to the electric grid was signed in Moscow **between Holding IDGC, JSC and the Volgograd Region Administration**. Cooperation in this direction contributes to the prevention of power shortages, improving power supply reliability in the region and creating additional conditions for connection of new consumers to the electrical distribution system.

In addition, it is planned to construct a new 110 kV Gorodskaya-4 substation with two power transformers with the capacity of 40 MVA in Volzhskiy under an individual grid connection tariff in order to connect the housing and domestic consumers of residential district № 38 which are either planned or are currently under construction.

On 12 April 2011 **the Agreement on carrying out activities to ensure reliable power supply and create conditions for technological connection of consumers to the electric grid** was signed in Moscow between Holding IDGC, JSC and the Volgograd Region Administration.

Under the Agreement, the Volgograd Region Administration intends to render assistance to IDGC Holding, JSC in:

- realization of the investment program of the branch of IDGC of the South, JSC — Volgograd;
- providing land plots for construction of engineering infrastructure facilities;
- increasing consumers' payment discipline and the prompt branch's transition to regulation of tariffs using the invested capital profitability method (RAB regulation);
- improving counter-terrorism security of power grid facilities, as well as ensuring the development and timely implementation of the energy development scheme and program of the Volgograd Region, with the participation of the UES System Operator (UES, JSC), as well as inclusion of the long-term electricity accounting perspective development program of the branch of IDGC of the South, JSC — Volgogradenergo into the regional energy efficiency program and providing state support for energy conservation measures.

### Development prospects

Major investor KTK-R, CJSC continues its activities aimed at the **construction of two stations, NPS-2 and NPS-3**, that will ensure investment flow in the Republic, will allow to implement joint projects in the industrial and social sphere.

The organization of external power supply to the NPS-2 and NPS-3 stations is carried out within the limits of the concluded contracts on implementation of technological connection with KTK-R, CJSC for the general attachable capacity of 55,5 MW. The project provides for construction of substations with the voltage of 110/10 kV, overhead transmission lines of 110 kV in the territory of the Chernozemelsky, Iki-Burul'sky, Yashkul'sky Districts which will allow increasing the useful output for 350 million kW/h (settlement period — 2013–2014).

The current problem of the "closed" power centres requiring reconstruction of obsolete equipment and increase of the transformer capacity, such as **the 110/35/10 kV Elista — Zapadnaya substation**, will be resolved through the reconstruction of the substation with an increase of the transformer capacity. Performing the reconstruction activities provided by the investment program of the branch of IDGC of the South, JSC — Kalmenergo will ensure reliable and uninterrupted power supply to the existing consumers, as well as connection of new consumers of the republican centre, Elista.

## Rostov Region

Most of the facilities planned to be commissioned in the branch of IDGC of the South, JSC — Rostovenergo are concentrated in the areas of the major industrial centres with a developed transport infrastructure — Rostov-on-Don, Taganrog, Novocherkassk and Shakhty. Loading of the centre feeding transformers in the above mentioned cities and adjacent areas is close to the nominal value.

The most difficult situation is in the area of Rostov-on-Don. The intensive development of the left-bank territories of the city has created a tense situation in the electricity supply of the consumers located there. The most intensively developing areas of the left-bank territories are the industrial zones Kovsh and Zarechnaya. Currently, the electricity supply of the consumers of these industrial zones is carried out from the 110 kV R-16 substation and the 110 kV R-31 substation. Due to entering into the contract on realization of technological connection of the facility CPS-7 in 2012, the branch of IDGC of the South, JSC — Rostovenergo plans to expand the 110 kV R-31 substation (SG 6 kV) with the construction of a 6 kV cable line.

Future **development of electric networks** is envisaged in connection with the planned construction of a number of the large enterprises in the Rostov Region:

- the second priority of the turkey-cock breeding complex in the Oktyabrskiy District (the applicant is Eurodon, LLC) with the maximum power receivers capacity of 21.1 MW;
- the duck breeding complex in Millerovskiy District (the applicant is Donstar, LLC) with the maximum capacity of 11 MW;
- Armidale, LLC plans to build a production site of a second category Egg factory with the capacity of 75 million hatching eggs per year (2.2 MW) on the lands of the Volchenskiy rural village of the Kamenskiy District.

The following activities have been planned in order to install power grid structure in the territories included in the “Big Rostov” project:

- **for the power supply of the second priority housing development of the Leventsovsky residential area** of 231 hectares located in the western part of Rostov-on-Don it is planned to perform connection of new loads from the 110 kV R-35 substation. In the future, with increasing loads it is planned to build 110 kV Leventsovskaya substation with power transformers of 2×40 MVA capacity; the facility is planned to be commissioned in 2016;
- **in order to supply the Decorative Cultures-1 housing development with electricity** it is planned to construct 110 kV Decorative Cultures substation, with the 110 kV overhead line entries and two transformers with the capacity of 40 MVA. The design is scheduled for 2012, and the execution of the construction works is planned for 2013–2014;
- **in order to supply the Voenniy Gorodok 140 area with electricity**, title “Construction of the 110/10 kV R-42 substation (Severnaya)” was included in the investment program of JSC IDGC of the South, JSC — Rostovenergo, the installed capacity of the two transformers will amount to 80 MVA, the title is scheduled for implementation for 2012–2013;
- **in order to supply the residential built-up areas on the federal land plots in the Aksay Region** (Rassvet, Zolotoy Kolos, Krasniy Kolos villages), as well as the Yuzhniy airport

complex (the construction of which is, in accordance with the Decree of the Government of the Russian Federation №377 dated on 20.05.2008, expected to take place in 2013–2015) with electricity, construction of a new 110 kV substation with 2×25 MVA transformers is planned in the area of the Grushevka village.

In order to supply the Federal Government Complex Tsentralniy (residential district) with electricity, in 2012 it is planned **to commission a new 110 kV R-27 (Central) substation** with 2×40 MVA transformers. The connection to the substation to the 110 kV network is done through a 110 kV cable line to the 110 kV R-1 substation and to the 110 kV R-22 substation.

**In order to supply the developed areas in the vicinity of the intersection of the Lenina and Nagibina Streets with electricity**, it is planned to construct 110 kV R-34 (R-11A) substation with the transformer voltage of 110/6 kV and the installed capacity of 2×40 MVA. The connection of the 110 kV R-34 substation to the power system may be performed using an entry of one of the 110 kV R-5 — R-1 overhead lines.

In Volgodonsk it is planned **to build 110 kV Shlyuzovaya substation** with 110 kV overhead line entries and two transformers with the installed capacity of 25 MVA according to the complex reconstruction program with transferring of the consumers' power supply of the 35 kV Shlyuzovaya substation to the voltage of 110/35/6 kV, and transferring of the consumers' power supply of the 110 kV Tsentralnaya substation to a new substation. The above operations are necessary for improving the reliability of power supply to the existing consumers and for provision of power supply for increased electrical loads.

In Aksay it is planned to build the Vsplesk Sports and Health Complex (the applicant is FPS Petroenergokompleks-South, LLC) with the maximum capacity of 17.2 MW, for the power supply of which it is necessary **to construct a new 110 kV substation** with the installed transformers capacity (T-1 T-2) of 50 MVA.

In the Aksayskiy District the complex residential built-up area is planned in the Rossiyskiy village (8 MW), near the Rostov customs terminal (5 MW), Lenina hamlet, Dorozhniy village, Olgin-skaya village, Mahina hamlet (10 MW), Verhne-Podpolniy hamlet (2 MW). In order to supply the mentioned facilities with electricity, the 2012–2017 investment program of the branch of IDGC of the South, JSC — Rostovenergo provides for the reconstruction of the 110 kV AS-1 substation with replacement of power transformers by 2×16 MVA ones.

Taganrog Metallurgical Plant, JSC plans the complex development of the northern residential area of the III and IV residential districts in Taganrog with the electrical load of 1.9 MW. In order to perform the operations for technological connection of the above mentioned facilities to the electrical network, the branch of IDGC of the South, JSC — Rostovenergo intends to carry out the construction of a 6 kV distribution substation from the 110 kV T-13 substation.

According to the decision taken by the members of the International Football Federation (FIFA) in Zurich to hold the 2018 World Cup in Russia, a list of 13 cities of the Russian Federation in which football matches and activities related to the championship are to take place has been drawn up.

Rostov-on-Don has been chosen as one of the competition areas. To ensure the power supply to the sports and infrastructure facilities, the branch of JSC IDGC of the South, JSC — Rostovenergo has planned **the construction of the 110 kV Sportivnaya substation with a 110 kV cable overhead line** and two transformers with the installed capacity of 40 MVA (2015–2016).

In order to supply the infrastructure facilities (hotel complexes, social, cultural, household facilities and so forth) with power, **the construction of the 110 kV Levoberezhnaya substation** with two transformers with the installed capacity of 40 MVA is provided for; the construction is expected to begin in 2015, and the commissioning in 2017.

In order to eliminate the power deficit and prevent interruptions in electricity supply in the Rostov Region, the branch of IDGC of the South, JSC — Rostovenergo actively cooperates with the Government of the Rostov Region for implementation of the “Plans and programs of the Rostov Region development for the 2012–2016 period with a perspective until 2020”, developed by request of the Ministry of Industry and Energy of the Rostov Region and aimed at development of the electric-power industry of the region.

In accordance with the Decree of the Government of the Russian Federation №823 dated on 17.10.2009 “On Schemes and Programs of the Power Industry Perspective Development”, the Government of the Rostov Region, on the basis of the proposals of the system operator and the power grid organizations of the constituent entity of the Russian Federation, in the period up to 1 May 2012, plans to provide the corrections and approval of the “Scheme and Programs...”.

It should be noted that during 2011 the branch of IDGC of the South, JSC — Rostovenergo carried out work for signing the “Agreement on the carrying out activities to ensure reliable power supply and create the conditions for technological connection to power networks of consumers on the territory of the Rostov Region” between the Government of the Rostov Region and IDGC Holding, JSC. Signing of this Agreement is planned for 2012.

Carrying out activities under the Agreement and organization of the mutually beneficial cooperation in the realization of the strategic objectives will help to ensure an overall improvement of the socio-economic status of the region, to increase the reliability of electricity supply in the Rostov Region.

## OPERATIONAL EFFICIENCY AND INVESTMENT ATTRACTIVENESS IMPROVING

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

- continuing to use the RAB regulation for the Astrakhanenergo, Rostovenergo, and Kalmenergo branches, taking into account the optimization of the parameters and their fixing by the executive authorities on the long term prospect;
- transferring of the Volgogradenergo branch on the RAB regulation starting from 2013;
- modernization and technical re-equipping of power facilities;
- implementation of a risk management system to control the risks arising during the principal activity;
- optimization of the network topology;
- implementation of a productive assets management program;
- optimization of the business planning system;
- introduction of innovative technologies;
- full implementation of the investment programs approved by the constituent entities of the Russian Federation aimed at ensuring of the planned level of tariffs, lack of penalties, the necessary reproduction of capital assets and introduction of new capacities, which provide the growth of volume of rendered services;
- minimizing of expenses in order to improve the operating efficiency in 2012 and receive a stable income in the future;
- minimizing of excessive power losses;
- reforming of the Company's organizational structure in order to centralize management functions, reduce expenses and improve performance efficiency;
- energy efficiency and conservation.

### Strategic objectives and activity key priorities for 5 years:

- Reducing of networks deterioration to the developed countries' level (50%).
- Bringing of the operational efficiency indicators to the level of the developed countries' network companies.
- Bringing to stable profitability on the level of the Russian Federation companies with comparable market risks.
- Increasing of the power supply market share in the operation territories.
- Increasing of capitalization to the level of economically developed countries' comparable network organizations.

### Saving of tariff sources of investments in upgrading and development of the network

Pursuant to the Decree of the Government of the Russian Federation № 1172 of 27.12.2010 “On Approval of the Wholesale Electric Energy Market Rules and on Introduction of Amendments to Certain Acts of the Government of the Russian Federation on Organization of Functioning of the Wholesale Electric Energy and Capacity Market”, the executive bodies of the constituent entities of the Russian Federation engaged in state tariff regulation took decisions on revision of tariffs for electric-power transmission from 1 May 2011, and the tariff growth rates in 2011 not higher than 15% compared to 2010 have been ensured.

In addition, in order to minimize the deterioration of the financial and economic situation of IDGC of the South, JSC, in

the operation regions of IDGC of the South, JSC, it was agreed to reduce the power transfer investment program in 2011 in the following sizes:

- the branch of IDGC of the South, JSC — Astrakhanenergo, to RUR 313,300,000 (from RUR 1,115,400,000 to RUR 802,100,000);
- the branch of IDGC of the South, JSC — Rostovenergo, to RUR 1,068,000,000 (from RUR 3,268,000 to RUR 2,200,000);
- the branch of IDGC of the South, JSC — Kalmenergo, to RUR 10,800,000 (from RUR 80,400,000 to RUR 69,600,000);
- the branch of IDGC of the South, JSC — Volgogradenergo, to RUR 229,800,000 (from RUR 616,200,000 to RUR 386,400,000).

Due to the fact that the tariffs growth on the power transfer services should not exceed 11% from 1 July 2012, the average tariffs growth will be about 2.4% to the average tariffs growth in 2011. In view of the decrease of proceeds from the power transfer

services in 2012 and, accordingly, the reduction of tariff sources for performance of the investment program IDGC of the South, JSC, the updating and the coordination in the regions of the investment program for 2012 have been performed. The volume of the investment program for 2012 on the power transfer is RUR 3.3 bln.

Despite the decrease of volumes of the investment program in 2011 and 2012, the investment activities of 2012 and the subsequent years aimed at reconstruction of the existing power networks, expansion of the basic supply centres and creation of new capacities will fully provide the required level of the power system reliability.

In the conditions of reduction the volume of the investment program these parameters will be achieved through optimization of technical solutions, as well as by reducing of specific expenses on realization of investment projects at execution of the Order of the Government of the Russian Federation on the annual decrease of construction cost for 10% in 2012–2014.

## INNOVATIVE ACTIVITIES

In 2011 the Board of Directors of IDGC of the South, JSC developed and approved an Innovation Development Program for the Company (Minutes from 01.08.2011 № 69/2011), which provides, among others, carrying out of scientific research and development activities (hereafter “R&D”).

In 2011 R&D contracts for the total amount of RUR 112,800,000 were planned to be concluded.

Procurement procedures were carried out for the total amount of **RUR 111,150,000 on 10 R&D projects.**

- contracts were concluded on 8 R&D projects for the total amount of RUR 62,700,000, works are being carried out; on 8 concluded contracts works for the total amount of RUR 27,980,000 have been performed and paid for (the contracts were concluded without prepayment work), one R&D project has been fully implemented (experimental operation of a neutral short-term bridging device in a 10 kV grid square based on reclosers);
- on two R&D projects — “Single-phase ground short circuits” for the total cost of RUR 33,000,000 and “Update of scientific and



technical documentation” for the total cost of RUR 15,450,000— competitive negotiations have been conducted, the winner has been defined (research and Development Engineering Centre IDGC, LLC), the Company R&D Plan provides for the conclusion of contracts for 2012.

In addition, in 2011 the following results have been achieved upon the concluded contracts:

- patent search has been carried out, application for patent of the Russian Federation for the icing monitoring system has been filed, technical documentation on the device prototype has been developed;
- patent search has been carried out, the algorithm of the neutral short-term bridging device on in a 6–10 kV grid has been identified, technical documentation on the device prototype has been developed, the installation of the prototype has been held in the Kamyshinskies ES production association, verification field tests have been conducted, the report on the field tests has been discussed during the meeting of the Scientific and Technical Council of IDGC Holding, JSC on 14 December 2011 as part of the report of the representatives of the Tavrida Electric Group of Companies, CJSC;
- the project of the element estimate standards collection on equipment repair, the project of the individual rates collection on equipment repair, the project of the procedure of appreciation index definition have been developed;

- the analysis of the composition and characteristics of constant operating current systems’ loads has been performed, the standard schemes of the operative direct current system elements and the technical requirements to them have been developed;
- selection of construction variants of the microelectronic and microprocessor switching devices blocking systems of substations 110/35/10/6 kV with contactless position sensors and the possibility of integration into the automated control system of the substation has been performed, the materials for the patent application has been prepared, the algorithms of the lock system functioning have been developed;
- inspections (measurements) of modes have been carried out and daily charts of power consumption of the traction and other substations with non-linear loads on the substations in Rostov-on-Don, Taganrog, Salsk were received;
- patent search has been carried out, requirements to the information system for monitoring and forecasting of distributive power networks parameters which is currently being created have been formulated, versions of the information supply creation technology were developed.

The R&D plan for 2012 provides for the implementation of 14 R&D projects, including nine R&D projects moving from 2011, as well as five new R&D projects.

## ENERGY EFFICIENCY IMPROVING

By the decision of the Board of Directors of IDGC of the South, JSC (Minutes dated 15.04.2011 № 62/2011), the Program for power conservation and power efficiency improving of the Company was approved, under which a number of tasks are to be solved:

- reduction of power specific consumption for household needs;
- reduction of losses in the implementation of power transmission technological process;
- formation of an effective power saving management system.

In order to improve the energy efficiency of the facilities of IDGC of the South, JSC (hereafter “the Company”) and to execute the Federal Law of 23.11.2009 № 261 “On Energy Saving and Energy Efficiency and on Amending of the Certain Legislative Acts of the Russian Federation” (hereafter “Federal Law № 261”) in 2011–2012, it is necessary to organize examinations of the power production facilities and household needs of the Company.

To accomplish this task, the Board of Directors (Minutes dated 19.10.2011 № 74/2011) has approved and the Company has signed a contract with affiliated (dependent) company of IDGC of the South, JSC — Energoservice of the South, JSC.

In 2011, under this contract, works on the first phase were performed — survey of 942 administrative and commercial facilities (buildings and constructions) and electric grid complex of 16 electricity distribution zones (“DZ”) of the Company’s branches, reports were prepared, activities for inclusion in the program of energy conservation and energy efficiency improving were developed.

In 2012 it is planned to conduct a survey of the electric grid complex of 40 DZs in the I quarter, and of 50 DZs in the II quarter, and also in accordance with the federal legislation in the field of energy conservation and energy efficiency improvement, to carry out an examination and organize obtaining of an Energy passport by IDGC of the South, JSC in December of 2012.

## IMPROVING OF POWER GRID INFRASTRUCTURE AVAILABILITY

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

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

**1. Development of the face-to-face consumer services infrastructure** in accordance with the requirements of the Standard.

In 2012, the Company plans to carry out work on putting premises in order and fitting them with missing standard equipment, office equipment and communication channels, furniture for the newly formed business units of the consumer services of the Company’s branches — technological connection and consumer service groups.

**2. Optimization of the business processes of the face-to-face consumer services** in accordance with the requirements of the Standard.

Refinement of the existing regulatory and standardizing documents related to the Company’s consumer services, organization of the documents circulation on work with services consumers.

**3. Development of consumer interactive services.**

Changes in the structure and content of the section “For Customers” of the Company’s corporate website and the branches’ websites, creation of an “Internet kiosk” on the Company’s website, creation and development of a functional “Internet reception” interactive service, creation of a “Personal account” service.

**4. Automation of the centralized consumer services system.**

It is planned to optimize the business processes of interaction with services consumers, including through the introduction of modern IT-technologies, to organize the Call Services Centre (CSC, of the corporate call centre) (in stages, depending on the extension of functionality and automation of the CSC).

In the II quarter of 2012, it is planned to create the Call Services Centre (hot line support of the 1<sup>st</sup> stage) on the basis of the branch of IDGC of the South, JSC — Rostovenergo. Until 2014, the Company plans to organize a full-featured Call Services Centre (2–3 stages, with the functions of call-centre).

## DEVELOPMENT OF HUMAN CAPITAL

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

Taking into account the impossibility of the production development without the development of the people ensuring it, the Company strives to stay ahead and anticipate the necessity of skilled personnel. In many ways, the solution of this problem in 2011 was achieved through proper organization of personnel training

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

In 2012, for the purpose of human resource development, special attention will be paid to training of the management and youth personnel reserve of the Company.

For more information refer to section 10.1 of this Annual Report.



# 4

# OPERATIONAL REPORT



Electric power output to the grid by IDGC of the South, JSC equaled 30,015 mln kWh overall in 2011, and net output equaled 27,172 mln kWh. The total effect of implementation of measures for optimizing losses equaled 108 mln kWh.



**RELIABILITY AND STABILITY**

## 4

# OPERATIONAL REPORT

## ACTIVITIES ON ELECTRIC POWER TRANSMISSION

According to the results of reporting year 2011, electric power supply to the mains of IDGC of the South, JSC amounted to 30 bln 15 mln kWh, productive supply — 27 bln 172 mln kWh, at the same time actual losses connected with its transport are equal to 2 bln 842 mln kWh or 9.47% from the mains supply, including the following in the branches:

Branches of IDGC of the South, JSC	Mains Supply, kWh mln	Productive supply from the mains, kWh mln	Actual Losses	
			kWh mln	%
Astrakhanenergo	3,875.0	3,208.8	666.2	17.19
Volgogradenergo	11,907.0	11,043.5	863.5	7.25
Kalmenergo	13,760.3	12,544.0	1,216.3	8.84
Rostovenergo	472.3	376.0	96.2	20.37
<b>TOTAL for IDGC of the South, JSC</b>	<b>30,014.6</b>	<b>27,172.4</b>	<b>2,842.2</b>	<b>9.47</b>

Volume of the services supplied by the Company connected with the electric power transmission within the distribution companies' borders. Electric power supply from the mains of IDGC of the South, JSC branches has decreased in 2011 as compared to 2010 on 269.2 mln kWh or 1.0%, including the following in the branches:

Branches of IDGC of the South, JSC	The Volume of Electric Power Transmitted over the Mains of IDGC of the South, JSC Branches				
	2009	2010	2011	Dynamics for 2011/2010	
				kWh mln	%
Astrakhanenergo	2,962.7	3,109.4	3,208.8	99.4	3.2
Volgogradenergo	13,906.3	11,496.0	11,043.5	-452.5	-3.9
Kalmenergo	12,227.7	12,458.8	12,544.0	85.2	0.7
Rostovenergo	368.2	377.3	376.0	-1.3	-0.3
<b>TOTAL for IDGC of the South, JSC</b>	<b>29,464.9</b>	<b>27,441.6</b>	<b>27,172.4</b>	<b>-,269.2</b>	<b>-1.0</b>

The largest decrease, for 452,5 mln kWh or 3.9% of electric power volume supplied in 2011 compared to 2010, was observed in IDGC of the South, JSC branch — Volgogradenergo due to the direct contracts concluded by the “last mile” consumers with FGC UES, JSC.

In 2011 Rusenergosbyt, LLC and Rusenergoresurs, LLC concluded direct contracts with FGC UES, JSC on joining the UNPG energy facilities. In addition, on 1 June 2010 Volga-FEST, CJSC concluded an electric supply services contract with FGC UES, JSC in the Volgogradenergo branch.

## Electric Power Actual Losses in 2011

Branches of IDGC of the South, JSC	Electric Power Losses									
	Actual 2009			Actual 2010			Actual 2011		Changes 2011/2010	
	kWh mln	% reported	% within comparable terms	kWh mln	% reported	% within comparable terms	kWh mln	% reported	kWh mln	% within comparable terms
Astrakhanenergo	628.5	17.50	17.55	690.6	18.17	18.22	666.2	17.19	-24.4	-1.03
Volgogradenergo	845.2	5.73	7.81	870.7	7.04	7.32	863.5	7.25	-7.2	-0.07
Kalmenergo	1,107.0	8.30	8.55	1,157.6	8.50	8.69	1,216.3	8.84	58.7	0.15
Rostovenergo	90.2	19.68	19.68	99.3	20.83	20.83	96.2	20.37	-3.1	-0.46
<b>Total for IDGC of the South, JSC</b>	<b>2,670.9</b>	<b>8.31</b>	<b>9.60</b>	<b>2,818.2</b>	<b>9.31</b>	<b>9.56</b>	<b>2,842.2</b>	<b>9.47</b>	<b>24.0</b>	<b>-0.09</b>

In connection with exclusion of electric power consumption of some “last mile” contractors from the balance of IDGC of the South, JSC branches — Volgogradenergo and Rostovenergo, it is necessary to compare the 2010 consumption pattern with the 2011 consumption pattern for a correct estimation of the dynamics of electric power losses level. Excess of the 2010

losses level in 2011 for 0.15% in Rostovenergo branch is connected with the growth of electric power supply to the mains of this branch in 2011 for 435.9 mln kWh (under the compared conditions in reference with 2010), and, as consequence, with the corresponding growth of the process losses operating component.

## Business Plan Performance by the Company | Connection with Electric Power Losses Level for its Transportation

Branches of IDGC of the South, JSC	Electric Power Losses					
	Plan 2011		Actual 2011		Changes	
	kWh mln	%	kWh mln	%	kWh mln	%
Astrakhanenergo	650.2	16.80	666.2	17.19	+16.0	+0.39
Volgogradenergo	902.4	7.36	863.5	7.25	-38.9	-0.11
Kalmenergo	1,209.9	8.90	1,216.3	8.84	+6.4	-0.06
Rostovenergo	96.6	20.78	96.2	20.37	-0.4	-0.41
<b>Total for IDGC of the South, JSC</b>	<b>2,859.1</b>	<b>9.47</b>	<b>2,842.2</b>	<b>9.47</b>	<b>-16.9</b>	<b>-0.00</b>

Increase of electric power actual losses within the mains of IDGC of the South, JSC — Astrakhanenergo in 2011 from the value laid down in the business plan amounts to 16.0 mln kWh and is connected with:

- 1) Cancellation of the electric power supply contracts with apartment building managing companies by Astrakhan Energy Company in 2011. As a result Astrakhan Energy Company productive supply volume does not include electric power losses within domestic mains of the apartment houses and electric power consumption of public places (approximately 8.4 mln kWh for 2011). It was failed to reimburse the effect of this factor on the value of the above plan electric power losses in 2011 in connection with cancellation from 1 January 2011 of electric power consumption standards of the public places in apartment houses in the Astrakhan Region. This rendered the earlier used calculations of the volume of provided services for electric power transmission within domestic mains inoperative.
- 2) Electric power consumption without a contract basis. The value of electric power consumption without a contract basis amounted to 11.9 mln kWh. Reveal of electric power consumption without contract basis revealed in 2011 does not affect the decrease of the electric power actual losses value due to the Actual that the total value of the revealed electric power consumption without contract basis is included into the value of electric power actual losses in full. If the electric power consumption without contract basis were taken into account in the value of the provided services for electric power supply the above plan losses of the branch would decrease in 2011 by 4.

## Measures to Decrease Electric Power Losses

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

Performance of the set of measures aimed at electric power losses optimization in 2011 resulted in a cumulative effect equal to 108.0 mln kWh or 0.36% from the mains supply.

As the result of performance of measures aimed at commercial losses lowering the effect amounted to 45.0 mln kWh, process losses lowering due to organizational arrangements amounted to 60.1 mln kWh and due to technical measures amounted to 2.9 mln kWh

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

As a result of the performed works IDGC of the South, JSC branch — Kalmenergo was switched to RAB from 1 January 2011. Long-term regulation standards were confirmed for a five-year period (2011–2015). The standards confirmed by the Regional Tariff Service of Republic of Kalmykia will allow IDGC of the South,

JSC branch — Kalmenergo to reach break-even operation before 2013 (the part of economically justified expenses within the tariff were redistributed from 2011–2012 to 2013–2015 on account of the expected considerable increase of the productive supply in 2013 in connection with joining of Caspian Pipeline Consortium Russia, CJSC).

For IDGC of the South, JSC branch — Volgogradenergo, the Office of Regional Tariffs of the Volgograd Region made a decision concerning the regulation of the long-term indexation method for 2011–2013.

The main reasons for taking a decision in favor of long-term indexation:

- considerable increase of the tariff for the electric power transmission services in 2010 (at some voltage levels the tariff increased by 2.2 times);
- absence of a regional integrated program reflecting the needs of the investment-driven development of all the Volgograd Region.

IDGC of the South, JSC branches — Astrakhanenergo and Rostovenergo have been regulated by the RAB method since 2009. The Federal Tax Service of Russia confirmed the prolongation of the long-term regulating period till 2013.

## Information about the Tariffs for Electric Power Transmission Services

### (Appendix 1)

In 2011 within the territory of all constituent entities of the Russian Federation, included into the IDGC of the South, JSC area of responsibility a universal (“boiler”) tariff-making method for electric power transmission services was in effect. The peculiarity of the “boiler” tariff consists in the following: for all consumers of the same voltage class transmission is carried out under a universal tariff, irrespective of the owner of the power networks to which they are connected. To perform the “boiler” system the basic models of interaction between the network organizations of all the levels and electric power consumers (sales companies, guaranteeing suppliers) are used: “boiler from above”, “boiler from below”, “integrated boiler”.

Tariffs for the services of electric power transmission over the Company mains are confirmed by the executive authorities of the Russian Federation within the area of the state tariff regulation.

In order to perform paragraph 9 of the Decree of the Government of the Russian Federation № 1172 dated 27.12.2010 “On Approval of the Wholesale Electric Energy Market Rules and on Introduction of Amendments to Certain Acts of the Government of the Russian Federation on Organization of Functioning of the Wholesale Electric Energy and Capacity Market” the tariffs for electric power transmission for all IDGC of the South, JSC branches were revised and put into effect from 1 May 2011 with limitation of growth of the average flat-rate tariff for the services of electric power transmission over the regional mains for not more than 15% compared to the 2010 level.

#### IDGC of the South, JSC branch — Astrakhanenergo

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

#### IDGC of the South, JSC branch — Volgogradenergo

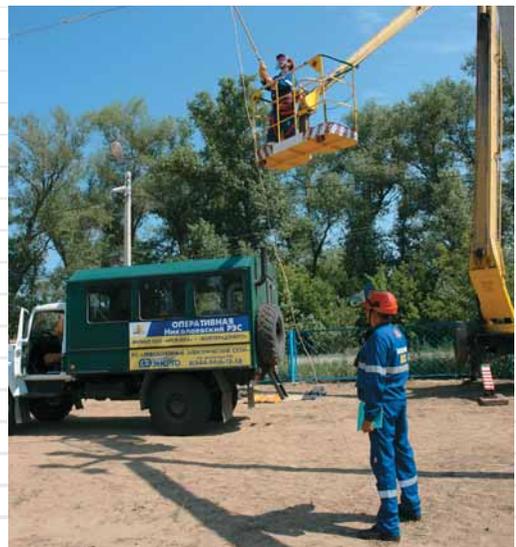
In 2011 the “integrated boiler” calculation pattern was realized in the region. The “boiler” owner is IDGC of the South, JSC branch — Volgogradenergo. IDGC of the South, JSC branch — Volgogradenergo receives proceedings from the consumers of the electric power transmission services under boiler and individual tariffs (from Volgogradoblektro, JCS, Volgograd Inter-District Networks Municipal Unitary Production Enterprise, Volgograd Inter-District Networks Municipal State Enterprise). Consumers of the electric power transmission services settle accounts with IDGC of the South, JSC branch — Volgogradenergo both under two-rate and flat-rate tariffs.

In 2011 the “boiler” tariffs were calculated through the long-term investment method and confirmed:

In 2011 the “boiler” tariffs were calculated through the Invested Capital Return Method (RAB) and confirmed:

- For validity period from 01.01.2011 till 30.04.2011 — by the Order of the Astrakhan Region Tariff Service № 201 dated 22.12.2010,
- For validity period from 01.05.2011 till 31.12.2011 — by the Order of the Astrakhan Region Tariff Service № 74 dated 24.06.2011.

- for the validity period from 01.01.2011 till 30.04.2011 — by the Order of the Volgograd Region Tariffs Office № 35/3 dated 22.12.2010. Special tariffs for settlement payments between IDGC of the South, JSC branch — Volgogradenergo and Volgogradoblektro, JCS, Volgograd Inter-District Networks Municipal Unitary Production Enterprise, Volgograd Inter-District Networks Municipal State Enterprise were confirmed by the Regional Tariffs Office Order № 35/1 dated 22.12.2010 (validity period from 01.01.2011 till 30.04.2011);
- for the validity period from 01.05.2011 till 31.12.2011 both “boiler” and individual tariffs were confirmed by the Order of the Volgograd Region Tariffs Office № 17/2 dated 11.05.2011.



### IDGC of the South, JSC branch — Kalmenergo

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

In 2011 “boiler” tariffs were calculated through the Invested Capital Return Method (RAB) and confirmed:

- for the validity period from 01.01.2011 till 30.04.2011 both “boiler” and individual tariffs were confirmed by the Order of the Regional Tariff Service of the Republic of Kalmykia № 100-п/э dated 29.12.2010,
- for the period from 01.05.2011 till 31.12.2011 “boiler” tariffs were confirmed by the Order of the Regional Tariff Service of the Republic of Kalmykia № 64-п/э dated 08.06.2011, individual tariffs — by the Order of the Regional Tariff Service of the Republic of Kalmykia № 65-п/э.

### IDGC of the South, JSC branch — Rostovenergo

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

In 2011 “boiler” tariffs were calculated through return on invested capital method (RAB) and confirmed:

- for validity period from 01.01.2011 till 30.04.2011 — by the Order of the Rostov Region Tax Service № 23/1 dated 31.12.2010. Special tariffs for calculation between IDGC of the South, JSC branch — Rostovenergo and Donenergo, JSC were confirmed by Order of the Rostov Region Tax Service № 23/4 dated 31.12.2010 (validity period from 01.01.2011 till 30.04.2011),
- for the period from 01.05.2011 till 31.12.2011 “boiler” tariffs were confirmed by the Order of the Rostov Region Tax Service № 10/1 dated 12.05.2011. Special tariffs for calculation between IDGC of the South, JSC branch — Rostovenergo and Donenergo, JSC were confirmed by the Order of the Rostov Region Tax Service № 10/2 dated 12.05.2011.

## Forecasting of Production results for 2012

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

According to production program of IDGC of the South, JSC for 2012 electric power supply to the mains of IDGC of the South, JSC branches is planned in the amount of 30 bln 620 mln kWh, which is 2.0% or for 605.6 mln kWh more than supply to the mains in 2011.

The reason for the planned increase of electric power supply to the mains consists in natural growth of electric power consump-

tion, as well as conclusion of the contracts for provision of electric power supply services for the first six months of 2012 with the consumers Rusenergoresurs, JSC and Eurasian Energy Company, CJSC on joining the UNPG network in accordance with the Order of the Ministry of Energy of the Russian Federation № 374 dated 25.08.2011.

## Main Figures of IDGC of the South, JSC Production Program

Index	Measuring unit	Actual 2011	Plan 2012	Deviation of the plan from the fact	
				kWh mln	%
Accepted power to the mains	kWh mln	30,014.6	30,620.2	605.6	2.0
Losses	kWh mln	2,842.2	2,879.2	37.0	1.3
	%	9.47	9.40	—	-0.07
Productive supply	kWh mln	27,172.4	27,741.0	568.6	2.1

## Electric power losses level for its transportation

The value of the electric power losses for its transportation within the mains of IDGC of the South, JSC branches is planned for 2012 in the amount of **2 bln 879 mln kWh** or 9.40% from the electric power supply to the mains, that is lower than the level of actual losses in 2011 for 0.07 % from the supply to the mains.

## Proceeds

The 2012 proceeds from the performance of electric power supply services over the mains of IDGC of the South, JSC is planned in the amount of RUR 24,105.4 mln (excluding the cost of loading losses, included into the wholesale market prices) by the forecasted amount of the boiler productive supply equal to 27,416.7 mln kWh.

## ENERGY SAVING AND INCREASE OF ENERGY EFFICIENCY

Target values for 2011 concerning energy saving and increase of energy efficiency are accepted by IDGC of the South, JSC branches in accordance with the following programs:

- Electric power supply to the mains,
- Electric power losses in the relative value,
- Electric power losses in the absolute value,
- Recourses consumption for economic needs.

### Target Values of the Program for 2011

Branches of IDGC of the South, JSC	Electric power supply to the mains, kWh mln		Electric power losses, %		Electric power losses, kWh mln		Recourses consumption for economic needs, RUR mln, Incl. VAT	
	Plan	Actual	Plan	Actual	Plan	Actual	Plan	Actual
Astrakhanenergo	3,871.50	3,875.01	16.80	17.19	650.24	666.17	63.249	72.745
Volgogradenergo	12,260.26	11,907.01	7.36	7.25	902.35	863.49	127.072	102.761
Rostovenergo	464.68	472.26	20.78	20.37	96.56	96.21	12.935	13.115
Kalmenergo	13,597.85	13,760.30	8.90	8.84	1,209.90	1,216.33	127.028	119.875
<b>Total for IDGC of the South, JSC</b>	<b>30,194.29</b>	<b>30,014.59</b>	<b>9.47</b>	<b>9.47</b>	<b>2,859.05</b>	<b>2,842.21</b>	<b>330.284</b>	<b>308.496</b>

Target values for 2011 set by the program were fulfilled for the whole Company.

### Main Process and Economic Figures of the Program in the Part of Financing Sources Provision

	2011	
	Plan	Actual
Effect, kWh mln	70	84
Effect, TFOE	24,872	31,471
Total expenses, RUR mln	165	207
Expenses, RUR mln	1,334	1,218

## Performance of the Program for Energy Saving Showing the Production Programs with the Reference to Financing Sources

	Effect, TFOE		Effect, RUR mln		Aggregate expenses, RUR mln		Including			
	Plan	Actual	Plan	Actual	Plan	Actual	Prime cost, RUR mln		IE, RUR mln	
							Plan	Actual	Plan	Actual
<b>Total amount according to the program</b>	<b>24,872</b>	<b>31,471</b>	<b>165</b>	<b>165</b>	<b>1,332</b>	<b>1,218</b>	<b>265</b>	<b>210</b>	<b>1,067</b>	<b>1,008</b>
Target programs/measures	20,636	26,940	131	145	656	629	189	175	466	454
Target organizational measures for decrease of electric power losses	14,944	21,550	111	129	120	123	120	123	0	0
Target technical measures for decrease of electric power losses	978	992	5	4	509	502	42	48	466	454
Target organizational measures for decrease of expenses for production and economic needs	15	15	0	0	0	0	0	0	0	0
Target technical measures for decrease of expenses for production and economic needs	2,709	2,399	0	0	2	2	2	2	0	0
Other target projects	1,991	1,984	14	12	26	2	26	2	0	0
General programs/measures	4,236	4,531	34	20	676	588	76	34	601	554

## TECHNOLOGICAL CONNECTION TO THE ELECTRIC MAINS OF THE COMPANY

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

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

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

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

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

- The Federal Law № 35-ФЗ dated 26.03.2003 “On Electric Energy Industry” (with changes and amendments).
- The Decree of the Government of the Russian Federation № 861 dated 27.12.2004 “On Approval of Regulations for Non-Discriminatory Access to Electric Power Transmission Services and Performance of These Services, Regulations for Non-Discriminatory Access to Operational Dispatch Management Service in Electric Power Energy and Performance of These Services, Regulations for Non-Discriminatory Access to the Services of Wholesale Market Trading System Administrator and Performance of These Services and Regulations for Technological Connection of Power Receivers of Electric Power Consumers, of the Plants Producing Electric Power, as well as the Electric Supply Network Stations, Belonging to the Network Organizations and Other Bodies, to the Electric Mains” (with changes and amendments).
- The Decree of the Government of the Russian Federation № 530 dated 31.08.2006 “On Approval of the Regulations for Electric Power Retail Markets Functioning Within the Transition Period of Electric Energy Industry Reformation” (with changes and amendments).
- The Order of the Federal Tariff Service of the Russian Federation № 365-э/5 dated 30.11.2010 “On Approval of Methodological Instructive Regulations for Determining the Amount of Charge for Technological Connection to the Electric Mains”.
- The Decree of the Government of the Russian Federation № 109 dated 26.02.2004 “On Price Formation Pertaining to Electric and Heat Energy in the Russian Federation” (with changes and amendments).
- The Decree of the Government of the Russian Federation № 24 dated 21.01.2004 (as now or hereafter in effect) “On Approval of Information Disclosure by the Parties of Electric Power Energy Wholesale and Retail Markets”.
- The Decree of the Government of the Russian Federation № 764 dated 28.09.2010 “On Approval of Regulations for Realization of Control of Performance by the Parties of the Natural Monopolies for the Standards of Information Disclosure”.
- The Decree of the Government of the Russian Federation № 977 dated 01.12.2009 “On Investing Programs of the Electric Energy Industry Parties”.
- The Decree of the Government of the Russian Federation № 823 dated 17.10.2009 “On Schemes and Programs of Electric Energy Industry Future-Oriented Development”.

The whole list of the regulatory documents, regulating technological connection, can be found at the Company web-site on open access: [www.mrsk-yuga.ru](http://www.mrsk-yuga.ru).

## Information about the Tariffs for Technological Connection

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

As far as there is no unified policy concerning the calculation and order of application of the charge rates for technological connection, as well as criteria for tariffs differentiation, different charge rates for technological connection were used in the Company branches in 2011.

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

**For IDGC of the South, JSC branch — Rostovenergo** by the Order of the Regional Tariff Service of the Rostov Region № 20/13 dated 28.12.2010 standardized tariff rates for charges are defined for technological connection to electrical distribution systems of IDGC of the South, JSC branch — Rostovenergo for 2011.

By the Order of the Regional Tax Service № 3/7 dated 28.02.2011 the amendments are made in the Order № 20/13 dated

28.12.2011, including that part of it where the standardized tariff rates for charges are defined at 2001 values.

For 2012 by the Order of the Regional Tariff Service of the Rostov Region № 30/10 dated 27.12.2011 standardized tariff rates for charges are defined for technological connection to electrical distribution systems of IDGC of the South, JSC branch — Rostovenergo (at 2001 values).

### **For IDGC of the South, JSC branch — Astrakhanenergo**

In 2011 the Orders of the Astrakhan Region Tariff Service № 135 dated 16.12.2009 were in force (validity period from 01.01.2011 till 24.04.2011) and № 26 dated 07.04.2011 (validity period from 25.04.2011 till 31.12.2011, amended by the Astrakhan Region Tariff Service Order № 72 dated 22.06.2011). By this by the Order of the Tariff Service № 26 dated 07.04.2011 standardized tariff rates are defined at 2001 values. In 2012 charge rates for technological connection to the mains of the branch Astrakhanenergo of 2011 are in effect. They are prolonged by the Order № 26 dated 07.04.2011, standardized tariff rates are defined at 2001 values.

### **For IDGC of the South, JSC branch — Volgogradenergo**

charge for consumers' technological connection to the electric mains of the Company is defined by the Regional Tariff Office

of the Volgograd Region. In 2011 tariff rates for technological connection to the electric mains of Volgogradenergo branches, defined by the Order of the Regional Tariff Office of the Volgograd Region Administration № 34/3 dated 17.12.2010 are in effect. In 2012 tariff rates for technological connection to the electric mains of the branch Volgogradenergo of 2011 are in effect.

They are prolonged by the Order of the Regional Tariff Office of the Administration of the Volgograd Region № 54/20 dated 23.12.2011.

**For IDGC of the South, JSC branch — Kalmenergo** in 2011 charge for technological connection was taken in accordance with the Order of the Regional Tariff Service of the Republic of Kalmykia № 23-п/э dated 17.02.2006 (validity period is prolonged by the Order № 29 п/э dated 08.04.2008), with the Order of the

Regional Tariff Service of the Republic of Kalmykia № 56-п/э dated 21.07.2009. Since June, 25<sup>th</sup> 2011 charge for technological connection was taken in accordance with the Orders of the Regional Tariff Service of the Republic of Kalmykia № 56-п/э dated 18.05.2011 and № 57-п/э (standardized tariff rates are defined at 2001 values). In 2012 the charge for technological connection is defined by the Orders of the Regional Tariff Service of the Republic of Kalmykia № 11-п/э and № 12-п/э dated 23.01.2012, standardized tariff rates are defined at 2001 values.

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

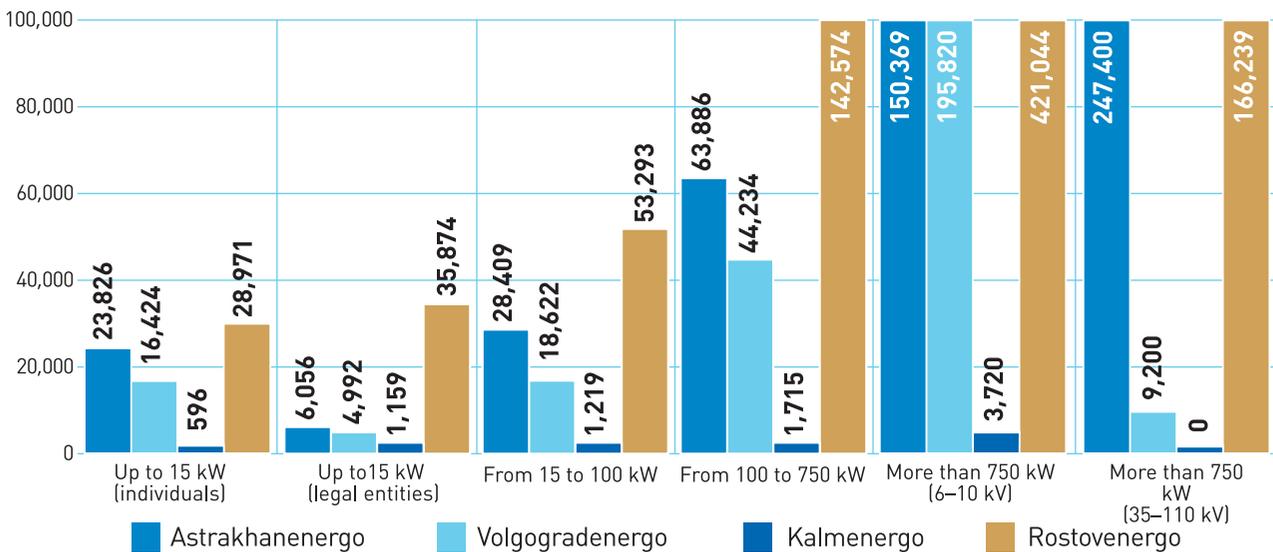
## Information about the demanded quantity for technological connection and the degree of its realization (provided in Appendix 2)

Within 2011 the Company accepted **19,797 applications** (excluding power generation facilities) for technological connection to the electric mains of IDGC of the South, JSC with the total capacity of **1,366,275 kW**. As a result **12,642** contracts for technological connection with the total capacity of **352,254 kW are concluded**. **6,802** connections with the total capacity of **200,885 kW** are performed.

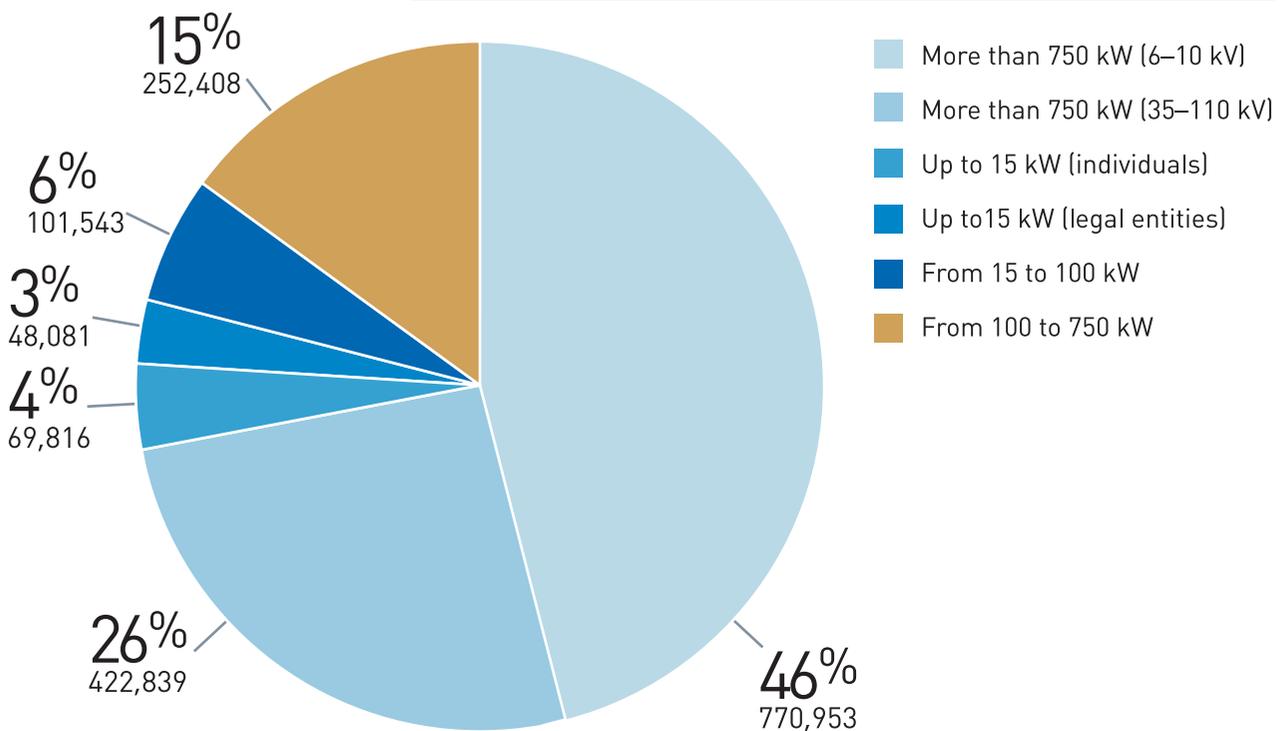
## Structure of Applications According to Capacities and Voltage Classes

Applicants categories	Amount of the applications for TC (accepted to work) including power generation facilities									
	IDGC of the South, JSC branch — Astrakhanenergo		IDGC of the South, JSC branch — Volgogradenergo		IDGC of the South, JSC branch — Kalmenergo		IDGC of the South, JSC branch — Rostovenergo		IDGC of the South, JSC	
	pcs	for the total capacity (N), kW	pcs	for the total capacity (N), kW	pcs	for the total capacity (N), kW	pcs	for the total capacity (N), kW	pcs	for the total capacity (N), kW
Up to 15 kW (individuals)	3,864	23,825.60	1,858	16,423.62	133	596.24	3,267	28,970.80	9,122	69,816.26
Up to 15 kW (legal entities)	954	6,055.70	695	4,991.96	169	1,158.61	4,442	35,874.33	6,260	48,080.60
From 15 up to 100 kW	600	28,409.31	328	18,621.82	20	1,219.06	2,390	53,293.26	3,338	101,543.45
From 100 up to 750 kW	232	63,885.60	144	44,233.50	6	1,715.00	455	142,573.64	837	252,407.74
More than 750 kW (6–10 kW)	44	150,369.20	59	195,819.67	1	3,720.00	123	421,044.13	227	770,953.00
More than 750 kW (35–10 kW)	3	247,400.00	2	9,200.00	0	0.00	17	166,238.80	22	422,838.80
<b>TOTAL</b>	<b>5,697</b>	<b>519,945.41</b>	<b>3,086</b>	<b>289,290.57</b>	<b>329</b>	<b>8,408.91</b>	<b>10,694</b>	<b>847,994.96</b>	<b>19,806</b>	<b>1,665,639.85</b>

**Dynamics of the capacity stated according to the business types referring to IDGC of the South, JSC within the reporting 2011, kW**



**Structure of applications to IDGC of the South, JSC by capacity, voltage class and range of capacity connected, kW**

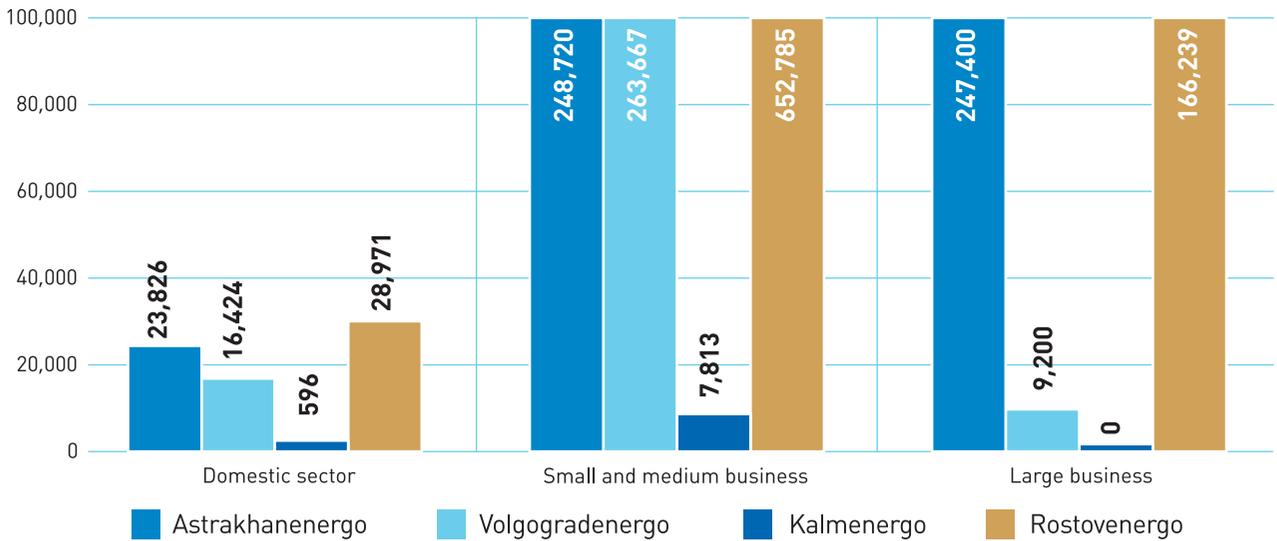


## Structure of Applications According to Business Types

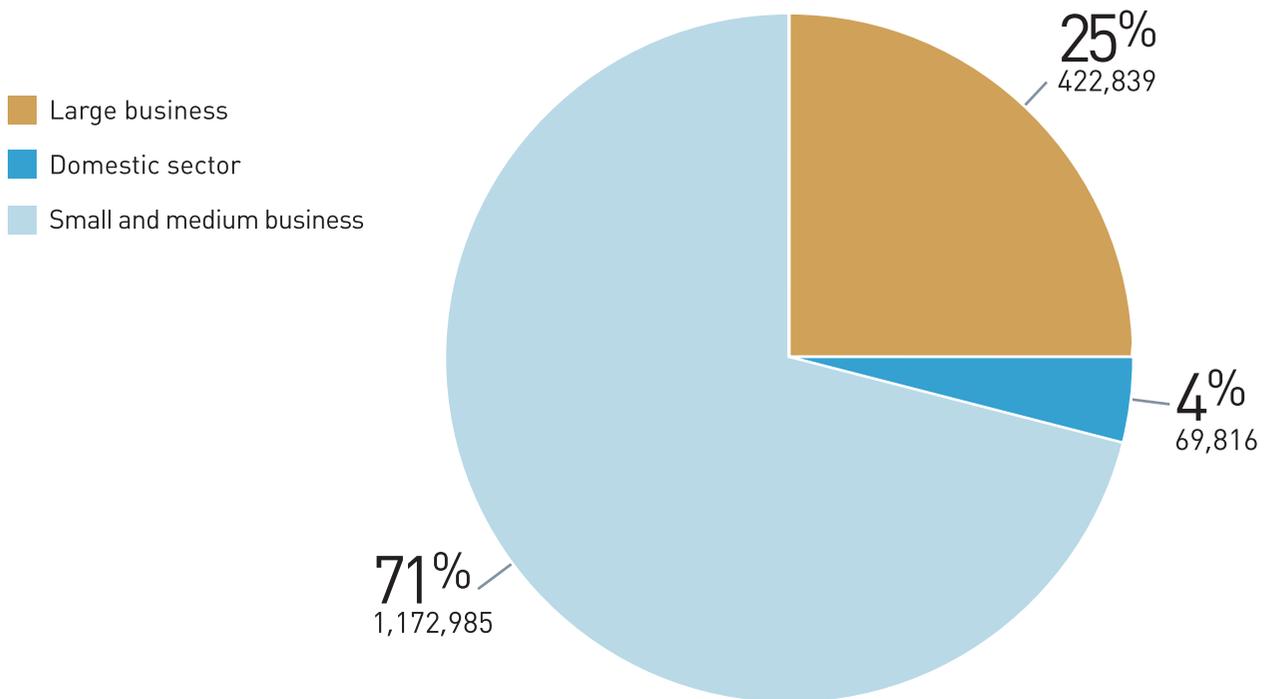
Applicants categories	Amount of the applications for TC (accepted to work) including power generation facilities									
	IDGC of the South, JSC branch — Astrakhanenergo		IDGC of the South, JSC branch — Volgogradenergo		IDGC of the South, JSC branch — Kalmenergo		IDGC of the South, JSC branch — Rostovenergo		IDGC of the South, JSC	
	pcs	for the total capacity (N), kW	pcs	for the total capacity (N), kW	pcs	for the total capacity (N), kW	pcs	for the total capacity (N), kW	pcs	for the total capacity (N), kW
Individuals (up to 15 kW, 0,4 kW)	3,864	23,825.60	1,858	16,423.62	133	596.24	3,267	28,970.80	9,122	69,816.26
Small and Medium Business	1,830	248,719.81	1,226	263,666.95	196	7,812.67	7,410	652,785.36	10,662	1,172,984.79
Big Business	3	247,400.00	2	9,200.00	0	0.00	17	166,238.80	22	422,838.80
<b>TOTAL</b>	<b>5,697</b>	<b>519,945.41</b>	<b>3,086</b>	<b>289,290.57</b>	<b>329</b>	<b>8,408.91</b>	<b>10,694</b>	<b>847,994.96</b>	<b>19,806</b>	<b>1,665,639.85</b>



**Change in capacity applied for by business type by branch of IDGC of the South, JSC in the 2011 reporting year, kW**



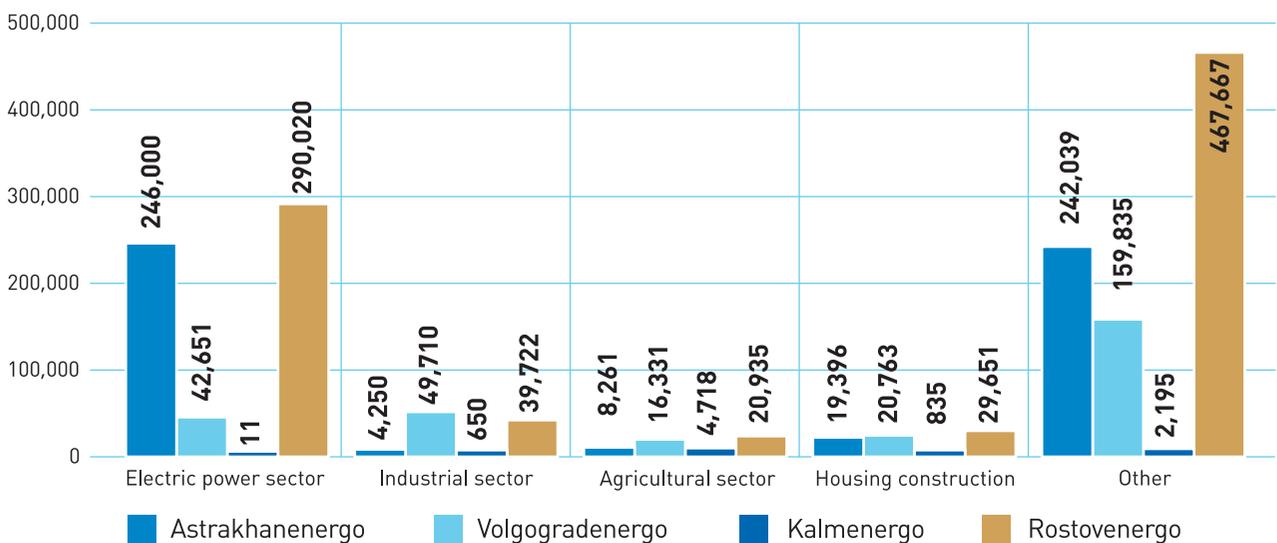
**Structure of capacity applied for from IDGC of the South, JSC by business type, kW**



## Structure of Applications According to Branches

Applicants categories	Amount of the applications for TC (accepted to work) including power generation facilities									
	IDGC of the South, JSC branch — Astrakhanenergo		IDGC of the South, JSC branch — Volgogradenergo		IDGC of the South, JSC branch — Kalmenergo		IDGC of the South, JSC branch — Rostovenergo		IDGC of the South, JSC	
	pcs	for the total capacity (N), kW	pcs	for the total capacity (N), kW	pcs	for the total capacity (N), kW	pcs	for the total capacity (N), kW	pcs	for the total capacity (N), kW
Electric energy industry	2	246,000.00	65	42,651.30	1	11.00	3,421	290,019.86	3,489	578,682.16
Manufacturing industry	16	4,250.00	80	49,709.70	9	650.40	49	39,722.43	154	94,332.53
Agricultural industry	104	8,260.50	67	16,331.00	41	4,717.70	107	20,934.97	319	50,244.17
residential construction	32	19,396.00	40	20,763.20	10	835.00	49	29,650.74	131	70,644.94
Others	5,543	242,038.91	2,834	159,835.37	268	2,194.81	7,068	467,666.95	15,713	871,736.04
<b>TOTAL</b>	<b>5,697</b>	<b>519,945.41</b>	<b>3,086</b>	<b>289,290.57</b>	<b>329</b>	<b>8,408.91</b>	<b>10,694</b>	<b>847,994.96</b>	<b>19,806</b>	<b>1,665,639.85</b>

## Correlation of capacity applied for by sector for branches of IDGC of the South, JSC in 2011, kW



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

of Individuals and Legal Entities to Power Grids” as now or hereafter in effect.

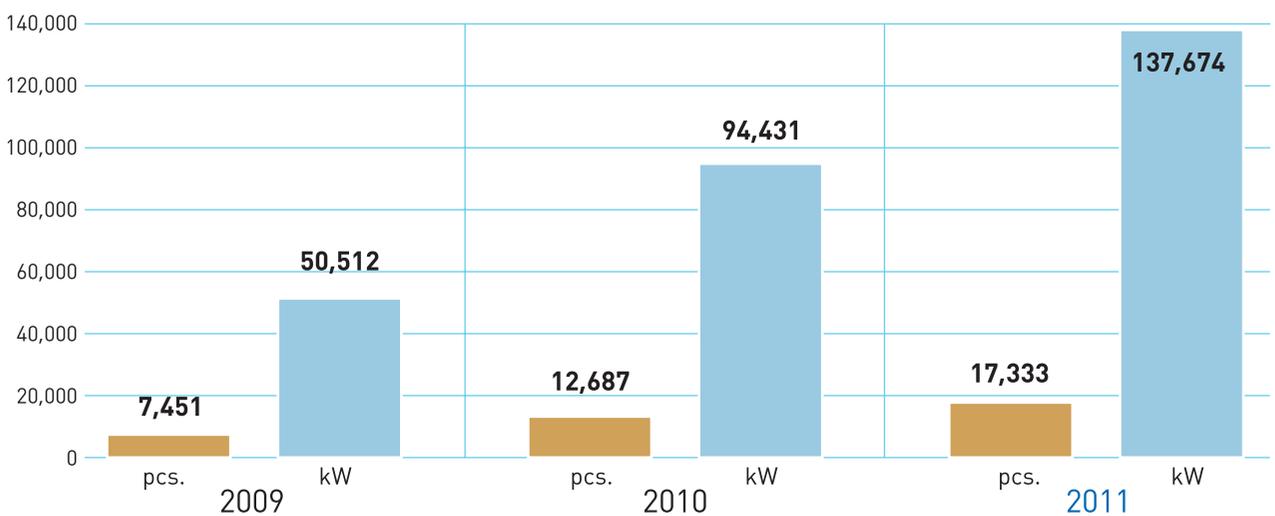
Individuals and legal entities with applications for connected capacity up to 15 kW (including the earlier connected capacity) refer to the favorable category according to Rules of technological connection to electric mains.

Charge for technological connection for the above mentioned applicants amounts to RUR 550 per one connection.

The change of demand for technological connection for the favorable consumers category is reflected in the diagram.

### The Amount of Quantity and Capacity According to Applications up to 15 kW in 2009, 2010 and 2011

2009		2010		2011	
pcs	kW	pcs	kW	pcs	kW
7,451	50,512	12,687	94,431	17,333	137,674



# IMPROVEMENT OF OPERATIONAL RELIABILITY AND ELECTRIC POWER SYSTEM EFFICIENCY

## Measures to Improve Operational Reliability and Electric Power System Efficiency Taken in 2011

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

- Program for operational reliability improvement of the facilities, including:
  - replacement of 6–10 kW oil-poor circuit breakers to vacuum ones to 35–100 kW substations;
  - replacement of 35–110 kW isolators and short-circuiters to SF 6 (vacuum) circuit-breaker;
  - replacement of stick-pedestal insulator 110 kW;
  - implementation of self-supporting insulated conductor (SSIC);
  - reconstruction of active blockings;
  - measures against icing and snow sticking.
- Program for operational reliability improvement of dispatching technological management facilities, protection relay, emergency control schemes, communication, control and energy accounting, including:
  - technical re-equipment and reconstruction of Relay Protection and Automatic Equipment;
  - telemetry, automation and upgrading electricity supply power facilities of IDGC of the South, JSC branches (including telecommunication system, automated dispatch control system);
  - replacement of current and voltage metering transformers 35–110 kW;
  - replacement of current and voltage metering transformers 6–10 kW.

- Measures for realization of the Orders of the state and company supervision authorities, investigation acts for technological disturbances in operation of IDGC of the South, JSC branches, as well as qualifications to requirements of the regulatory-technical and guiding documents of IDGC of the South, JSC (IDGC of the South, JSC branches).
- Measures to improve fire safety of power energy equipment, buildings and constructions.
- Plan for equipment repair.

**In 2011 there were no accidents covered by paragraph 4 of the Rules for Investigation of Accident Reasons in Electric Power Industry, confirmed by the Decree of the Government of the Russian Federation № 846 dated 28.10.2009.**

The production departments of IDGC of the South, JSC braches have maintenance teams provided with material and equipment who are ready for emergency recovery works. Combined trainings together with Ministry of Emergency Situations were conducted in the regions. Agreements for interaction and mutual information sharing when solving tasks on prevention and relief of emergency situations were also concluded.

In addition, 8 mobile teams were created in IDGC of the South, JSC, agreements were concluded with main subcontractors for their assistance during emergency recovery work for prompt accident recovery works.

In all the branches of IDGC of the South, JSC within the preparation for the autumn-winter period checks for deficiencies of the emergency store according to the confirmed lists were performed. Emergency store is equipped for 100 %.



## Repair-Operating Activities

### Basic Principles in Creation of Equipment Repair Programs

In order to improve the quality of repair and maintenance of electric mains, decrease of amount and time of network elements deenergization works, connected with the following, were performed in 2011:

- cutting of mechanical downtime and improvement of the repair quality;
- modern technologies application;
- use of the new equipment, devices and materials of increased strength and reliability;
- use of the modern testing and diagnosis devices by repair;
- automation of the planning process and repair-operation works control.

Within creation of the business asset management system, in 2011 the following activities were conducted in the IDGC of the South, JSC Corporate resource Management Information System on the basis of the "Equipment maintenance and repair" PM module:

- structural subdivisions responsible for the organization and performance of business asset management system implementation were created in the organizational structures of the branch control bodies, their staff schedule was confirmed;
- electric mains were updated (checked and upgraded);
- for revenue metering of electric power and for proper operation of the IS-U module the required consumer electric mains facilities were implemented into the PM (TOPO) module, necessary connections were made;
- action plan was designed for implementation of business asset management system in IDGC of the South, JSC, which provides the realization of the "Concept of the typical

standard for business asset management of the associated and dependent companies IDGC Holding, JSC, approved by the Order of IDGC Holding, JSC №558 dated 14.12.2011, which provides:

- creation of infrastructure of the business asset management;
- training of the involved staff in operation of PM (TOPO) module;
- integration of the informational system with the normative reference information system (NRI);
- collection of data (static and dynamic) about equipment and consumers with its integration to PM (TOPO) module;
- estimation of the technical condition of electrical mains equipment (calculation of condition index) in accordance with "Methodological instructive regulations for estimation of electric equipment reliability" confirmed by the Order of IDGC Holding, JSC №312 dated 28.07.2010;
- consequence calculation in case of equipment failure;
- creation of the production program for 2013 and its amendment on the basis of condition and failure consequences index.

A set of activities for implementation into commercial operation of the system functionals, providing data collection and estimation of the technical condition of the electric mains equipment, calculation of equipment failure consequences, production program planning within the integrated company recourses management system (ICRMS) on the basis of SAP software package is planned to be completed in 2012.

### The results of Repair Programs Performance of IDGC of the South, JSC branches for 2011

In 2011 in IDGC of the South, JSC repair of electric mains equipment was performed in full and amounted to 106% from the expense plan.

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

Repair of 35–220 kW overhead lines	3,738.86 km (102% of the plan);
Repair of 35–220 kW substations	162 pcs. (100% of the plan);
Repair of 0.4–220 kW overhead lines	9,866.17 km (104% of the plan);
Repair of 0.4–220 kW cable lines	35.03 km (125% of the plan).

The total expenses for the general maintenance of the electric mains for 2011 amounted to RUR 683.5 mln, including the following principle directions:

Repair of 35–220 kW overhead lines	RUR 70.6 mln;
Repair of 35–220 kW substation equipment	RUR 147 mln;
Repair of 0.4–10 kW electric mains	RUR 172.1 mln;
Repair of 0.4–220 kW cable lines	RUR 30.8 mln.

Expenses for repair of electric mains by a contractor or independently amounted to RUR 683.5 mln with the planned RUR 647.3 mln, including the following:

By a contractor	RUR 156.64 mln with the planned RUR 181.07 mln;
Independently	RUR 526.89 mln with the planned RUR 466.23 mln.

## Performance of Electric Mains General Maintenance Program

Equipment	Measuring unit	2011			2010		
		Plan	Actual	Performance, %	Plan	Actual	Performance, %
General maintenance of ПС 35–220 kW	pcs.	162	162	100	170	170	100
Repair of 35–220 kW overhead lines	km	3,653	3,739	102	3,135	3,559	114
Repair of 0.38–10 kW overhead lines	km	9,501	9,866	104	11,014	11,483	104
Repair of 0.38–220 kW cable lines	km	28	35	125	25	37	148
Repair of 6–10/0.4 kW transformer substations	pcs.	3,348	3,905	116	3,575	4,031	113

## INFORMATION TECHNOLOGIES DEVELOPMENT

### Information Technologies and Telecommunications (ITT) Strategy

In 2011 Development Strategy in the field of information technologies, automation and telecommunication was designed for IDGC of the South, JSC for the time period up to 2016.

IAT Strategy will result in target development model:

- programs for implementation of company informational systems on the basis of SAP software package;
- optimization and IAT-infrastructure development programs;
- programs for information safety development;
- programs for development of process management information systems;
- telecommunications infrastructure development;
- optimization programs for IAT operation.

### Joint Network Infrastructure

In May 2011 within the creation of the common information area they started to create the joint network infrastructure of the executive body and the Company branches. Within the project joint catalogue service Microsoft Active Directory was implemented. It allows controlling the users, informational resources and access rights to them on-line. On the basis of the joint catalogue service the Microsoft Exchange 2010 uniform e-mail system was implemented. It allowed providing centralized control over e-mails flows within the company and optimizing the use of the data transmission channels.

In addition, joint communications systems on the basis of Microsoft Lync 2010 software package were implemented in the executive body of IDGC of the South, JSC and IDGC of the South, JSC branches — Astrakhanenergo and Kalmenergo. This software package allows the employees to exchange instant messages, organize message, audio and video conferences, make audio and video calls, see the status of presence of the employees at their working place.

### Information resources Directory

Within the creation of the joint network infrastructure unification of the Company informational resources was performed, informational recourses catalogue and the rules of its transaction are confirmed. These rules determine the interaction mechanisms of the Company informational technologies department employees to provide team-work within informational recourses catalogue transaction. The activities are aimed at organization of the change to the service model for IT-services provision within the Company.

### Monitoring

At the end of 2011 on the basis of the free Nagios® Core™ 3.2.3 software monitoring system for the main communication channels and the Company principle informational systems are implemented. Twenty-four-hour monitoring of the Company IT-services is performed by the monitoring center based on the branch Rostovenergo. The system allows to response the situations when the Company IT-resources are not available immediately.

#### Plans for 2012

In 2012 it is planned to create the Unified Monitoring Center for control and monitoring of the following facilities:

- equipment of the informational-communication infrastructure;
  - data transmission channels;
  - company applications and IT-services.
- Creation of the Unified Monitoring Center is aimed at:
- increase of the communication services quality, by means of quick failures and their reasons identification;
  - receipt of objective and in-time data about the infrastructure and applications state for making management decisions;
  - optimization of expenses, connected with infrastructure applications operation, through diagnostics automation and detection of failure reasons, as well as automation of the actions for failure response.

## Redundant Communication Channels

In 2011 a contract for provision of data transmission service was concluded with Rostelecom, JSC. This allowed organizing the redundant communication channels and providing dual facilities for the data transmission channels between the executive body and IDGC of the South, JSC branches, as well as decrease of expenses for data transmission by means of over switching of the Company principle informational systems to the channels of unlimited tariffication.

## "Service Desk" System Implementation

In May 2011 implementation of the pilot project "Management System for IT-applications" ("Service Desk") on the basis of IDGC of the South, JSC branch — Volgogradenergo was finished. At present the solution based on the BMC Remedy ITSM Suite platform is used by more than 1000 employees within the management body of the branch and 6 production departments of Volgogradenergo.

The new system increased the transparency of IT-subdivisions for processing and arrangement of incidents and applications for maintenance, allowed decreasing the expenses for the management of the user's applications and guarantees high availability of the provided IT-services. For 2011 from the date of commissioning more than 12,000 applications were registered and performed.

Within the project of the IS-U CRMIS module implementation based on SAP AG software package, with the help of "Service Desk" software system, interaction with the specialists of the subcontracting organization Sainer, JCS was organized. This allowed to realize centralized registration of the users' requests and to instantly control the correction implementation process.

In 2012 the implementation of this system is planned in all the branches and in the executive body of the Company.

## Purchasing of New Equipment

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

## Informational Recourses Sharing with Kubanenergo, JSC

In connection with the termination of the contract for delegation of authorities of the executive body Kubanenergo, JSC it became necessary to formalize legal relationship concerning division and migration of the earlier shared informational systems (electronic document management system, informational systems of "Primavera" project management, "Technological connection" hardware and software system).

On 26 August 2011 the agreement for informational systems division was concluded. These systems were shared by IDGC of the South, JSC and Kubanenergo, JSC.

Works connected with the system migration and subdivision were performed in full.

## Electronic Document Management System of IDGC of the South, JSC

In October 2011 electronic document management system of IDGC of the South, JSC (EDMS), which was shared with Kubanenergo, JSC was divided. Divisions of the informational systems brought to decrease of the loads on equipment, on which the shared informational system was installed, and to exclusion of Kubanenergo, JSC users' access to the IDGC of the South, JSC EDMS.

In November 2011 the project for modification of the functional of IDGC of the South, JSC electronic document management system was started. The changes were made in contractual work organization, use of electronic signature, in the part of approval of the contracts in accordance with the Order on Contractual Work in IDGC of the South, JSC.

In December 2011 the IDGC of the South, JSC EDMS testing platform was created. On this platform all the changes made in the system functionality are tested.

### Plans for 2012

In 2012 it is planned to switch over the IDGC of the South, JSC EDMS from the current EMC Documentum 5.3SP5 version to the EMC Documentum 6.5SP3 version.

In addition, it is planned to tune and start up modules of the Federation-2 system.

## Implementation of Automation Control System of the Principle Means "International Standard for Financial Accounting" (ACS PM ISFA)

To shorten the terms of consolidated accounts preparation according to international standards for financial accounting, automatic control system of the principle means is implemented according to International Standards for Financial Accounting together with the Russian Accounting Standards. From November 2011 ACS PM ISFA is in pilot production.

### Plans for 2012

In the II quarter of 2012 ACS PM ISFA is planned to be switched over to the production operation.

## Implementation and Development of the Company Recourses Management Informational System (CRMIS) IDGC of the South, JSC on the basis of SAP AG software package

### Implementation of the SAP IS-U module into plant engineering

In December 2011 the SAP IS-U module "Management of Electric Power Transportation" CRMIS of IDGC of the South, JSC,

based on SAP AG software package is implemented into plant engineering. This module performs the functions of recording the electric power consumers, calculation of the productive electric power supply, electric power balances scheming, immediate reporting.

#### **Purchasing of Users Administrating Duties**

Duties for administrating the users of CRMIS of IDGC of the South, JSC based on SAP AG software package was purchased, which allowed refusing the services of the involved subcontractor.

#### **Organization of SAP-System Users Support**

At the stage of pilot production of CRMIS of IDGC of the South, JSC based on SAP AG software package in September 2011 there was organized a support of the users of the branches and the executive body of IDGC of the South, JSC as the "Service Desk" port on the platform of BMC Remedy software package, which allowed to reach efficiency in solving incidents and consulting consumers.

#### **Development of the Technical Requirements for FEA Implementation**

The current state of management of financial economic activities and the needs of the corresponding departments were analyzed. As a result developed systematize technical requirements were worked out for implementation of the management joint system for financial economic activities (FEA) of the company and control of IDGC of the South, JSC staff on the basis of SAP.

#### **Development of the Technical Requirements for Development of PM (TOPO) Module**

The current state of equipment operation and repair as well as technical management is analyzed. As a result the developed systematize technical requirements for CRMIS of IDGC of the South, JSC PM (TOPO) module development are worked out on the basis of SAP AG software package.

### **Development of Software for Database Maintenance for Technological Failures**

In connection with operational needs with the purpose of automatic recording of the amount of class 35–110 kW network equipment switches off and in-time management decisions making for inclusion of the most damaged sites to the repair and investment program for the production control management needs and labour safety in IDGC of the South, JSC, the software for database maintenance for technological failures at the sites of IDGC of the South, JSC (35–110 kW overhead lines) branches was worked out.

This software allows to centrally save information about technological failures and for necessary accounting.

### **Projects for 2012**

#### **Creation of the Data Processing Center**

It is planned to create Data Processing Center (DPC) in IDGC of the South, JSC with the central data processing and saving at 147 Vtoraya Krasnodarskaya, Rostov-on-Don.

The DPC will serve the Company's key informational systems:

- Electronic data management system;
- SAP R/3;
- infrastructure services.

The DPC is designed for the current operation of up to 10,000 users. The DPC computing powers will combine technologies of the standard architecture servers with the technologies of high-performance computing. This will allow decreasing the persistence by the consistent production factor. The DPC will be created with account for high service availability and will allow providing the operation of the Company informational systems with the availability index of 99.9.

#### **Head-End Equipment Updating**

In 2012 it is planned to update the principle servers of IDGC of the South, JSC executive body, purchased in 2008 and serving the Company main informational systems. This updating will allow to increase the servers' productivity by 4 times, as well as to prevent depreciation of this equipment, saving the earlier investments.

#### **Videoconferencing Server (VCS)**

In 2012 it is planned to develop the renewed videoconferencing infrastructure on the basis of TANDBERG Codian MCU 4515 — the best market solution for commutation of multimedia high definition (HD) videoconferences. This server will allow arranging videoconferences both with the VCC equipment already available and with the new generation systems with HD-definition support. The server provides HD image and sound, has got general-purpose management interface, can be combined with the equipment of all the main manufactures, supports high productivity by any configuration, providing each user with the best communication quality at any time.

In addition, TANDBERG Codian IP VCR 2220 — an innovative high-productive IP-system for record, playback and transmission of the video stream will also be commissioned. This device will allow making audio, video and content record from standard VCC equipment; it can transmit content online and at request to any PC or VCC terminal. It perfectly suits for in-company training arrangement, administration conferences, information delivery, as well as for distant learning.

#### **Implementation and Development of CRMIS of IDGC of the South, JSC on the basis of SAP AG software package**

The following is planned for 2012:

- realization of the project for development of the in-company integrated system for the Company financial and economic activities management and IDGC of the South, JSC staff management on the basis of SAP;
- development of PM (TOPO) module of the in-company integrated system for IDGC of the South, JSC recourses management on the basis of SAP AG software package in the part of the network equipment conditioning;

- implementation of the Asset Management System on the basis of SAP.

#### **In-company Software System “Technological Connection” (ISS “TC”)**

It is also planned for 2012 to create fully-featured testing server ISS “TC” with installation of the additional monitoring software to reveal the system bottle neck for its future removal.

## **DEVELOPMENT OF AUTOMATION TECHNOLOGIC CONTROL SYSTEMS**

### **Key Projects for ATCS performed in 2011**

Within realization of different Company programs in 2011 the following activities were taken.

#### **IDGC of the South, JSC branch — Astrakhanenergo:**

- construction and equipping of a Network Control Centre at: 32 Krasnaiya Naberezhnaiya, Astrakhan;
- teleautomation of three 110 kW substations;
- creation of digital information transmission channels: Kiri-Kili, Lesnaiya and Okrasochnaiya substations;
- change of 38 radio stations with installation of antenna-feeder devices in the communications electronics and five recorders of dispatchers' talks;
- arrangement of telecommunication transfer to the video panel of the Network Control Center;
- arrangement of the main and backup digital communication channels at the site: DCC — OPB,
- arrangement of backup digital communication channels from Trikotazhnaiya substation, CDS substation and APP central site;
- teleautomatics equipping on the basis of KOMPAS TM 2.0 of the two 6 kW distribution centers: RP-15, RP-24.

#### **IDGC of the South, JSC branch — Volgogradenergo:**

- arrangement of the main digital communication channels to 26 distribution zones (2 Mb/s) and 3 central sites (10 Mb/s);
- teleautomatics updating on the basis of KOMPAS TM 2.0 telesystem of 110 kW Molzavod substation;
- equipment supply for realization of the project “Communication and teleautomatics channels updating of 14 substations of IDGC of the South, JSC branch — Volgogradenergo”;
- performance of the project works for “Communication and teleautomatics channels updating of seven substations of IDGC of the South, JSC branch — Volgogradenergo”.

#### **IDGC of the South, JSC branch — Rostovenergo:**

- construction and equipping of CCU in Rostov-on-Don;
- teleautomatics updating on the basis of KOMPAS TM 2.0 telesystem at six 110 kW substations;
- arrangement of six information transmission channels from six substations: Sambek substation, GTP substation, R23 substation, S2 substation, A. Losovskaiya substation, Kashary substation;
- increase of the transmitted information amount from two substations: R-19 substation and R-29 substation;
- installation of a ShchDM-25 dispatcher mosaic board in the Kuibishevskiy distribution zone electric control center;
- building of five radio towers for construction of RRL-communication and access area enhancement on radio communication;
- teleautomation of four substations: AS-10, A-11 substation, AS-14 substation and Kuibishevo-1 substation on the basis of the KOMPAS TM 2.0 telesystem;
- installation of diesel-generators in the B-3 and B-12 substation communication centers, Morozovskaiya distribution zone, Tatzinskaiya distribution zone, Bistranskaiya substation, Chertovskaiya distribution zone, Sokhranovskaiya substation, Artamonovskaiya substation, Tihovskaiya substation to provide the guaranteed electric supply for supervisory control system equipment;
- construction of radio relay communication lines (RRCL) on the basis of “Pasolink” equipment for arrangement of communication and information transmission channels at SES substation electric control center at the site of Tikhovskaiya substation — NS1 substation — Veshenskaiya 1 substation, at the site of Artamonovskaiya substation — Krivoshilkovskaiya substation — Kasharskaiya substation, at VES electric control center at the site of Zimovnikovskaiya distribution zone — Druzhba substation — Dubovskaiya distribution zone.

#### **IDGC of the South, JSC branch — Kalmenergo:**

- performance of planning and surveying works according to the project “Updating of technological information exchange system with UES, JSC for 23 substations of the branch;
- arrangement of the digital communication channels with the speed of 2 Mb/s with all distribution zones.

### **Key Projects for ACTS planned for 2012**

In 2012 in IDGC of the South, JSC within the equipping of control points of the Network Management Center (NMC), ODG (DZ) it is planned to implement a software solution on the basis of Modus software package.

#### **IDGC of the South, JSC branch — Rostovenergo:**

- teleautomatics updating on the basis of KOMPAS TM 2.0 telesystem with construction of digital information transmission channels at 7 substations;
- arrangement of digital information transmission channels at the level of ПO-DZ at the sites of Neklinovskaiya DZ — Miuskaiya DZ, Neklinovskaiya DZ — M. Kurganskaiya DZ, M. Kurganskaiya DZ — Kuibishevskaiya DZ;
- technical re-equipment performance of RRL-communication of Tikhovskaiya substation — HC-1 substation — V. Donskaiya DZ — Sholokhovskaiya DZ;
- reconstruction of communication devices of Western Electric Mains software package with construction of digital information transmission channels on the basis of modern telecommunications equipment.

#### **IDGC of the South, JSC branch — Volgogradenergo:**

- communication channels teleautomation and reconstruction performance at nine substations of the branch — Opitnaiya-110,

Kuzmichi, Krasnaiya Sloboda, Rakhinka, Tanina, Rulevaiya, Zadonskaiya, Kremenskaiya, Shebalino;

- construction and installation works performance for communication channels updating and teleautomation at 21 substations of the branch Volgogradenergo, JSC: Akhtuba, LPK, Gmelinka, Mikhailovskaiya, Cherkessovskaiya-2, ZKO-1, VGTZ-1 Solodcha, Leninskaiya, Kolobovka, Zelenaiya, Kudinovskaiya, Kumilzhenskaiya, Ust-Hoperskaiya, Serafimovich, Novoanninskaiya, Nehaevskaiya, Ezhovskaiya-2, Surovikino-110, Chernishkovo, Raigorod-2;
- planning and surveying performance on “Development of broadcast networks of the administrative building of Volgogradenergo.

#### **IDGC of the South, JSC branch — Astrakhanenergo:**

- setting up fiber optic communication lines at the site: PbDZ — ARDU, opt. Shkaf — Trikotazhnaiya substation, WDZ — Kiri-Kili substation, Vostochnaiya substation — RPB;
- setting up of radio-relay lines at the site of Rezinovaiya substation — WDZ;
- equipment reconstruction of ENS-TM telemetry complex at TsRP substation.

#### **IDGC of the South, JSC branch — Kalmenergo:**

- construction and mounting performance for communication channels arrangement and teleautomation within the Information Acquisition & Transmission System program at the following two substations of the branch: Elista-Zapadnaiya substation and Kaspiyskaiya-2 substation;
- reconstruction of the communications control center; implementation of KOTMI operational information complex are planned within the reconstruction.

## **PROCUREMENT ACTIVITY**

The procurement activity of IDGC of the South, JSC in 2011 was regulated by the Specified Purchases of Goods, Works, and Services Procedure Act. This Act regulates the procedures of any goods, work or services purchase from IDGC of the South, JSC funds that exceeds RUR 500,000 excl. VAT.

The procurement activity regulation is used to ensure purposeful and efficient customer funds spending as well as economical expenditures (market prices of goods).

The procurement activity:

- is based on the reasonable use of special methods for dedicated strengthening of the market laws in each case of purchase;
- is based on the compliance of the unity of rules for purchasing enterprises and organizations (as well as their subsidiaries and associates), that deal with production, transportation, distribution of electrical and thermal energy, and rendering of dispatcher services in this field;
- provides a clear description of powers and responsibilities of the IDGC of the South, JSC colleagues, which participate in conducting the procurement procedures;
- is achieved by following the required procedures, that must be carried out by purchasing agents whenever purchase of

a specific value product occurs (such procedures can also be used with the smaller purchases, if necessary).

Specified Purchases of Goods, Works, and Services Procedure Act regulates following purchasing methods:

- tender;
- invitation for proposals;
- prices request;
- competitory negotiations;
- purchase from a single source;
- purchase via participation in the procedures, organized by the salespeople of goods.

In the absence of explicitly provided guidelines in the Specified Purchases of Goods, Works, and Services Procedure Act, purchase of any product must be conducted via open, single-step tender without any special procedures (including conducting price tender for ordinary products).

Other methods of purchases and also special procedures can be used if there are relative grounds mentioned in the Specified Purchases of Goods, Works, and Services Procedure Act, in accordance with the approved annual program for purchases or on the basis of permission provided by the Central Competitive Commission of IDGC of the South, JSC.

Method of purchase	Key factors in choosing the purchase method	Specified Purchases of Goods, Works, and Services Procedure Act Entry
Tender	Procurement of any products	7.1
Invitation for proposals	<ul style="list-style-type: none"> <li>When there is no time for holding a tender or it is inappropriate for any other reason, while the product complexity or conditions of its delivery do not allow prices request.</li> <li>When it is necessary to direct negotiations with the participants, the use of two-stage and multiple-stage tender is not reasonable considering lack of time and other important reasons.</li> <li>When the estimated purchases volume does not exceed acceptable limit on the purchase sum</li> </ul>	7.5
Prices request	When purchasing ordinary products, that have its mature market, providing that the price of agreement does not exceed acceptable limit of purchase sum. It is forbidden to conduct the purchases of complex, unique (individual) equipment by the prices request method	7.6
Competitory negotiations	Competitory negotiations can be carried out if purchases of extra complex products take place, when there is a necessity to conduct negotiations with the participants, but two-stage tender or invitation for proposals is not reasonable due to the time expenditures of other reasons.	7.7
Purchasing from a single source	<ul style="list-style-type: none"> <li>Urgent need for a product which makes conduction of other procedures unreasonable.</li> <li>A product can be obtained only from one supplier and its equivalent is absent.</li> <li>Additional purchases are carried out, when for standartization, and unification reasons, as well as for ensuring compatibility or succession (for works, and services) of previously acquired products new purchases must be made only from the same supplier. The amount of additional purchases (or total for several, if it occurred more than once) cannot exceed 50% of the initial purchase.</li> <li>If during a tender or any other open procedure only one entry was made, and conducting the new purchase procedures, according to Central Purchasing Authority is unreasonable (for example, the time limits for purchase procedures were exhausted, arrangement of new tender will not change the range of participants thus a new winner will not emerge), but the existing entry is acceptable.</li> <li>When goods and other commodities are purchased for significantly reduced prices (considerably lower than usual market prices), and this opportunity exists for a very short period of time.</li> <li>Presence of other circumstances requiring purchase precisely from the sole source (only by the special decision of the council of the Board of Directors)</li> </ul>	7.8
Purchases via participation in procedures, organized by the salespeople of goods	By a decision of Central Competitive Commission the purchase can be conducted via participation of a customer in auctions, tenders, or other procedures, organized by the salespeople of goods (including virtual trading platform of the World Wide Web)	7.10

Any methods of purchases (except purchases from a single source) can be applied while using (completely or at the separate stages) virtual trading platforms, approved by the Board of Directors.

It is permissible to deviate from procedures covered by the Specified Purchases of Goods, Works, and Services Procedure

Act, when purchasing from virtual trading platforms, depending on technical features of such platforms. However, any purchases conducted on such platforms must:

- ensure the observance of civil standards;
- be conducted according to the rules and regulations set for this platform.

By Central Purchasing Committee of IDGC Holding, JSC decree (Minutes № 16 dated 05.04.2010) for conducting the purchases a virtual trading platform was defined: [www.b2b-mrsk.ru](http://www.b2b-mrsk.ru).

Purchases for the needs of joint stock company "IDGC of the South" in 2011 with the help of electronic trading platform at: [www.b2b-mrsk.ru](http://www.b2b-mrsk.ru) can be conducted based on the decision of the Board of Directors dated 14.06.2011 regarding the approved annual program for purchases in 2011 (minutes of the meeting № 67/2011 dated 16.06.2011), and also on the decision of the Central Purchasing Committee of IDGC Holding, JSC regarding conducting 100% sales volume in the investment field with the help of electronic trading platform of [www.b2b-mrsk.ru](http://www.b2b-mrsk.ru).

In accordance with Article 18 of the Federal Law of the Russian Federation № 153-ФЗ dated 26.07.2006 "On Protection of Competition", IDGC of the South, JSC is governed by the provisions of the Federal Law of the Russian Federation № 94-ФЗ dated 21.07.2005 "On Placement of Orders for Goods Deliveries, Execution of Works, and Rendering Services for the State and Municipal Needs" when conducting purchases on selecting financial organizations. As a result IDGC of the South, JSC made an electronic documents exchange agreement with Federal Treasury Department for Rostov Region № 1-12/854/557 dated 25.05.2011, in accordance with which information is provided at an official site of Russian Federation [www.zakupki.gov.ru](http://www.zakupki.gov.ru), and sometimes at the "Sberbank-AST" automated tender system.

With effective from 1 January 2012 "goods, works, and services purchase by individual legal bodies Act" № 223-ФЗ dated 18.07.2011, IDGC of the South, JSC introduced a new Regulation on the specified purchases of goods, works, and services (IDGC of the South, JSC decree № 2 dated 10.01.2012).

Purchases for less than RUR 500,000 excl. VAT are regulated by the Regulation on Organization of Procurement of Goods, Works, and Services for up to RUR 500 thous., approved by Order of IDGC of the South, JSC № 133 dated 11.06.2008.

At 2011 year-end, taking into account all the adjustments, the integrated annual program for purchases amounts to **1,200** purchases amounting to **RUR 11,656,048.63 thous.** incl. VAT.

### Developing the integrated annual program for purchases in 2011

Any purchases by IDGC of the South, JSC are conducted in accordance with the integrated annual program for purchases approved by the council of the Board of Directors, which has been developed in accordance with the investment and repair programs, IDGC of the South, JSC business plan. The integrated annual program for purchases is a plan of activities for conducting specified purchasing procedures that take place during that year.

In case the approval of the integrated annual program for purchases is delayed, purchases can be conducted according to the actual requirements by the decision of the Central Competitive Commission of IDGC of the South, JSC.

The manner, order and time limits of the integrated annual program for purchases development are defined in the Specified Purchases of Goods, Works, and Services Procedure Act. The additional conditions of development can be defined in the in-house documents of IDGC of the South, JSC.

The integrated annual program for purchases in 2011 has been developed in accordance with the IDGC of the South, JSC decree № 144 dated 23.03.2011. By the decision the Board of Directors dated 14.06.2011 (minutes of the meeting № 67/2011 dated 16.06.2011) the integrated annual program for purchases in 2011 was approved — **478** purchases had been planned, amounting to **RUR 5,112,369.53 thous.** incl. VAT.

During 2011 the plan had been adjusted by the decision of the Central Competitive Commission of IDGC of the South, JSC due to necessity of conducting the unplanned purchases on the objects of investment activity surrogation, in order to fulfill the technological connection agreement, facilitate the emergency recovery, and emergency supply recovery, to meet the first priority requirements of this and the following year, as well as due to adjustment of IDGC of the South, JSC investment and repair programs.

At 2011 year-end the integrated annual program for purchases amounts to **897** purchases amounting to **RUR 11,057,822.19 thous.** incl. VAT.

Plan at the Year-End	Plan 2010, RUR thous., Incl. VAT	Plan 2011, RUR thous., Incl. VAT	Deviation	
			%	RUR thous., Incl. VAT
<b>Total</b>	<b>11,656,048.63</b>	<b>11,057,822.19</b>	<b>5.13</b>	<b>598,226.44</b>
Plan Approved by the IDGC of the South, JSC Board of Directors after the adjustments	4,250,740.74	4,346,959.04	0.83	96,218.30
Unplanned purchases, approved by Central Competitive Commission, incl.:	7,405,307.89	6,710,863.15	-5.96	-694,444.74
Purchases to Meet the Requirements of the Incoming Year	6,613,025.30 <sup>1</sup>	653,317.72	-51.13	-5,959,707.58
Purchases to Meet the Requirements of the Present Year	792,282.59	6,057,545.43	45.17	5,265,262.84

<sup>1</sup> volume purchases approved by the Board of Directors (Minutes dated 26.11.2010. № 56/2010)

Compared to 2010 the plan of 2011 has decreased by 5.13% due to planning to conduct purchases of lower volume in 2011 to meet the requirements of year 2012, while the volume of unplanned purchases to meet the requirements of the current year has increased by 51.13%.

### Information about the execution of the IDGC of the South, JSC integrated annual program for purchases at 2011 year-end

While 897 purchases amounting to RUR 11,057,822.19 thous. incl. VAT had been planned, according to the 12 months data at 2011 year-end actual **842** purchases amounting to **RUR 8,938,271.55 thous.** incl. VAT were conducted, thus cost efficiency amounts to **RUR 1,588,608.14 thous.** incl. VAT or 14.36% of the plan.

### Annual Integrated Purchasing Program 2011 execution (according to purchase methods)

Method of purchase	Plan 2011		Actual 2011		Execution, %
	Cost, RUR thous., Incl. VAT	Quantity of purchases, pcs.	Cost, RUR thous., Incl. VAT	Quantity of purchases, pcs.	
Open tenders	6,625,790.89	283.00	5,063,254.91	235.00	76.42
Closed tenders	0.00	0.00	0.00	0.00	0.00
Open prices request	93,050.29	33.00	69,556.58	32.00	74.75
Closed prices request	357,632.63	13.00	0.00	0.00	0.00
Open invitations for proposals	1,632,649.05	350.00	1,383,788.63	297.00	84.76
Closed invitations for proposals	267,453.73	25.00	0.00	0.00	0.00
Open competitive negotiations	1,694,089.76	83.00	1,932,669.71	119.00	114.08
Closed competitive negotiations	0.00	0.00	0.00	0.00	0.00
Purchasing from a single source	383,969.84	109.00	334,472.46	99.00	87.11
Purchases "from a single source" (according to the cancelled open procedures results)	3,186.00	1.00	154,529.26	60.00	4,850.26
<b>TOTAL</b>	<b>11,057,822.19</b>	<b>897.00</b>	<b>8,938,271.55</b>	<b>842.00</b>	<b>80.83</b>

### Annual Integrated Purchasing Program 2011 Execution (according to the type of activity)

Method of Purchase	Plan 2011		Actual 2011		Execution, %
	Cost, RUR thous., Incl. VAT	Quantity of purchases, pcs.	Cost, RUR thous., Incl. VAT	Quantity of purchases, pcs.	
New Construction and the Electrical Grid Facilities Expansion	1,894,997.90	49	1,694,209.73	46	89.40
Reconstruction and Technical Re-Equipment of Electrical Grid Facilities	5,532,493.32	426	4,412,208.30	406	79.75
Energy-Repairmen (Repair) Production, Maintenance	1,887,271.03	244	1,578,684.03	236	83.65
IT Purchases	1,166,466.64	60	815,768.43	41	69.93
R&D	98,993.46	9	96,029.04	9	97.01
Advisory Services	8,186.00	3	3,186.00	1	38.92
Consulting Services	0	0	0	0	0.00
Appraisal Services	469,413.84	106	338,186.02	103	72.04
<b>TOTAL</b>	<b>11,057,822.19</b>	<b>897.00</b>	<b>8,938,271.55</b>	<b>842</b>	<b>80.83</b>

At the end of 12 months of 2011, IDGC of the South, JSC, with the help of electronic trading platform at [www.b2b-mrsk.ru](http://www.b2b-mrsk.ru), made **583** purchases for the total amount of **RUR 7,799,364.67 thous.,** incl. VAT, which amounted to 87.32% of the total volume of the conducted purchases.

By the open purchase methods **683** purchases were made for the total amount of **RUR 8,449,269.83 thous.** incl. VAT, which is 94.52% of the total conducted purchases volume.



# 5

# INVESTMENT REPORT

Assimilation of CAPEX by IDGC of the South, JSC equaled RUR 4,107 mln in 2011, which was more than double the factual amount in 2010. The introduction of fixed assets increased more than 1.5 times vs. 2010, and equaled RUR 2,847 mln.



# EFFECTIVE GROWTH

# 5 INVESTMENT REPORT

The investment program of IDJC of the South, JSC for 2011 was drawn up in accordance with IDJC of the South, JSC Regulation on Investment Operations, the IDJC of the South, JSC Engineering Policy and was approved by the IDJC of the South, JSC Board of Directors on 28 December 2010.

Over the course of revision of tariff solutions for 2011, in compliance with Decree of the Government of the Russian Federation № 1172, investment program was corrected and reapproved by executive authorities of the constituent entities of the Russian Federation and by the IDJC of the South, JSC Board of Directors (Minutes № 73/2011 dated 19.10.2011).

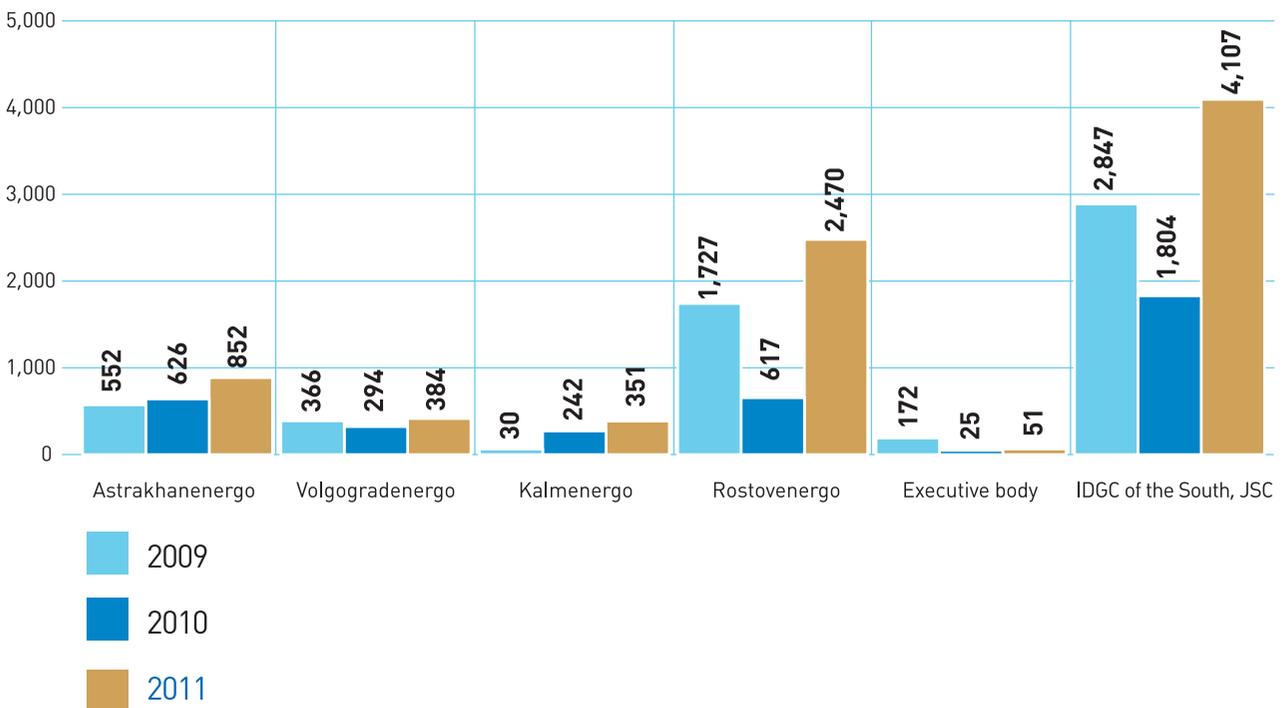
## INVESTMENT OPERATIONS SCOPE

### Global Investment Program Execution Parameters for 2011

IDJC/branch	Actual 2011						
	Development	Working assets deployment	Funding	Deployment of power capacities		Increase of power capacities	
	RUR mln, excl. VAT	RUR mln, excl. VAT	RUR mln, incl. VAT	MVA	km	MVA	km
Astrakhanenergo branch	852	679	1,146	91.0	335.2	91.0	335.2
Volgogradenergo branch	384	224	257	58.5	89.7	24.5	17.9
Kalmenergo branch	351	74	1,146	6.1	75.2	4.4	59.1
Rostovenergo branch	2,470	1,819	2,455	252.1	684.4	188.8	84.6
Executive establishment	51	50	36	0.0	0.0	0.0	0.0
<b>TOTAL for IDJC of the South, JSC</b>	<b>4,107</b>	<b>2,847</b>	<b>5,039</b>	<b>407.7</b>	<b>1,184.5</b>	<b>308.7</b>	<b>496.8</b>

Generally 2011 was marked by a significant increase of capital investments throughout the company in comparison to 2009 and 2010. This is caused by the increase of investments volume for power distribution mains facilities with the view of enhancing reliability of electricity supply. In 2011 transmission line located in several parts of the Rostov Region underwent an all-inclusive modernization.

## Volume of Capital investments of IDGC of the South, JSC 2009–2011, RUR mln (without VAT)



## TENDENCIES AND FRAMEWORK OF CAPITAL INVESTMENTS

With the aim of the Company's investment program realization in the report year capital investments were allocated for retrofitting and upgrading, modernization and construction of new power generating facilities.

In the process of determination of what investment projects should be included into investment program of IDJC of the South, JSC it has been preferred to use the criteria listed below:

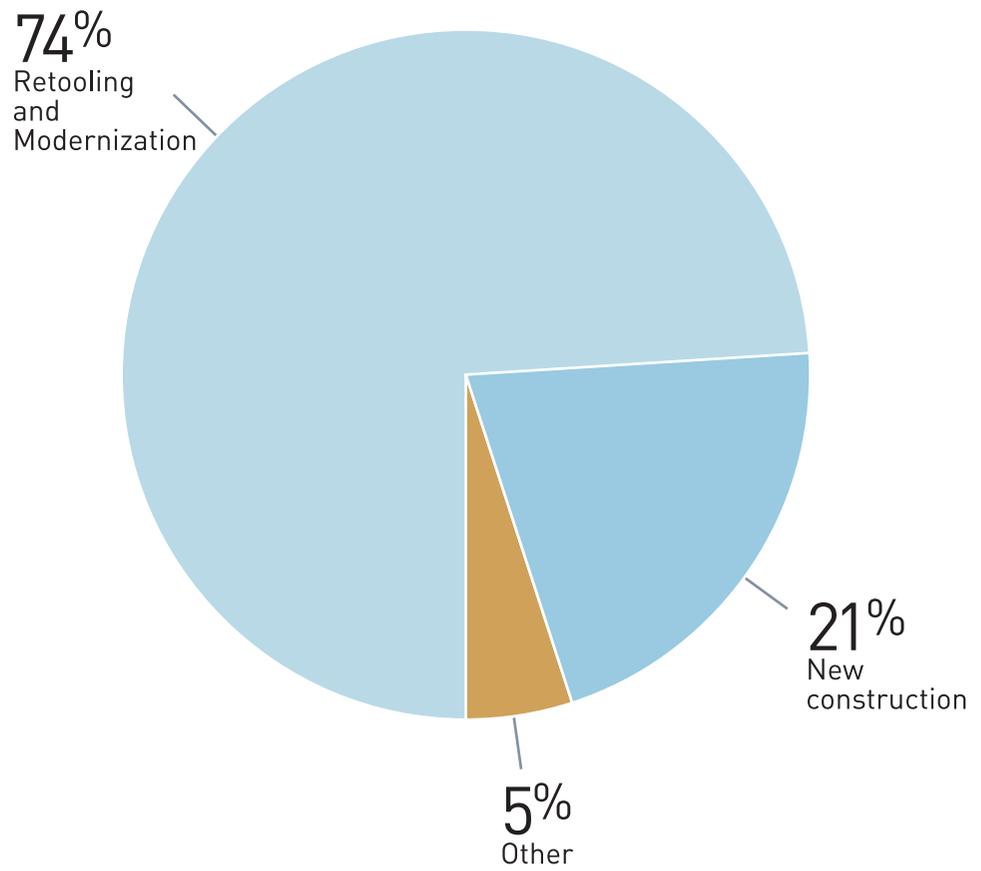
- social significance of facilities;
- improving reliability of equipment for power supply network especially at time of peak electrical demand occurrence in the autumn-winter period;
- realization of target-oriented programs focused on energy efficiency enhancement and modernization of overage equipment and auxiliary facilities;
- performance of directions of controlling authorities and anti-terrorist measures involved with System Operator Requirements (IA&TS program);
- fulfillment of contractual obligations as to technological connections;
- the necessity of provision of design specifications and estimates for investment program facilities (future design and survey works);
- realization of construction-in-progress projects which remain incomplete from 2010;
- realization of projects provided in administrative documents of IDJC of the South, JSC.

## Tendencies and framework of capital investments, RUR mln, excl. VAT

MRSK/branch	2011 actual	2012	2013	2014	2015	2016	2017
<b>Astrakhanenergo</b>	<b>852</b>	<b>651</b>	<b>770</b>	<b>900</b>	<b>950</b>	<b>1,000</b>	<b>1,100</b>
Retrofitting and upgrading	550	494	474	645	549	631	607
New construction	275	149	296	255	401	369	493
Other	27	8	0	0	0	0	0
<b>Volgogradenergo</b>	<b>384</b>	<b>715</b>	<b>627</b>	<b>653</b>	<b>995</b>	<b>1,580</b>	<b>2,055</b>
Retrofitting and upgrading	361	585	627	653	995	1,580	2,055
New construction	23	114	0	0	0	0	0
Other	1	17	0	0	0	0	0
<b>Kalmenergo</b>	<b>351</b>	<b>1,294</b>	<b>748</b>	<b>73</b>	<b>153</b>	<b>180</b>	<b>190</b>
Retrofitting and upgrading	73	48	50	73	153	180	190
New construction	270	1,244	698	0	0	0	0
Other	7	2	0	0	0	0	0
<b>Rostovenergo</b>	<b>2,470</b>	<b>2,686</b>	<b>3,020</b>	<b>3,295</b>	<b>3,393</b>	<b>3,497</b>	<b>3,546</b>
Retrofitting and upgrading	2,003	2,080	2,618	2,315	1,675	1,444	1,128
New construction	335	579	402	980	1,718	2,053	2,419
Other	131	27	0	0	0	0	0
<b>Executive body</b>	<b>51</b>	<b>50</b>	<b>50</b>	<b>53</b>	<b>55</b>	<b>58</b>	<b>61</b>
Retrofitting and upgrading	51	50	50	53	55	58	61
New construction	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0
<b>TOTAL for IDJC of the South, JSC</b>	<b>4,107</b>	<b>5,397</b>	<b>5,215</b>	<b>4,973</b>	<b>5,547</b>	<b>6,315</b>	<b>6,952</b>
<b>Retrofitting and upgrading</b>	<b>3,039</b>	<b>3,258</b>	<b>3,819</b>	<b>3,739</b>	<b>3,427</b>	<b>3,893</b>	<b>4,040</b>
<b>New construction</b>	<b>904</b>	<b>2,086</b>	<b>1,396</b>	<b>1,235</b>	<b>2,119</b>	<b>2,422</b>	<b>2,911</b>
<b>Other</b>	<b>165</b>	<b>54</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>including those allocated for the programs:</b>							
Technical connection	589	2,052	698	—	—	—	—
Primary equipment renovation	1,491	802	544	450	433	621	715
Energy saving and energy efficiency improvement	1,315	1,958	2,298	3,142	3,463	3,694	4,055
Development of emergency and operational automation systems	104	124	91	77	2	—	—
Development of teleautomatics and communication systems	468	457	828	567	672	688	506
Installation of voltage adjusting and PF correction devices	6	—	—	—	—	—	—
Innovative equipment, materials, technologies	8	—	—	—	—	—	—
Anti-terrorist measures for protection of facilities	10	56	24	42	33	43	43
Emergency supply development	—	—	—	—	—	—	—

In general for in IDJC of the South, JSC, the 2011 investment program was accomplished in full. Implementation of capital investments totaled up to RUR 4,107 mln, thus exceeding more than 2 times the figure of 2010. The amount spent on fixed-capital assets implementation is 1.5 times up of the 2010 level and has totaled up to RUR 2,847 mln.

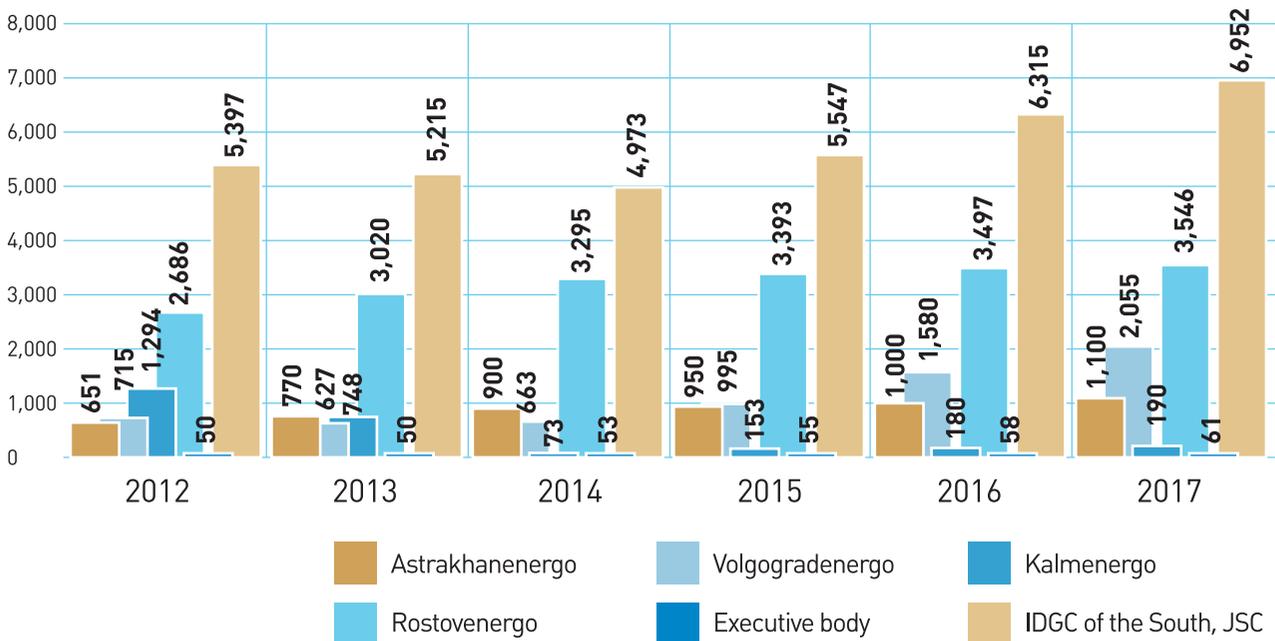
**Structure of capital investments  
for IDGC of the South in 2011**



## LONG-TERM INVESTMENT PROGRAM

In accordance with the IDJC of the South, JSC investment program for 2012–2017 the estimated amount of capital investments totals up to **RUR 34,399 mln**, excl. VAT.

**Volume of planned capital investments of IDGC of the South, JSC 2012–2017, RUR mln (without VAT)**



In 2012 it is planned to invest RUR 5,397 mln which is 31% more than as of 2011. In 2012 capital investments growth is foreseen for all branches of the Company except for Astrakhanenergo where volume of investments will be decreased for the amount of RUR 201 mln.

As specified in program for 2013–2014 throughout the Company an insignificant decrease of capital investments amount is foreseen: in 2013 the decrease of capital investments volume against as of 2012 will amount to RUR 184 mln or 3.4%, and in 2014 the decrease of capital investments volume against as of 2013 will amount to RUR 242 mln or 4.6%.

### Long-Term Major Projects of IDJC of the South, JSC to be Realized Between 2012 and 2017

№	Project Name	Estimated Cost, RUR Mln, Excl. VAT	Physical Parameters		Realization Schedule, Years
			MVA	km	
1	110/10 kV Aeroportovskaya substation with 110 kV transmission line	763	80	27	2011–2015
2	Construction of 110/10 kV Liventsovskaya substation	522	80	0	2014–2016
3	Construction of 110 kV Razvilnenskaya — Sandatovskaya overhead line with expansion of the 110 kV open distribution unit of 110/35/10 kV Razvilnenskaya substation and the 110 kV open distribution unit of 110/35/10 kV Sandatovskaya substation	480	0	47	2015–2017
4	Construction of 110/10/6 kV R-34 substation (R-11A) with 110 kV cable line entries	789	80	0	2016–2018
5	Construction of 110 kV R40 — R42 cable line	300	0	7	2012, 2014
6	110/10 kV Shipovskaya substation with 110 kV transmission line	723	80	6	2015–2017
7	Construction of 110/35/6 kV Shluzovaya substation with power transfer of consumers connected to 35/6 kV Shluzovaya substation to the 110/35/6 kV voltage value, power transfer of consumers connected to 110/35/6 kV Tzentrlnaya substation to a new substation, construction of line entries to 110 kV, 35 kV and 6 kV overhead lines to a new substation. Reconstruction of 35 kV Shluzovaya — Romanovskaya overhead line	540	50	26	2011, 2013–2017
8	Construction of 110/10 kV R-42 (Severnaya) substation	569	80	0	2012, 2014–2015
9	Construction of 110/10 kV Druzhba (A-27) substation with 2×25 MVA transformers	374	50	0	2016–2017
10	Construction of 110 kV Goluboe ozero substation with 110 kV overhead line	530	32	0	2016–2018
11	Construction of 110/10 kV NPS-2 substation with 110 kV line entries and reconstruction of the adjacent 110 kV network	506	80	54	2012–2013
12	Construction of 110/10 kV NPS-3 substation with 110 kV supply circuits and reconstruction of the adjacent 110 kV network	1,452	80	190	2012–2013
13	Construction of 110/10 kV Sportivnaya substation with 100 kV Koyusug — Sportivnaya — P-4 cable and overhead line	1,435	80	30	2014–2016
14	Construction of 110/10 kV Levoberezhnaya substation with 110 kV Koyusug — Levoberezhnaya — P-4 cable and overhead line	2,024	80	30	2014–2017
15	Construction of 110/35/10 kV Chertkovskaya substation	450	20	0	2016–2018



# 6

# FINANCIAL REPORT

IDGC of the South, JSC had total income in 2011 of RUR 24 bln. The Company's approved business plan calls for income to equal no less than RUR 26 bln 113 mln in 2012.



**TRANSPARENCE  
AND OPENNESS**

# 6

# FINANCIAL REPORT

## BASIC PROVISIONS OF THE COMPANY ACCOUNTING POLICY

The provision on accounting policy of the Company is developed according to the Federal Law № 129-ФЗ dated 21.11.1996, "On Financial Accounting", the Provision on accounting records and books in the Russian Federation, approved by the order of the Ministry of Finance of the Russian Federation dated 29.07.98 № 34H; the "Organization Registration Policy" Accounting Regulation, approved by the order of the Ministry of Finance of the Russian Federation № 106H dated 06.10.2008; the Chart of accounts, approved by the order of the Ministry of Finance of the Russian Federation № 94H dated 31.10.2000 and other standard documents of accounting.

According to registration in the Ministry of Justice of Russia 22.02.2011 of the Ministry of Finance of the Russian Federation order № 186H dated 24.12.2010 "On Amendments to the Statutory Instruments on Accounting and Recognition of the Order of the Ministry of Finance of the Russian Federation № 3 dated 15 January 1997 to be Void", the Company has made changes to the accounting policy for 2011 regarding the account and registration of expenses of the future periods in the accounting records and formation of estimated liabilities.

The amendments made by the order № 186 have excluded the asset item "Expenses of the future periods" from the accounting records. According to the new revision of paragraph 65 of the Provision on Accounting, the expenses made by the Organization during the accounting period, but included to the following accounting periods, are reflected in the accounting balance under conditions of accepting the assets, established by statutory instruments on accounting, and are to be written-down in the manner established for writing-down of assets of such type.

Since 2011, the organizations are obliged to form estimated liabilities according to PBU 8/2010 "Estimated Liabilities, Contingent Liabilities and Contingent Assets". According to the specified norm, the Company recognizes the reserve for the estimated liability conditioned by possible compensation payment for carry-over vacations.

Consequences of the registration policy change are reflected in the accounting records retrospectively.

The Provision on the accounting policy of the Company is generated proceeding from the following assumptions:

- Material insulation of the enterprise,
- Going concern of the enterprise,

- Consequence of the accounting policy application,
- Temporary clearness of the business factors.

The Company estimates the property and liabilities in money terms to accept them to accounting. The property estimation is carried out as follows:

- The property, obtained for a payment, is estimated by the sum of actually incurred expenses for acquisition;
- The property made by divisions of the Company is estimated by the cost price of its production (the actual expenses for manufacture of the asset);
- The tangible assets remaining from writing-down of the basic assets unsuitable to restoration and further use, the spare parts formed as a result of restoration of the basic means (reconstruction, modernization, repair) are estimated at current market value by the drawn-down date for the basic means or by the date of the spare parts acceptance for account;
- The property, received gratuitously and the property revealed at carrying out of assets and liabilities inventory auditing, is estimated at current market value by the date of the property acceptance for account.

Current market value means the sum of money resources which can be received as a result of sale of the specified asset by date of acceptance for accounting.

The current market value is formed proceeding from prices applicable for this or similar property. The data on the current price are to be proved with a document or expert report.

The property received by the Company under contracts, providing execution of liabilities (payment) with other than money resources (particularly, under exchange contracts), is estimated at the cost of assets transferred or subject to transfer by the Company. The cost of assets transferred or subject to transfer by the Company is established proceeding from the price which the Company usually defines for similar assets in comparable circumstances.

At estimation of the property acquired on any grounds, its actual cost is formed with addition of the expenses incurred by the Company for making the property suitable for use.

The property cost of acceptance for account shall not be changed, except for cases established by the law of the Russian Federation.

Property and liabilities inventory is conducted by the Company under Article 12 of the Federal Law № 129-ФЗ dated 21.11.1996 “On Accounting” and under the Guidelines on property and liabilities inventory, established by the order of the Ministry of Finance of the Russian Federation № 49 dated 13.06.1995.

In the statements of the Company, the assets and liabilities are included to the short-term assets and liabilities, if the turn period does not exceed 12 months after the accounting date. All other assets and liabilities are qualified in the reports as long-term ones.

The Company recognizes the assets as the basic means if the following conditions are satisfied:

- those are supposed to be used in manufacturing, at performing the works or rendering services or for administrative needs during useful life exceeding 12 months,
- ability to bring economic benefits in future; the organization does not plan subsequent resale of such assets.

Assets satisfying the above described conditions with cost of RUR 20,000 or less per one item, are accounted as a part of business inventories, except for power supply equipment, mobile and man-pack radio sets, backup power sources. Quantitative account is conducted for saving these objects in manufacture or at operation.

Expenses for implementation of all kinds of the basic means repair (operating and capital) are included into expenses for usual kinds of activity during the period when repair work is finished and accepted.

Change of main assets initial cost, at which they have been accepted to accounting, is allowed in cases of completion, further construction, reconstruction, modernization, partial liquidation and revaluation of items of the fixed assets.

The useful life of the fixed assets items is determined proceeding from the expected physical wear depending on the operation mode, natural conditions and influence of corrosive environment, system of repair. The useful life of the fixed assets items is determined in the limits approved by the order of Government of the Russian Federation № 1 dated 01.01.2002, under the list, approved by the head of the Company or the person authorised by the head of the Company.

The Company applies the line method of accrual of the fixed assets depreciation.

Intangible assets are accounted under the Accounting Regulation on Intangible assets account (PBU 14/2007) approved by the

Order of the Ministry of Finance of the Russian Federation № 153H dated 27.12.2007.

Depreciation charge by all types of intangible assets is conducted by the straight-line method.

As financial investments the Company recognizes the assets of intangible form, capable to bring economic benefits (income) in future in the form of interest, dividends or their cost growth (in the form of difference between the sale price (repayment) and purchased cost) as a result of exchange, use for liabilities repayment, increase of the current market value.

All direct expenses at acquisition of the assets as financial investments, irrespective of their size, are included to the initial cost of financial investments if they have been incurred before or are incurred at the moment of acceptance for account and are written down in as part of miscellaneous costs, in case they are incurred after the moment of acceptance of financial investments for account.

Financial investments enabling to define current market value in due order are registered in the records by the end of fiscal year at current market value through updating their estimation as of previous accounting date. The Company makes such updating quarterly.

Financial investments not enabling to define the current market value are registered in accounting by the initial value.

The unit of accounting of inventories is the nomenclature number or homogeneous group (depending on the inventories type).

The cost of special clothing with useful time of over 12 months is repaid by means of the straight-line method proceeding from the useful life defined according to norms. Writing off is carried out starting from the month of transfer of special clothing in use.

The inventories written down in manufacture, sold to outside parties, departing for other reasons, including internal transfer between the branches, and in the branch, are estimated by the average cost price of each type of inventories on the local base of territorial department of the book keeping and tax accounting and records.

The average estimation of the actual cost price of materials is carried out by determination of the actual cost price of the material at the moment of its sale (rolling valuation).

The inventories (including spare parts), credited as a result of removal from the fixed assets at the restoration stage, are recognized as other income, and are estimated by accounting value of the latter by the time of acquisition of similar spare parts

regarding actual wear of the credited items (equal to or exceeding the scrap metal cost), in case of non-availability of such information on current market value.

The Company divides income (expenses) into common activities income (expenses) and other income (expenses).

The Company recognizes the following common activities income (expenses):

- Electric power delivery services,
- Technological connection to the network,
- Rent,
- Other works and services rendering,
- Industrial income (expenses),
- Nonindustrial income (expenses).

Other income includes the whole income not connected with rendering of works and services of common activities.

According to accrual principle the Company income is recognized in that accounting period when it has been gained, irrespective of actual time of money receipt due to those facts.

Expenses by common activities are formed from expenses in manufacture (the cost price of services, works, products), administrative and commercial expenses.

The expenses made by the Organization in the accounting period, but included to the following accounting periods, are registered in accounting balance according to conditions of assets recognition established by regulations on accounting, and are subject to write-down in the order established for writing-down of cost of the given assets type.

Commercial expenses are recognized by the Company in the accounting records in case of their importance.

The reserve capital is formed by the Company out of its profit based on the constituent documents and decision of the founders (shareholders).

In section III of the Balance (the Capital and Reserves) in the line "Revaluation of non-circulating assets" the sum of increase of the non-circulating assets value is reflected by results of their revaluation, and it is transferred by the opening balance at reorganization of the Company in the form of joining.

Amount of increase in property value from revaluation is used for mark-down of those assets which have been exposed to final appraisal earlier, and only within the amount which have been saved up by each separate inventory item. At the moment of writing-down of the item from the account (on any bases), the amount saved up on it before the final evaluation is to be written down in account of undivided profit of the Company.

Payables, due to suppliers of the goods, works, services, are accounted in the amount of invoices accepted for payment and in the size of the accrued liabilities according to settlement documents.

The payables for unbilled deliveries are accounted in the amount of the arrived assets defined proceeding from the price and conditions stipulated in the contracts.

The account of expenses under loans and credits is conducted according to PBU 15/2008.

Expenses by loans and credits are recognized as other costs of the relative accounting period. Loans and credits interest which are subject to inclusion to the investment assets value make the exemption from this provision.

Additional expenses under loans and credits are included to the structure of other expenses in the accounting period during which they have been incurred.

The advance payment under insurance contracts is registered in subaccounts of the account of the property and individual insurance settlements and is recognized as expenses of the Company progressively as the insurance period expires. Calculation of the monthly write-down of expenses is expressed in days.

The Company creates a reserve on doubtful account receivables. The reserve is created quarterly, on the basis of results of the conducted inventory check of the account receivables, separately for each doubtful receivable.

The Company creates a reserve for payment of the future vacations. The reserve calculation is conducted monthly, according to a method developed in the Company.

According to PBU 7/98 "Events after accounting date", the Company registers events in the accounting records after accounting date which have influenced or may influence the financial condition, cash flow or the results of the Organization activity, and which took place during the period between the accounting date and the date of signing of the accounting records for the fiscal year.

The Company estimates and pays taxes and charges according to the law of the Russian Federation "On Taxes and Charges", the law of entities of the Russian Federation "On Taxes and Charges", legal acts of local authorities "On Taxes and Charges".

For the purpose of income tax the order of recognition of income and expenses by accrual is accepted.

The Company does not distribute income by each separate division located in the territory of one entity of the Russian Federation, and pays the corporate profit tax to the budget of the entity of the Russian Federation through the authorised separate divisions being registered for taxation in the same entity of the Russian Federation.

## Information on amendments to the accounting records (PBU 22/2010)

Due to recognition of the accrued amount for services in electric power delivery to be unreasonable, regarding the unsettled debt, formed as a result of disagreements concerning the delivered electric power volumes, application of double-rate tariffs, under last mile contracts and other bases and debts for the purchased power

supply for covering of losses for the previous periods (2008–2010), resulting from the wrong estimation of the economic activities facts, the Company makes change of accounting by settlements with the following counterparties:

No	Counterparties	Debt Amount (RUR thous)	Period	Judicial Acts
1	Volzhskiy Abrasive Plant, JSC	269,432.5	October–December 2008 January–December 2009	Decision of Supreme Commercial Court of the Russian Federation dated 25.07.11, case № A12-349/2009
2	RUSENERGOSBYT, LLC	237,248	January–December 2009	Resolution of the Federal Commercial Court of the Moscow District dated 17.09.10, case № A40-102524/09-98-680
3	Mezhregionenergosbyt, JSC	114,721.5	January–December 2009	Resolution of the Federal Commercial Court of the Moscow District dated 26.05.11, case № A 40-1103181/10-62-936
4	Volgograd Inter-District Electrical Networks Municipal Unitary Enterprise	438	July, October, November 2010	Decision of the Supreme Commercial Court of the Russian Federation dated 06.05.11, case № A12-22200/2009
5	Volgograd Inter-District Electrical Networks Municipal Unitary Enterprise	9,774.7	December 2009 January–March 2010	Resolution of the Federal Commercial Court of the Volga District dated 17.11.11, case № A12-12144/2010
6	Volgogradenergosbyt, JSC	13,034.3	November 2010	Resolution of Twelfth Commercial Appeal Court dated 16.11.11, case № A12-2925/2011
7	Volgogradenergosbyt, JSC	22,107.3	January–March 2010	Resolution of the Federal Commercial Court of the Volga District dated 06.06.11, case № A12-6337/2010
8	Volgogradenergosbyt, JSC	29,361	November 2010	Resolution of Twelfth Commercial Appeal Court dated 16.11.2011 case № A12-2925/2011

Changes to accounting are registered in accounting records through retrospective recalculation of the comparative rates of the relevant items in reporting forms of the preceding periods.



## Accounting Balance-Sheet Adjustments (RUR thous)

Indicator	Line code	As of 31.12.2010	As of 31.12.2009
Account Receivable to be Paid During 12 Months after Reporting date	1232	+56,354	-527,155
Buyers and Clients	123201	-45,355	-622,042
Other Account Receivables	123206	+101,709	+94,887
Total of Section 11	1200	+56,354	-527,155
Balance	1600	+56,354	-527,155
Undivided Profit (Retained Loss)	1370	+26,993	-527,155
Of Preceding Years	1371	-527,155	-37,805
Of Accounting Year	1372	+554,148	-489,350
Total of Section III	1300	+26,993	-527,155
Payables	1520	+29,361	
Suppliers and Contractors	1521	+29,361	
Total of Section V	1500	+29,361	
Balance	1700	+56,354	-527,155

## Adjustments in Profit and Loss Statement (RUR thous)

Item	Line Code	Adjustment Amount for 2010
Profit Including:	2110	-37,893
Power Transport Profit	2111	-37,893
Including Cost of Sales	2120	+33,324
Electric Power Delivery Prime Cost	2121	+33,324
Gross Profit (Loss)	2100	-71,217
Sales Profit (Loss)	2200	-71,217
Other Expenses	2350	-621,402
Profit (Loss) Before Tax	2300	+550,185
Change of Deferred Tax Liabilities	2430	+441
Change of Deferred Tax Assets	2450	+39
Net Profit (Loss)	2400	+550,665
Overall Financial Result	2500	+550,665
Basic Earning (Loss) per Share	2900	+0.011
Diluted Earning (Loss) per Share	2910	+0.012

In the table "Adjustments due to Accounting Policy Change and Errors Correction" of the Statement on changes of the capital, the capital change due to gained net profit, as well as due to other factors, is presented. The information is presented as of December 31, of the year preceding the previous year, and as of December 31 of the previous year:

## Adjustments due to Accounting Policy Change and Errors Correction

Rate	Code	As of 31 December 2009	Capital change during 2010		As of 31 December 2010
			Due to Profit (loss)	Due to Other Factors	
Capital — Total Before Adjustments	3400	20,150,912	(3,589,843)	—	16,561,069
Adjustments due to:					
Change in Accounting Policy	3410	(179,614)	(3,482)	—	(183,096)
Errors Correction	3420				
After Adjustments	3500	19,481,949	(3,039,177)	—	16,442,772
Including: Undistributed Profits (Retained Loss) Before Adjustments	3401	178,948	(3,571,611)	—	(3,392,663)
Adjustments due to:					
Change in Accounting Policy	3411	(179,614)	(3,482)	—	(183,096)
Errors Correction	3421	(489,349)	554,148	—	64,799
After Adjustments	3501	(490,015)	(3,020,945)	—	(3,510,960)
Other Capital Items Subjected to Adjustments: (by items) Before Adjustments	3402	19,971,964	(18,232)	—	19,953,732
Authorized Capital		4,981,110	—	—	
Treasury Shares		—	—	—	
Added Capital		14,847,987	(18,232)	—	
Reserve Capital		142,867	—	—	
Adjustments due to:					
Change in Accounting Policy	3412	—	—	—	
Errors Correction	3422	—	—	—	
After Adjustments	3502	19,971,964	(18,232)		19,953,732

## ANALYSIS FINANCIAL SITUATION AND BUSINESS RESULTS OF THE COMPANY

In 2011 the loss of RUR 684 mln was planned for IDGC of the South, JSC. Actual size of net profit made up **RUR 117 mln**, the planned financial result is improved by RUR 801 mln.

### Basic reasons of positive effect in 2011:

- Excess of the planned revenues for electric power delivery by RUR 167 mln (mainly at expense of Volgogradenergo, the branch of IDGC of the South, JSC),
- Excess of planned revenues of technological connection by RUR 877 mln (mainly due to Kalmenergo, the branch of IDGC of the South, JSC, RUR 892 mln — pre-schedule execution of actions for technological connection of CPC-R, JSC to electric networks of the Company),

- Saving in expenses of cost price of total RUR 686 mln in the Company.

In the accounting period, the analysis of account receivables has been conducted, as a result, the reserve on doubtful debts of RUR 1,013 mln has been created, receivables of RUR 37 mln are written down as impossible to be collected.

### Basic objectives and implementation:

- Increase of operational efficiency of the Company. For achievement of this objective, the Program of IDGC of the South, JSC financial improvement for 2011–2012 is developed and approved, providing implementation of the system approach to expenditures management, increase of purchasing activity

efficiency, optimum use of reserves, decrease in expenses for maintenance of non-core assets of the Company,

- Measures for revenues increase, decrease in the prime cost and optimization of results of other activities within the expenditures management program. Comparing to the fact of 2010, economic benefit of actions implementation is increased by

RUR 966 mln, the growth has made up RUR 30 mln (1%) regarding the planned parameters.

Implementation of actions on revealing of consumption without contract and for inclusion of non-accounted consumption reports to productive supply enabled to increase revenues by **RUR 135,9 mln**.

## Financial Results and Basic Indicators of the Company Business Activity

Indicators	2008*	2009	2010	2011
Total Earnings:	13,126.8	19,027.4	21,976.5	24,356.3
Due to Power Transportation	10,785.3	16,820.0	20,957.8	22,688.1
Due to Technical Joining	1,995.4	879.4	291.8	1,463.9
Sales Profit	1,805.9	1,794.6	1,965.9	3,536.8
Net Profit	486.0	-1,108.9	-3,039.2	117.4
Net Assets	21,397.2	19,569.5	16,519.3	16,629.0
Short-Term Liabilities	6,837.7	9,422.8	8,454.9	8,199.3
Long-Term Liabilities	7,545.2	12,076.6	13,072.7	17,089.0
Fixed Asset Formation	4,651.8	2,847.2	1,804.0	4,107.3

\* The data for 2008 is given with regard to joining of the branches since 31.03.08.

Electric power delivery earnings amount increased by **RUR 2,379.8 mln** or by 10.8% comparing to 2010 which is caused, mainly, by growth of electric power delivery rates. Technological connection earnings in 2011 increased comparing to 2010 and made up **RUR 1,464 mln**. There has been considerable increase due to execution of technological connection of CPC-R, JSC of Kalmenergo branch in amount of RUR 1,124 mln.

Granted to net profit received by the Company in 2011 the growth of net assets made up **RUR 109.7 mln** (in 2010, net assets made up RUR 16,519.3 mln, in 2011 — RUR 16,629.0 mln).

Decrease in amount of short-term liabilities was insignificant in 2011. The growth of long-term liabilities by 30.7% resulted from attraction of additional long-term credits and loans for financing of the investment program of the Company and from issue of own promissory notes with the earliest maturity date in 1.5 years for repayment of receivable to FGC UES, JSC.

The investment program for 2011 approved by the Company Board of Directors determines amount of capital investments (by all kinds of activity) at a rate of RUR 4,061.3 mln, RUR 4,107.3 mln, or 101,1% are actually involved.

## Dynamics of Indicators Forming the Company Financial Result

Indicators	2008*	2009	2010	2011	Variation to 2010	
					RUR mln	%
Disposal Earnings	RUR mln	19,027	21,976	24,356	2,380	11
Cost Price	10,921	16,568	19,423	20,068	645	3
Gross Margin	2,206	2,460	2,553	4,288	1,735	68
Other Profits	488	392	780	1,071	291	37
Other Expenses	1,721	3,811	6,613	4,892	-1,721	-26
Profit Before Tax	973	-959	-3,280	466	3,746	-114
Profit Tax and Similar payments	487	150	241	349	108	45
Net Profit of Accounting Period	486	-1,109	-3,039	117	3,156	-104

\* The data for 2008 is given with regard to joining of the branches since 31.03.08.

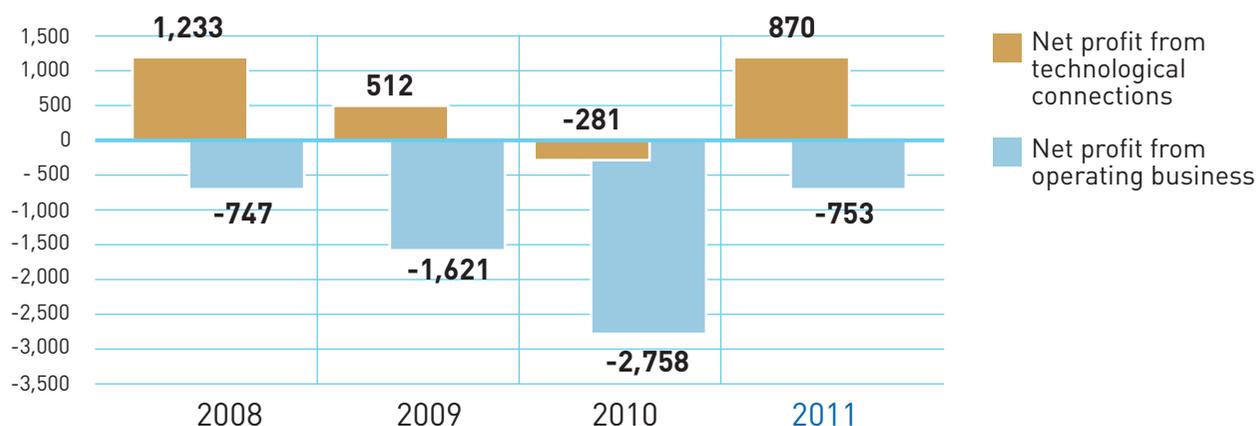
## Structure of Earnings and Profit by Business Lines

### Earnings Structure by Regions (RUR mln)

Branch	Overall earnings	Share in overall earnings, %	Network services (including TS)	Share in overall amount of IDGC of the South, JSC, %	Other services	Final share of IDGC of the South, JSC, %
Astrakhanenergo	3,794	15.6	3,772	15.6	22	10.8
Volgogradenergo	7,800	32.0	7,722	32.0	78	38.2
Kalmenergo	1,737	7.1	1,724	7.1	13	6.4
Rostovenergo	10,987	45.1	10,934	45.3	53	26.0
Kubanenergo	27	0.1	0	0.0	27	13.2
Executive Body	11	0.0	0	0.0	11	5.4
<b>TOTAL</b>	<b>24,356</b>	<b>100.0</b>	<b>24,152</b>	<b>100.0</b>	<b>204</b>	<b>100.0</b>

Overall earnings of IDGC of the South, JSC from services rendered in 2011 made up **RUR 24 356 mln**. Earnings from power services made up **RUR 24,152 mln**, including from power delivery services — **RUR 22,688 mln**, from services in technological connection to the power network of the Company — **RUR 1,464 mln**.

### Dynamics of Profit by Business Lines



\* The data for 2008 is given with regard to joining of the branches since 31.03.08.

### Liquidity, Profitability and Business Solvency Indicators

Indicators	2008*	2009	2010	2011
Sales Margin, %	16.8	9.4	8.9	14.5
Equity Ratio (Financial Independence)	0.597	0.478	0.435	0.397
Current Liquidity Ratio	1.301	1.274	1.109	1.352
Quick Liquidity Ratio	1.037	1.193	1.013	1.213
Receivables and Payables Ratio	1.512	1.193	1.283	1.652
Debt-Equity Ratio	1.481	0.914	0.770	0.659

\* The data for 2008 is given with regard to joining of the branches since 31.03.08.

As it is clear from the above table the sales margin increased by 5.6 percentage points in 2011. The principal reason of growth is advancing growth of earnings from power delivery and technological connection over growth of expenses for the given kinds of activity.

Owing to increase in amount of the fixed assets and incomplete construction due to attraction of long-term credits and loans in 2011, the equity ratio decreased, and the decrease made up 8.8%.

The figures of current liquidity and quick ratio in 2011 increased comparing to 2010. Such dynamics is caused by growth of money

resources and receivables. As the above rates of liquidity characterize sufficiency of circulating assets for covering the liabilities, **the current balance liquidity improved comparing to the last accounting period.**

The receivables and payables ratio increased in 2011 by 28.7% due to reduction of receivables.

The rate of "Debt-equity ratio" decreased by 15.8%. The rates decrease owes to increase in the credit portfolio.

As a whole, despite increase in the debt capital, IDGC of the South, JSC is capable to pay off liabilities in due time.

## Performance Indicator

Indicators	UOM	2008	2009	2010	2011	Variation to the Previous Year
ROE	%	2.28	-5.39	-19.26	0.23	19.49
Sales Margin	%	13.63	9.43	8.95	14.52	5.57
ROTA	%	2.73	-2.31	-8.66	1.11	9.77
Current Liquidity Ratio		1.32	1.27	1.11	1.35	0.24
Quick Liquidity Ratio		1.05	1.19	1.01	1.21	0.20
EBITDA	RUR mln	2,903.30	2,842.90	623.4	4,193.0	3,569.6

\* The data for 2008 is given with regard to joining of the branches since 31.03.08.

Following the results of 2011 the Company sales margin grew considerably comparing to 2010. The net profit of IDGC of the South, JSC made up RUR 117 mln in 2011. Positive financial result of the Company activity in 2011 was due to several factors:

- Growth of earnings, including from technological connection,
- Reduction of expenses by reduction of the prime cost.

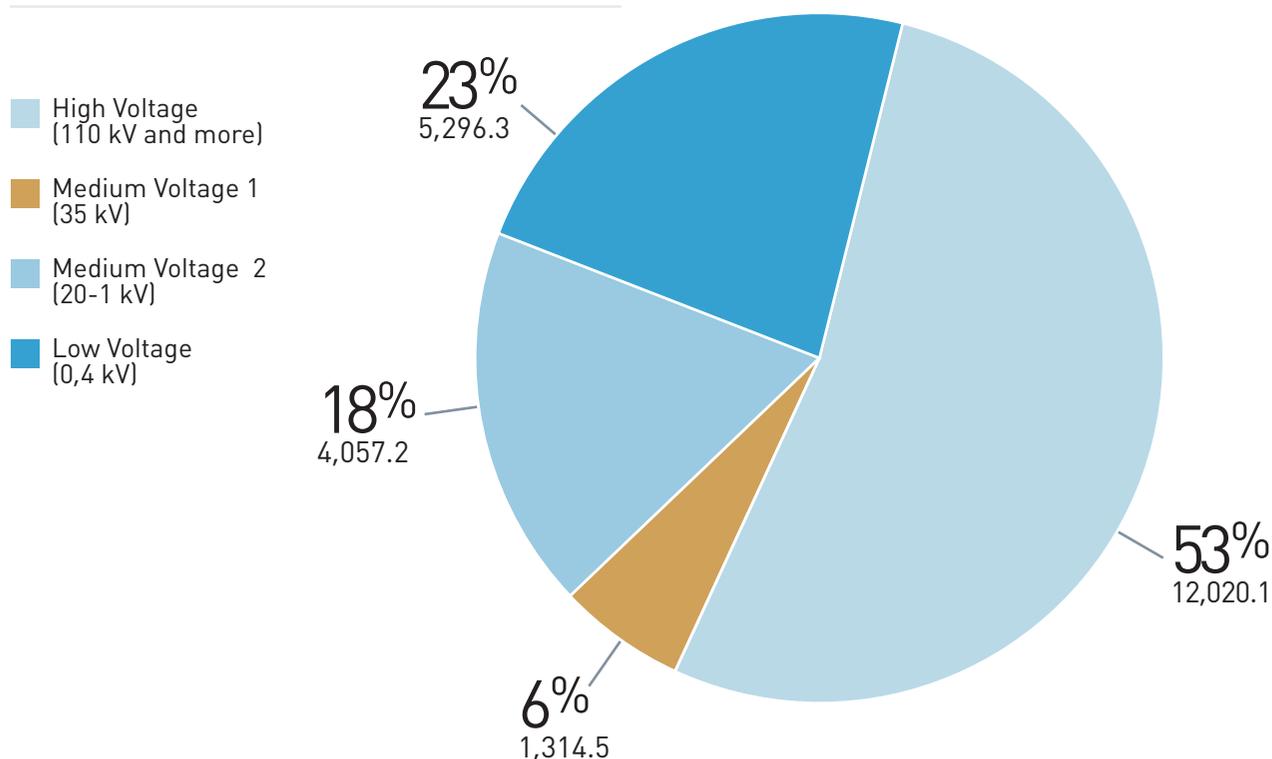
## Current Sales Rates in Money Terms

In 2011 the total earnings of IDGC of the South, JSC made up **RUR 24,356.3 mln**, which is by RUR 2,341.9 mln (10.6%) exceeds the level of the previous year. The greatest share (93.2%) make up earnings from power delivery sphere:

Voltage Rating	2008*	2009	2010	2011	Variation to 2010
High Voltage (110 kV and more)	7,358.8	9,257.9	11,372.4	12,020.1	647.7
Medium Voltage 1 (35 kV)	576.9	1,001.0	1,099.0	1,314.5	215.5
Medium Voltage 2 (20-1 kV)	920.5	2,241.1	3,479.7	4,057.2	577.5
Low Voltage (0.4 kV and less)	1,929.1	4,319.9	5,006.7	5,296.3	289.6

\* The data for 2008 is given with regard to joining of the branches since 31.03.08.

## Structure of Earnings from Power Delivery Services



## Accounting Balance Basic Rates

Balance Item	Line Code	As of 31.12.2009	As of 31.12.2010	As of 31.12.2011
<b>ASSETS</b>				
Fixed Assets	1130	27,114	26,681	28,928
Financial Investments	1150	454	462	419
Reserves	1210	737	787	1,064
Receivables	1230	10,454	8,665	8,930
Money Assets and Their Equivalents	1250	1,400	338	1,404
Other assets	—	822	1,037	1,103
<b>BALANCE</b>	<b>1600</b>	<b>40,981</b>	<b>37,970</b>	<b>41,848</b>
<b>LIABILITIES</b>				
Authorized Capital (Share Capital, Authorized Fund, Contributions of Partners)	1310	4,981	4,981	4,981
Noncurrent Assets Revaluation	1350	14,848	14,830	14,758
Retained Profit (Loss) of Previous Years	1371	1,288	-472	-3,439
Retained Profit (Loss) of Accounting Year	1372	-1,778	-3,039	117
Loan Proceeds (Long-Term)	1410	11,720	12,767	14,063
Loan Proceeds (Short-Term)	1510	1,464	1,400	2,526
Credit Debt	1520	7,648	6,751	5,406
Other Liabilities		810	752	3,436
<b>BALANCE</b>	<b>1700</b>	<b>40,981</b>	<b>37,970</b>	<b>41,848</b>

Fixed assets make up the greatest portion. Their overall relative ratio with amount of incomplete construction makes up 69.1%.

Equity assets make up considerable part of the liabilities structure — authorized and added capital, retained profits and losses — total 39.2%. Portion of leverage ratio is high as well — 39.6%.

## Key Indicators in the Profits and Losses Statement for 2011

Indicators	Line Code	2010	2011	Variation	
				Absolute	Relative
Earnings	2110	21,976	24,356	2,380	10.8
Sales Margin	2120	19,423	20,068	645	3.3
Gross Margin (Loss)	2100	2,553	4,288	1,735	67.9
Administrative Expenses*	2220	587	751	164	27.9
Sales Profit (loss)	2200	1,966	3,537	1,571	79.9
Interest Receivable	2320	7	14	7	100.0
Interest Payable	2330	1,732	1,493	-239	-13.8
Participation Capital	2310	0	31	31	0.0
Other Income	2340	773	1,057	284	36.7
Other Expenses	2350	4,294	2,648	-1,646	-38.3
Profit (Loss) Before Tax	2300	-3,280	466	3,746	-114.2
Profit Tax and Other Similar Compulsory Payments	2410+2430+ +2450+2460	241	349	108	44.8
Net Profit (Loss)	2400	-3,039	117	3,156	-103.8

\* In 2010, the expenditures of executive apparatus RUR 360 thous under contract "On Transferring Powers of the Individual Executor Kubanenergo, JSC (the contract of individual executor) are actually included to the prime cost. Administrative expenses were reduced by 20.7% in 2011 comparing to 2010 (administrative expenses regarding expenses under individual executor contract made up RUR 947 thous in 2010).

The rates of profit growth and gross margin **increased by 68%** owing to execution of the Program of Financial Improvement in 2011.

The amount of other expenses from the profit comparing to previous year reduced by RUR 1,646 mln due to creation of the reserve in 2010 on doubtful debts and write-down of receivables of total amount of RUR 4,027 mln. Amount of other income increased comparing to 2010 and made up

RUR 1,057 mln. Growth has occurred due to receipt of late fees, penalties concerning which the court decision in favor of the Company has been received, as well as due to doubtful debts allowance recovery.

The actual gross margin of the Company in 2011 exceeds the relevant value of previous year by **RUR 1,735 mln**.

In 2011 the profit before tax in the amount of RUR 466 mln was received, the net profit made up RUR 117 mln.

## Distribution of Net Profit by Lines

Indicators	2008	2009	2010	2011
Net Profit (RUR thous)	486,049	-1,108,879	-3,039,177	117,388
Reserve Fund (RUR thous)	24,303			
Accumulation Fund (RUR thous)	331,175			
Dividends (RUR thous)				
Use of Profit for Current Year investments (RUR thous)	130,572			
Dividends per 1 Share, Kopecks	0,00			



## Dynamics and Change of Payables and Receivables of the Company

### Dynamics and Change of Receivables of the Company, RUR thous

Indicators	2009	2010	2011	Variation to previous year
<b>Total long-term:</b>	<b>908,448</b>	<b>704,965</b>	<b>577,372</b>	<b>-127,593</b>
including Buyers and Clients	905,368	33,875	<b>31,542</b>	-2,333
Issued Advance Sums		12,990	<b>853</b>	-12,137
Other Debtors	3,080	658,100	<b>544,977</b>	-113,123
<b>Total Short-Term:</b>	<b>9,546,048</b>	<b>7,960,316</b>	<b>8,353,074</b>	<b>392,758</b>
Including Buyers and Clients	6,532,508	6,736,482	<b>6,592,443</b>	-144,039
Issued Advance Sums	226,386	140,103	<b>700,407</b>	560,304
Other Debtors	2,787,154	1,083,731	<b>1,060,224</b>	-23,507
<b>TOTAL:</b>	<b>10,454,496</b>	<b>8,665,281</b>	<b>8,930,446</b>	<b>265,165</b>

Comparing to 2010 receivables increased by RUR 265,165 thous in 2011 mostly due to issued advance sums. The short-term debt makes up greatest ratio in the structure of receivables — 93.5%.



Buyers' and clients' debts make up the greatest share in receivables — RUR 6,592,443 thous. Buyers' and clients' debts reduced by RUR 144,039 thous in 2011 compared to 2010.



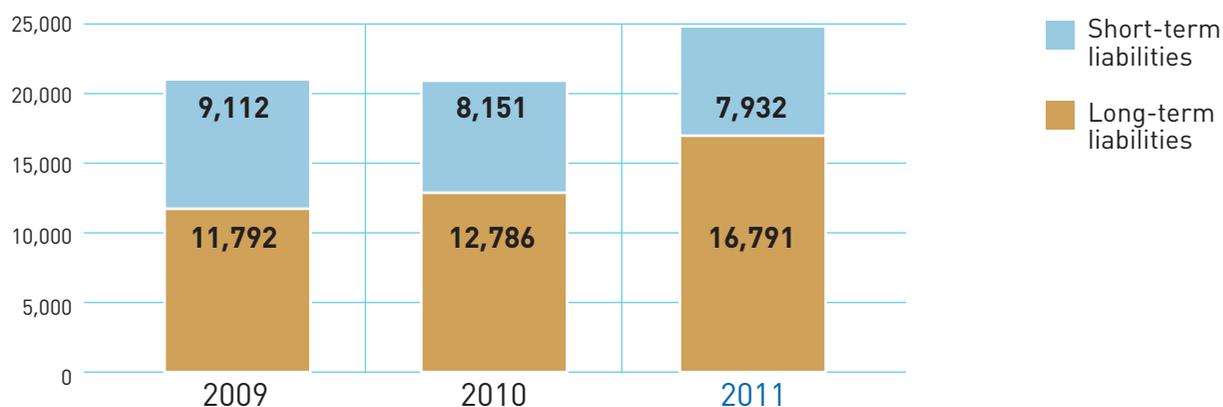
## Dynamics and Structure of the Company Liabilities, RUR thous

Indicators	2009	2010	2011	Variation to Previous Year
<b>Long-Term Liabilities</b>				
<b>Total</b>	<b>11,792,280</b>	<b>12,785,598</b>	<b>16,791,279</b>	<b>4,005,681</b>
Loans and Credits	11,719,958	12,766,736	14,062,900	1,296,164
Other Long-Term Liabilities, Including	72,322	18,862	2,728,379	2,709,517
To Suppliers and Contractors	72,322	18,862	5,379	-13,483
Other Long-Term Liabilities			2,723,000	2,723,000
<b>Short-Term Liabilities</b>				
<b>Total</b>	<b>9,112,227</b>	<b>8,151,434</b>	<b>7,932,169</b>	<b>-219,265</b>
Loans and Credits	1,463,900	1,400,000	2,526,220	1,126,220
Receivables, Including	7,648,327	6,751,434	5,405,949	-1,345,485
Suppliers and Contractors	5,761,241	5,313,674	2,967,061	-2,346,613
Personnel Payroll Liabilities	202,548	144,119	188,665	44,546
State and Non-Budgetary Funds Liabilities	53,844	66,507	84,023	17,516
Tax and Fees Liabilities	219,871	58,657	88,363	29,706
Received Advance Pays	372,309	927,029	1,801,147	874,118
Other Creditors	1,026,022	239,544	276,690	37,146
<b>Total</b>	<b>20,904,507</b>	<b>20,937,032</b>	<b>24,723,448</b>	<b>3,786,416</b>

Following the results of 2011 the Company liabilities increased. Simultaneously redistribution in the long-term and short-term obligations occurred. Long-term liabilities of the Company grew by RUR 4,005,681 thous, short-term liabilities decreased by RUR 219,265 thous.

Growth of long-term liabilities of the Company occurred due to attraction of long-term borrowings for financing of the Company investment program. In addition, in 2011 the Company issued own promissory notes with the earliest repayment term of 1.5 years for repayment of the receivables to FGC UES, JSC.

## IDGC of the South, JSC Liabilities Dynamics, RUR thous



## Indicators Dynamics

Indicators	2009	2010	2011	Variation to Previous Year, %
Attracted Funds to Capital and Reserve Ratio, %	105	128	151	+18
Receivables Turnover, Times	1.8	2.5	2.7	+8
Overdue Payables Level, %	39	40	25	-38

Growth of "Attracted funds to capital and reserve ratio" (+18%) rate is caused by attraction of additional borrowed assets in 2011 for financing of the Company investment program.

Growth of "Receivables turnover" rate comparing to previous year owes to increase of profit size in 2011.

The Company managed to decrease overdue payables level in 2011 owing to settlement of the overdue payables to FGC UES, JSC.

## Structure and Dynamics of IDGC of the South, JSC Credit Portfolio, RUR mln

Type of Credit (Loan) / Debt Source	2009	2010	2011	Share in General Liabilities Structure, %
Short-Term Credits	1,151.0	1,400.0	2,400.0	15
Long-Term Credits	5,369.0	6,100.0	9,192.3	56
IDGC of the South, JSC Promissory Note	312.9	312.9	312.9	2
Bonded Loan	6,000.0	6,000.0	4,557.7	28
<b>TOTAL:</b>	<b>12,832.9</b>	<b>13,812.9</b>	<b>16,462.9</b>	<b>100</b>

### Bonded loan

Bonds of 02 series, the state issue number 4-02-34956-E, are registered on December 16, 2008, by the Federal Service for Financial Markets.

Issue size — 6 million pieces, with nominal value of RUR 1,000 each.

Term of issue is 1,820 days (10 coupon periods 182 days each).

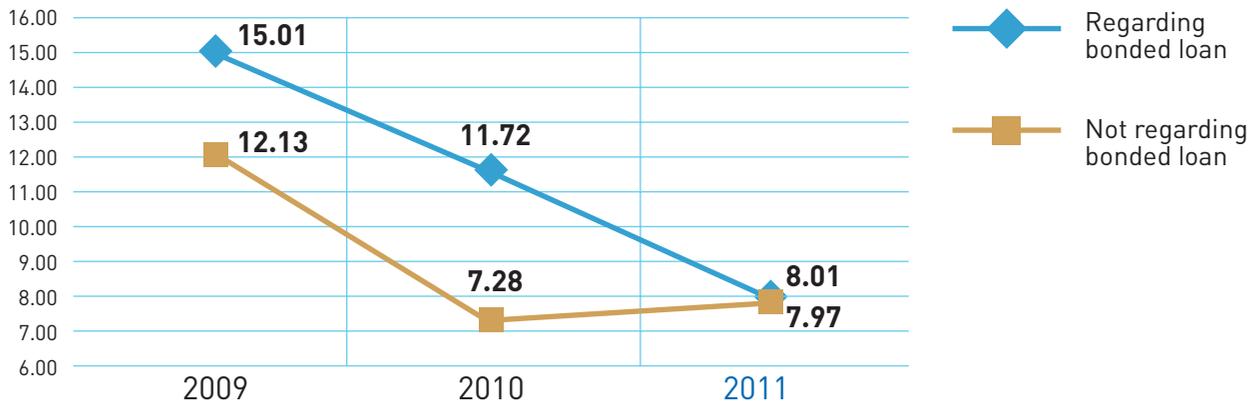
Date of issue distribution — 01.09.2009. Issue is fully distributed.

Term of debenture loan repayment — August 26, 2014.

The coupons rate from the 1<sup>st</sup> to 4<sup>th</sup> — 17.5% annual interest, from 5<sup>th</sup> to 10<sup>th</sup> — 8.1% annual interest.

According to credit strategy, IDGC of the South, JSC involves medium-term and long-term borrowings (from 3 to 5 years) for re-financing of the credits taken earlier and financing of the Company investment program.

## Dynamics of Average Weighted Interest Rate for Debt Service



Essential decrease in average rate by the end of 2011 comparing to the similar period of the previous year is due to decrease in the profit rate of the bonded loan of 02 series. In September, 2011, the Company has passed an offer under a bonded loan and declared the coupon rate under bonds for 5<sup>th</sup> through 10<sup>th</sup> coupon periods. At decrease in the coupon rate from 17.5% to

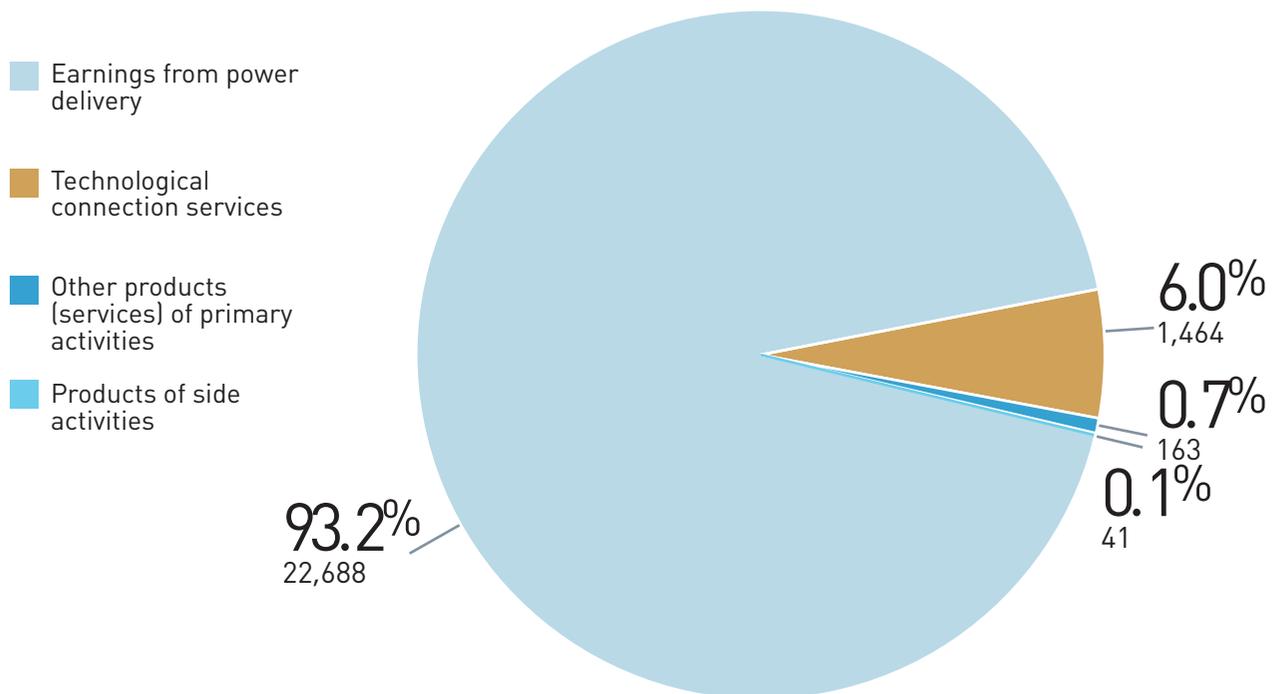
8.1% annual interest, about 2 million bonds were presented for repayment, 670 thousand of them were sold the next day at the secondary bond market.

Thus the Company has bonds of RUR 1,442.3 bln in their disposal as of the end of 2011.

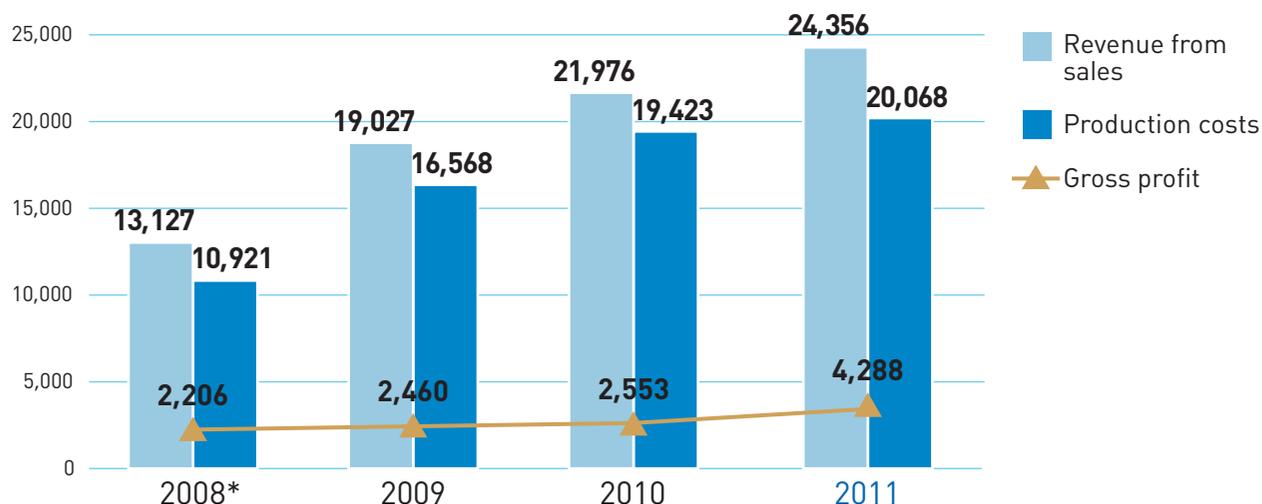
## Data on Income and Expenses Structure

Following the results of the year, the earnings from products, work and services sales make up RUR 24,356.3 mln, which is by RUR 2,379.8 mln (10.8%) exceeds the same value in the previous year.

## Structure of Earnings of IDGC of the South, JSC in 2011, RUR mln and %



## Dynamics of Increase (Decrease) of Income



\* The data for 2008 is given with regard to joining of the branches since 31.03.08.

Actual gross margin of the Company was by RUR 1,735 mln more in 2011 than the relative value in previous year.

## IDGC of the South, JSC Expenses Dynamics

№	Cost item	2010		2011		Change	
		Amount RUR mln	Percentage, %	Amount RUR mln	Percentage, %	Absolute variation, RUR mln	Relative variation, %
	Expenses for Products Manufacture and Sale	19,423	100	20,068	100	645	103
1	Material Costs	5,128	26	5,277	26	149	103
2	Operating Works and Services	6,247	32	7,008	35	761	112
3	Labor Costs	3,784	19	3,458	17	-326	91
4	Insurance Fees	913	5	1,110	6	197	122
5	Non-State Pension Coverage	16	0	2	0	-14	12
6	Depreciation	2,145	11	2,190	11	45	102
7	Other	1,190	6	1,024	5	-167	86

Actual expenses of IDGC of the South, JSC made up RUR 20,068 mln in 2011, at that the sum of expenses in 2010 made up RUR 19,423 mln. Increase of expenses made up RUR 645 mln or 3%.

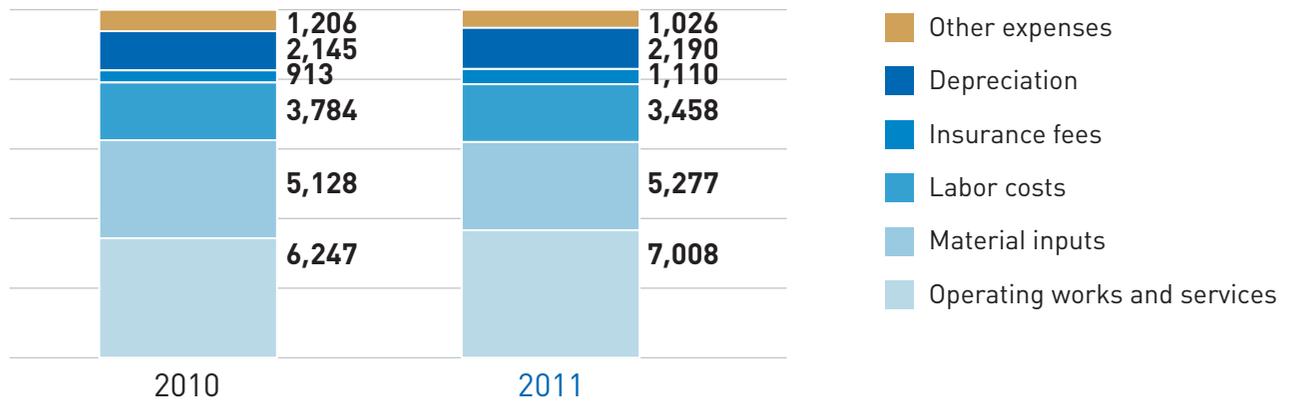
The analysis of expenses change dynamics could be considered by weighted ratio of each item in total amount of expenses. Considerable growth of expenses is observed in the item "Operating Works and Services", it is caused by increase in ratio of non-recorded expenses for payment of adjoining network companies services and FGC UES, JSC power delivery services.

Decrease in expenses ratio by 2% is obtained in the item "Labor Costs" as a result of implementation of the financial improvement program in the Company providing optimization of the personnel size, improvement of motivation system, reduction of funds for establishment of extra payments and charges, owing to implemented optimization of business processes and functional redistribution.

Decrease in expenses ratio by 1% in other expenses is caused by implementation of range of measures undertaken by the Company for decrease of costs.

The structure of expenses is presented in the diagram where the costs size of 2011 is of the same level as in 2010.

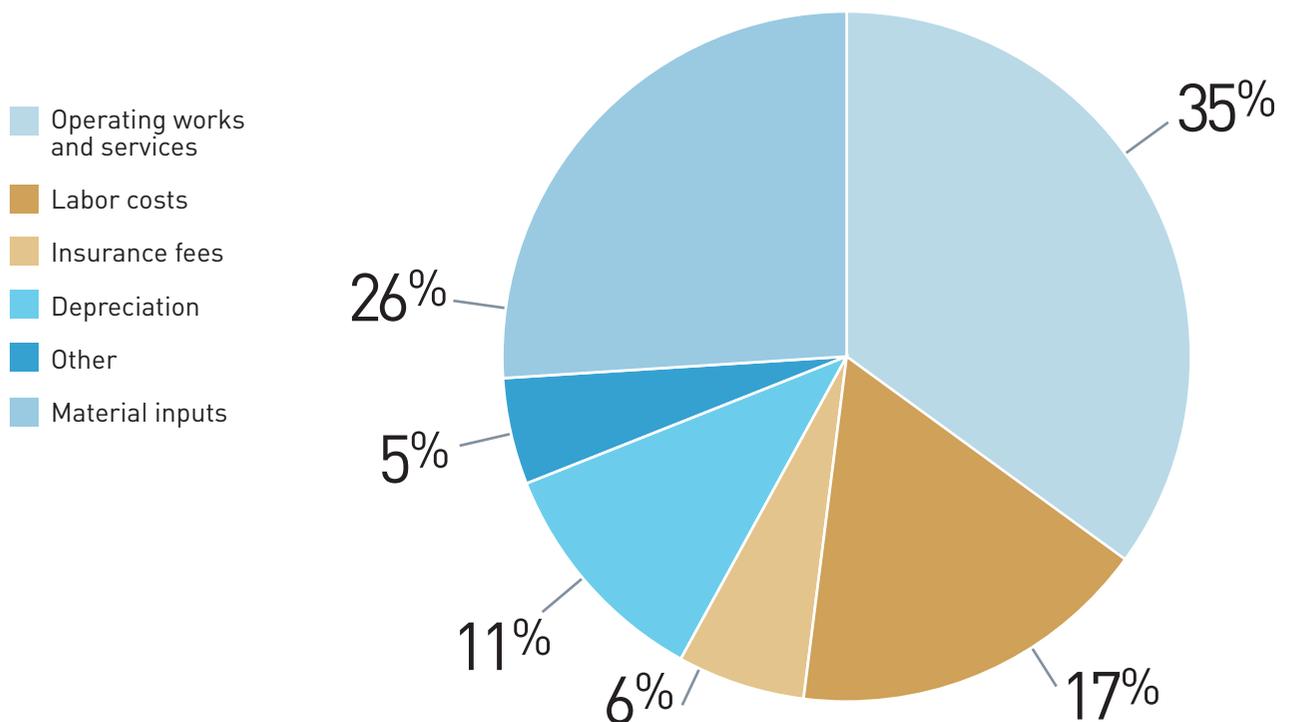
### IDGC of the South, JSC Expenses Structure in 2010–2011



Operating works and services make the greatest part of IDGC of the South, JSC expenses — 35%. This item includes expenses for the network companies services for power delivery, FGC UES, JSC services, expenses for implementation of the repair program, maintenance of the fixed capital in an efficient condition, as well as services in the field of operating safety.

Material inputs make up 26% of total expenses sum and include the purchased electric power for indemnification of losses and economic needs, materials and POL needed for Company operating activity.

### IDGC of the South, JSC Expenses Structure in 2011



## Measures Taken by IDGC of the South, JSC to Reduce the Expenses

For the purpose of financial improvement of IDGC of the South, JSC in 2011, increase of operational efficiency and liquidity, measures for decrease and financial improvement of IDGC of the South, JSC were taken:

1. Reduction of expenses for power loss in the networks due to the following:
  - Arrangement measures (adjustment of phase loads in 0.4kV electric mains),
  - Technical measures (replacement of wires in overloaded HV lines, replacement of wires of HV lines branches 0.4kV to mains supply source buildings, replacement of overloaded and underloaded transformers),
  - Measures for improvement of settlement and technical account systems (inspections on revealing of unaccounted power supply, check of metered values, gauge checks).
2. Measures for toughening of competitive procedures in purchasing activities aiming to decrease the actual cost of the purchased materials, equipment, services and works.
3. Reduction of expenses for acquisition of raw materials and materials due to reduction of purchases during the regulated procedures, reductions of materials write-down limits, longer life time of tools and accessories, optimization of movable equipment list number.
4. Reduction of Labor costs due to optimization of business processes and personnel size.
5. Reduction of expenses as a result of measures taken to reduce other operational expenses, mainly due to decrease in deductions for SPA, optimization of expenses for communication services, private security, legal and consulting services, as well as modification of the works performance plan on renewal and registration of the property rights.

## Anticipation of Financial Results

Following the results of 2012 IDGC of the South, JSC is planning to improve financial results, rates of liquidity and financial stability. In 2012 attention is focused on increase of operational efficiency; reduction of operational and financial expenses of the

Company is the basic direction of work regarding the set objective. The planned size of operational profit before payment of taxes, interest and depreciation charge (EBITDA) would make up RUR 4.8 bln, whereas its actual size was RUR 4.2 bln in 2011.





# 7 CORPORATE REPORT

The Consortium of the Russian Institute of Directors and Expert RA rating agency confirmed the Company's national corporate management rating at 6+ on December 16, 2011.





**STRENGTH AND FAIRNESS**

# 7 CORPORATE REPORT

## CORPORATE GOVERNANCE

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

Corporate Governance in the Company is based on rights and legitimate interest of its shareholders, investors, managers and other interested parties.

Information on adherence of the Corporate Governance Code of IDGC of the South, JSC for 2011 is shown in the Appendix 6 to the Annual Report.

The basic principles of the Company's Corporate Governance are following:



### Fairness

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

### Disclosure

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

### Accountability of the governing bodies of the Company to the shareholders

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

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

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

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

### Financial and economic activities control

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

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

### Respect for the rights of third parties

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

During the financial year work on improvement of the system of corporate governance in the Company has been carried out. The annual General Meeting of Shareholders resulted in approval of a number of internal versions of the Company in new versions that contribute to corporate governance practices improvement.

During the financial year, IDGC of the South, JSC performed work to meet the requirements of the Federal Law № 224-ФЗ of 27 July 2012 "On Prevention of Unlawful Usage of Insider Information and Market Manipulation and Amendments to Certain Legal Acts of The Russian Federation" that guarantees protection of interests of minority shareholders of public company:

- The Provision on Insider Information of IDGC of the South, JSC (in new version) has been approved by the decision of the Board of Directors of IDGC of the South, JSC of 26 December 2011 (Minutes № 78/2011 of 29 December 2011),
- List of insiders of IDGC of the South, JSC has been prepared and sent to the organizer of trade on the securities market,
- Insiders' notification procedure has been carried out.

In 2011, IDGC of the South, JSC has been recognized as a company with advanced practice of corporate governance.

On 16 December 2011, the Consortium of the Russian Institute of Directors and "Expert RA" rating agency confirmed 6+ national corporate management rating of the Company level (in 2009 — 5+ national corporate management rating, in 2010 — 6+ national corporate management rating).

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

The report on corporate governance practices in IDGC of the South, JSC is available on the corporate web-site of the Company on Internet at: [http://www.mrsk-yuga.ru/corporate\\_management/reiting](http://www.mrsk-yuga.ru/corporate_management/reiting).

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

**The annual report of the Company for 2010 has been awarded:**

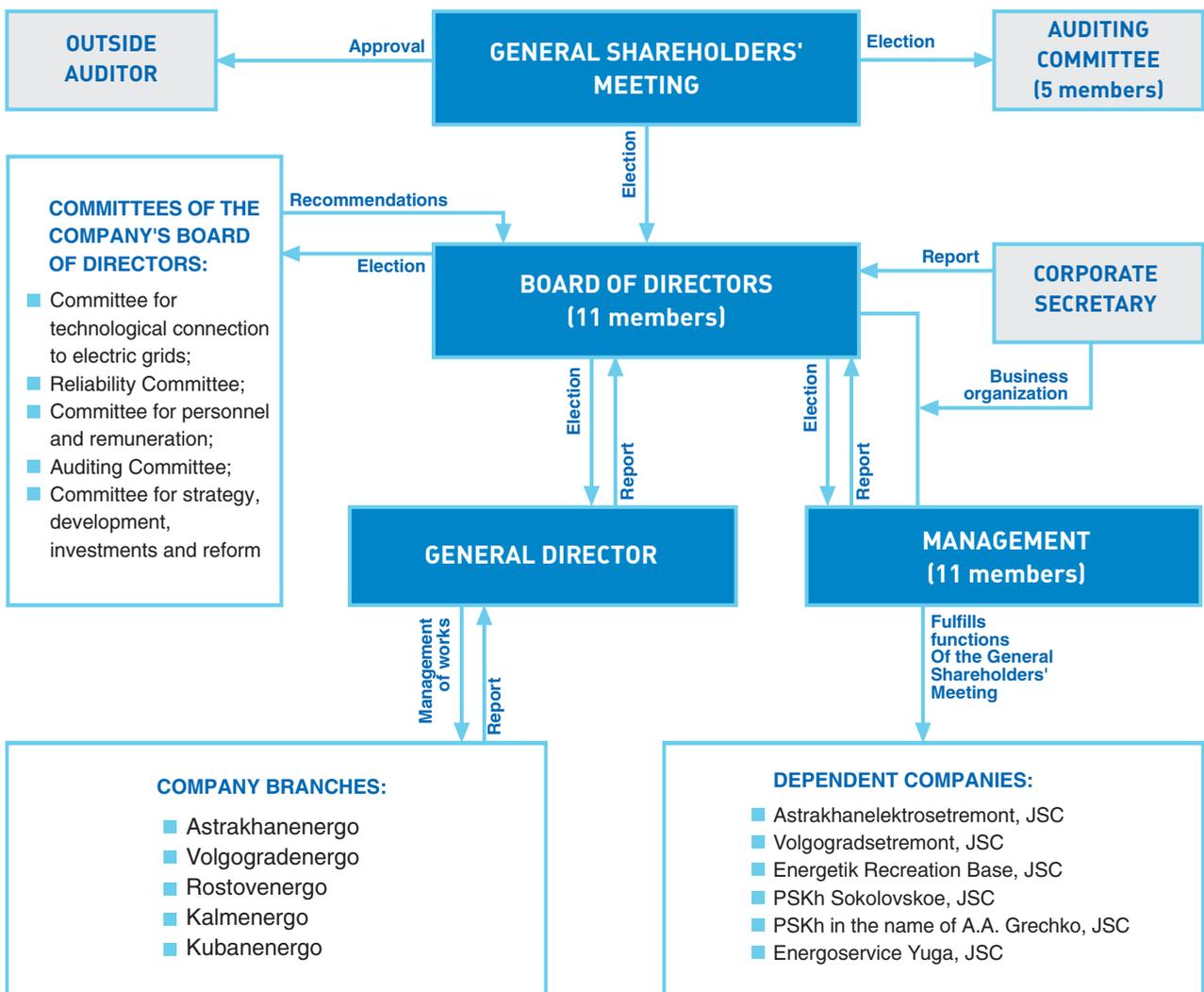
- A special prize from “Expert RA” rating agency for the “Best representation of a company business activity in the Southern Federal District” at VIIIth Open contest of annual reports of joint-stock companies in the Krasnodar Territory organized by the Department of Financial and Stock Market of the Krasnodar Territory as part of the “Sochi-2011” 10<sup>th</sup> International Investment Forum (the city of Sochi),
- The winner in the category “Best issuer report of the Southern Federal District” at the XIV<sup>th</sup> annual contest of annual reports and company web-sites organized by the “Stock Market” magazine (the city of Moscow),
- The first place in the category “Best information disclosure in an annual report by the companies with capitalization under RUR 10 bln”, the winner in the category “Best annual report

of the Southern Federal District” at the XIV<sup>th</sup> yearly contest of annual reports organized by MICEX, LLC and RTS, JSC (the city of Moscow).

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

Information about the Company during the whole period of activity of IDGC of the South, JSC as well as texts of the documents are available for permanent public access on the web-site of the Company on Internet at: [www.mrsk-yuga.ru](http://www.mrsk-yuga.ru).

**CORPORATE GOVERNANCE SYSTEM OF IDGC OF THE SOUTH, JSC**



## General Meeting of the Company Shareholders

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

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

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

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

The Company conducted two General Meetings of Shareholders in 2011: **annual** general meeting held on 15 June 2011 (according to the requirements of the Federal Law “On Joint-Stock Companies” and the Charter of IDGC of the South, JSC) and **extraordinary** General Meeting held on the 4 July 2011 (based on the requirements of the shareholders owning an aggregate of no less than 2 (two) percents of voting shares of the Company — Lancrenan Investments Limited and Protsvetaniye Holdings Limited to convene an extraordinary General Meeting of Shareholders of IDGC of the South, JSC (hereinafter referred to as “EGSM”) and to include in the agenda of EGSM issues on early termination of authority of members of the Board of Directors of IDGC of the South, JSC and to select the Board of Directors of the Company with nomination of candidates presenting Lancrenan Investments Limited and Protsvetaniye Holdings Limited).

The full text of the Resolutions of the General Meetings of Shareholders of the Company can be found on the web-site of the Company on Internet at: [http://www.mrsk-yuga.ru/corporate\\_management/five\\_proc/](http://www.mrsk-yuga.ru/corporate_management/five_proc/).

Procedures of calling and making suggestions for the inclusion of issues in the agenda of the General Meeting of Shareholders of the Company are set by the current legislation of the Russian Federation, the Charter of the Company and the Provision on procedure for preparation and holding of the General Meeting of Shareholders of IDGC of the South, JSC published on the web-site of the Company on the Internet at: [http://www.mrsk-yuga.ru/corporate\\_management/proc\\_sozyv/](http://www.mrsk-yuga.ru/corporate_management/proc_sozyv/).

## The Board of Directors of the Company

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

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

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

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

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

The detailed competence of the Board of Directors as well as the procedure of nomination of candidates to the Board of Directors is described in [the Charter of IDGC of the South, JSC](#) which is available on the web-site of the Company on Internet.

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

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

Procedure for calling for the Board of Directors meetings and inclusion of issues in the agenda of the Board of Directors is set by the [Provision on the procedure for preparation and holding of the meetings of the Board of Directors of IDGC of the South, JSC](#) published on the web-site of the Company on the Internet.

During the financial 2011 year, the Company’s governance was performed under management of three sets of the Board of Directors of IDGC of the South, JSC that corresponded to the requirements of MICEX, LLC trade organizer to maintain securities of the Company in “Б” quotation list.

The Board of Directors acting till the annual General Meeting of Shareholders, term of powers is from 15 June 2010 to 15 June 2011 (Occupations are indicated at the time of the election):

1	<b>Shvets Nikolay Ivanovich,</b> the Chairman	General Director of IDGC Holding, JSC
2	<b>Binko Gennadiy Feliksovich,</b>	Member of the Management Board, Deputy Director General of IDGC Holding, JSC
3	<b>Akhrimenko Dmitry Olegovich</b>	Deputy Head of the Department for Corporate Governance and Shareholder Relations of IDGC Holding, JSC
4	<b>Zuykova Olga Valentinovna</b>	Head of the Directorate for Production Control and Labour Protection of IDGC Holding, JSC
5	<b>Ivanov Maksim Sergeevich</b>	Adviser to the General Director of IDGC Holding Management Company, CJS
6	<b>Ilyenko Vladimir Vasilievich</b>	General Director of the branch of System Operator of Unified Energy Systems Interrogational Dispatching Office of the South, LLC
7	<b>Kislyakov Anton Mikhailovich</b>	Deputy Head of Legal Support Department of IDGC Holding, JSC
8	<b>Kuznetsov Vladimir Vasilievich</b>	Head of Strategy and Development Centre of IDGC Holding, JSC
9	<b>Mikhaylov Sergey Anatolievich</b>	General Director of Management consulting, LLC
10	<b>Okley Pavel Ivanovich</b>	Member of the Management Board, Deputy Director General — Technical Director of IDGC Holding, JSC
11	<b>Yurchuk Sergey Evgenievich</b>	Finance Director of IDGC Holding, JSC

The Board of Directors elected by the annual General Meeting of Shareholders for a term from 15 June 2011 to 4 July 2011 (Occupations are indicated at the time of the election). Chairman has not been elected.

1	<b>Perepyolkin Aleksey Yurievich</b>	Member of the Management Board, Deputy Director General in charge of Corporate Governance and Property of IDGC Holding, JSC
2	<b>Arkipov Sergey Aleksandrovich</b>	General Director of IDGC of the South, JSC
3	<b>Arkhipenko Dmitry Olegovich</b>	Deputy Head of the Department for Corporate Governance and Shareholder Relations of IDGC Holding, JSC
4	<b>Balayeva Svetlana Aleksandrovna</b>	Head of the Department for Investments of IDGC Holding, JSC
5	<b>Ivanov Maksim Sergeevich</b>	Adviser to the General Director of IDGC Holding Management Company, LLC
6	<b>Danilenko Igor Konstantinovich</b>	Senior Analyst at Representative office of Quorum Research Limited, LLC
7	<b>Likhov Khasan Mushtafaevich</b>	Deputy Director of the Department for Economic Regulation and property relations in the Fuel-Energy Complex of the Ministry of Energy of Russia
8	<b>Nyepsha Valery Vasilievich</b>	Deputy Director General of Research and Manufacturing Association for Oil Gas And Chemical Engineering, LLC
9	<b>Mekhanoshin Boris Iosifovich</b>	Deputy Director General, Technical Director of IDGC Holding, JSC
10	<b>Shpilevoy Sergey Vladimirovich</b>	Deputy Head of the Directorate for Production Control and Labour Protection of IDGC Holding, JSC
11	<b>Yurchuk Sergey Evgenievich</b>	Finance Director of IDGC Holding, JSC

**The current Board of Directors of the Company** elected by the extraordinary General Meeting of Shareholders of IDGC of the South, JSC on 4 July 2011, Minutes № 6 of 5 July 2011 (Occupations are indicated as of 31 December 2011):

#### ***Perepyolkin Aleksey Yurievich***



*Chairman of the Board of Directors of IDGC of the South, JSC, member of Strategy, Development, Investments and Restructuring Committee of the Board of Directors of IDGC of the South, JSC.*

*Member of the Management Board, Deputy Director General in charge of Corporate Governance and Property of IDGC Holding, JSC*

Year of birth: 1970

Nationality: Russia

Higher education:

- Moscow State Law Academy, Major: Law
- Moscow State Technical University named after N.E. Bauman, Major: Optical devices and systems

Occupations (last 5 years):

- Head of the Department of Analytical Control of the Federal Tax Service of Russia
- Adviser to the Minister, Head of the Central Government of Legal Maintenance of the Ministry of Defence of the Russian Federation
- Director of Corporate Policy of IDGC Holding, JSC
- Member of the Board of Directors of IDGC of the South, JSC; IDGC of the North-West, JSC; Centre for Counting Optimization, JSC; IDGC of the Central and Volga Regions, JSC; IDGC of the Central Region, JSC; IDGC of the Volga Region, JSC; FOCL and OL Maintenance, JSC

#### ***Arkhipov Sergey Aleksandrovich***



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

Year of birth: 1967

Nationality: Russia

Higher education:

- The Alma-Atinsky Energy Institute, Major: Electric power systems and networks
- Extended education: Professional retraining in the Academy of National Economy under the Government of the Russian Federation, the course of study: "Company Development Management"
- Federal State Educational Institution of Continuing Professional Education "Institute for Advanced Studies of Executives and Experts of the Fuel and Energy Complex" (FGU "IPK TEK"), the course of study: "State Secret Protection Management"
- Academic degree: Ph. D. in Economics

Occupations (last 5 years):

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



### ***Branis Aleksandr Markovich***

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

Year of birth: 1977

Nationality: Russia

Higher education:

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

Occupations (last 5 years):

- Chief Investment Officer of Representative office of Prosperity Capital Management (RF) Ltd
- Private pension funds assets management specialist of Prosperity Capital Management, LLC
- Member of the Board of Directors of TGC-6, JSC; Yaroslavskaya Sales Company, JSC; Power Generating Company-4, JSC; Dalkhimfarm, JSC
- Director of the Analytical Department of Representative office of Prosperity Capital Management (RF) Ltd
- Member of the Board of Directors of Kalugaenergo, JSC, Yuzhtruboprovodstroy, JSC
- Member of the Board of Directors of Sevzapelectrossetstroy, JSC, Zavod "Saranskabel", JSC, IDGC of the Central Region, JSC, Bashkirenergo, JSC, Prokatmontazh, JSC, Novaya ERA, JSC
- General Director of Prosperity Capital Management, LLC
- Chairman of the Liquidation Committee of Prosperity Capital Management, LLC
- Member of the Board of Directors of Energosbyt, JSC, IDGC of the Central and Volga Regions, JSC



### ***Inozemtsev Vladimir Vyacheslavovich***

*Member of the Board of Directors of IDGC of the South, JSC,  
Head of the Department of Electric Power Transport and Energy Efficiency of IDGC Holding, JSC*

Year of birth: 1977

Nationality: Russia

Higher education:

- Omsk State Technical University, Major: Power supply of industry enterprises

Occupations (last 5 years):

- Head of the Department of Electric Power Transport of Omskenergo, JSC
- Head of the Administration for transport and power loss reduction at the Central Administration of Central Office of IDGC of FGC, UES, JSC
- Head of the Department of Electric Power Transport and Clients Relations of IDGC Holding, JSC
- Member of the Board of Directors of IDGC of the Central and Volga Regions, JSC, IDGC of Volga Region, JSC, IDGC of the North-West, JSC, Tumenenergo, JSC



### ***Mekhanoshin Boris Iosifovich***

*Deputy Chairman of the Board of Directors of IDGC of the South, JSC since 24 February 2012, Member of the  
Audit Committee of the Board of Directors of IDGC of the South, JSC,  
Deputy Director General, Technical Director of IDGC Holding, JSC*

Year of birth: 1950

Nationality: Russia

Higher education:

- The Moscow Energetic Institute

Occupations (last 5 years):

- General Director, Member of the Board of Director of OPTAN Group of Companies
- Member of the Board of Director of IDGC of the Central and Volga Regions, JSC, IDGC of Ural, JSC



### **Pankov Dmitry Leonidovich**

*Member of the Board of Directors of IDGC of the South, JSC, Member of the Audit Committee, the Reliability Committee of the Board of Directors of IDGC of the South, JSC,  
Director of Strategy, Development and Innovation of IDGC Holding, JSC*

Year of birth: 1971

Nationality: Russia

Higher education:

- Ivanovo State Power University, Major: Electric power systems and networks

Occupations (last 5 years):

- Deputy Technical Director, Head of the Department Of Network Exploitation Management of IDGC of the Central Region and North Caucasus, JSC
- Director for Exploitation and Repairs of IDGC of the Central Region, JSC
- Chairman of the Board of Directors of Research and Development Centre IDGC, JSC



### **Sannikov Aleksey Valerievich**

*Deputy Chairman of the Board of Director of IDGC of the South, JSC, till 24 February 2012,  
Member of the Management Board, Deputy Director General of IDGC Holding, JSC*

Year of birth: 1965

Nationality: Russia

Higher education:

- Nizhegorodskiy State University named after N.I. Lobachevskiy, Major: Radiophysics and electronics

Occupations (last 5 years):

- Director of the Department of Generation and Reformed Electric Energy Market of Atomenergoprom, JSC
- Member of the Board of Directors of Tumenenergo, JSC
- The President, Member of the Partnership Board of NP Energostroy
- Member of the Board of Directors of Kubanenergo, JSC



### **Filkin Roman Alekseevich**

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

Year of birth: 1983

Nationality: Russia

Higher education:

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

Occupations (last 5 years):

- Inspector of Prosperity Capital Management, LLC
- Director of Moscow Representative Office of Prosperity Capital Management Limited
- Deputy Director of the Representative Office of Prosperity Capital Management (RF) Ltd
- Member of the Board of Directors of Bank "Yuzhny region", JSC, Specsetstroy, JSC
- Member of the Board of Directors of Boilermaker (Plant) of the city of Taganrog "Krasny kotelshchik", JSC, Kurskenergosbyt, JSC, Voronezh Aircraft Production Association, JSC, Energy Supply Company of the city of Voronezh, JSC, Yaroslavskaya Sales Company, JSC, Energy Supply Company of the city of Arkhangelsk, JSC
- Member of the Board of Directors of Bashkirenergo, JSC, Dagestan Energy Sales Company, JSC, Dalenergomontazh, JSC, Energospesmontazh, JSC, NOVGORODSETSTROY, JSC, NOVAYA ERA, JSC, NOVGORODOBLKOMMUNELECTRO, JSC, Sevzapelectrosetstroy, JSC, SMOLENSKAYA POWER REPAIR COMPANY, JSC, Urengoytruboprovodstroy, JSC, Magadanenergo, JSC
- Member of the Board of Directors of IDGC of the Central and Volga Regions, JSC, PENZENSKAYA POWER REPAIR COMPANY, JSC, Territorial Generating Company-6, JSC, Tverskaya Energy Repair Company, JSC
- Member of the Board of Directors of Yuzhtruboprovodstroy, JSC, Tambovskaya Energy Sales Company, JSC
- Member of the Board of Directors of IDGC of the North-West, JSC, IDGC of the Central Region, JSC



### **Shevchuk Aleksandr Viktorovich**

*Member of the Board of Directors of IDGC of the South, JSC, member of the Audit Committee, Personnel and Remuneration Committee of IDGC of the North-West, JSC, the Strategy, Development, Investments and Restructuring Committee of the Board of Directors of IDGC of the South, JSC,  
Deputy Executive Director of non-profit organization Investor Protection Association*

Year of birth: 1983

Nationality: Russia

Higher education:

- The Finance Academy under the Government of the Russian Federation, qualification: Finance and Credit

Occupations (last 5 years):

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



### **Yurchuk Sergey Evgenievich**

*Member of the Board of Directors of IDGC of the South, JSC, Chairman of the Audit Committee of the Board of Directors, Chairman of the Strategy, Development, Investments and Restructuring Committee of the Board of Directors of IDGC of the South, JSC,  
Finance Director of IDGC Holding, JSC*

Year of birth: 1966

Nationality: Russia

Higher education:

- The Moscow State University named after M. V. Lomonosov, Major: Economy

Occupations (last 5 years):

- Director for Economics and Finance of "Severnaya verf" Shipbuilding Plant, JSC
- Deputy of Director General for Economics and Finance of Almaz-press, LLC
- Member of the Board of Directors of Lenenergo, JSC, MOESK, JSC, IDGC of the North-West, JSC, IDGC of Ural, JSC, Kubanenergo, JSC

### **Likhov Hasan Mushtafaevich**

*Member of the Board of Directors of IDGC of the South, JSC,  
Deputy Director of the Department of Economic Regulation and Property Relations in the Fuel-Energy Complex of the Ministry of Energy of the Russian Federation*

Year of birth: 1983

Nationality: Russia

Higher education:

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

Occupations (last 5 years):

- General Director of YUNK, LLC
- Consultant of the Administration of the Ministry of Justice of the Russian Federation for the Central Federal District
- Head of the Sales Department of the Federal Target Investment Programme (FTIP), Ministry of Energy of the Russian Federation
- Member of the Board of Directors of Kubanenergo, JSC

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

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

## Activity of the Board of Directors in 2011

During financial year 2011, 21 meetings of the Board of Directors have been held, 20 meetings of them were held by ballot which examined 300 questions.

Information on participation of the members in the meetings of the Board of Directors held in 2011:

2011 (up to 15.06)	8.02	05.03	06.04	14.04	18.04	28.04	30.05	8.06	14.06
N. N. Shvets									
G. F. Binko									
P. I. Okley									
D. O. Arkhimenko									
O. V. Zuykova									
M. S. Ivanov									
V. V. Ilyenko									
A. M. Kislyakov									
V. V. Kuznetsov									
S. A. Mikhaylov									
S. E. Yurchuk									

2011 (after 04.07)	8.07	29.07	24.08	29.08	16.09	18.10	19.10	15.11	07.12	23.12	26.12	30.12
A. Yu. Perepyolkin												
S. A. Arkhipov												
A. M. Branis												
V. V. Inozemtsev												
Kh. M. Likhov												
B. I. Mekhanoshin												
D. L. Pankov												
A. V. Sannikov												
R. A. Filkin												
A. V. Shevchuk												
S. E. Yurchuk												

 — participation in meeting

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

**In the sphere of development of the Company's Innovation Development Program (recognized as a priority area on 5 March 2011 (Minutes № 60/2011 of 9 March 2011)).**

On 5 March 2011, the Board of Directors of the Company delivered the decision on recognition of the development of the Company's Innovation Development Program as a priority area of activity of IDGC of the South, JSC. Within this area of activity, by the decision of the Board of Directors of 29 July 2011, the Innovation Development Program for IDGC of the South, JSC was approved.

R&D Plan-2011 stipulated the conclusion of contracts on 10 R&D projects for the total value of RUR 112.8 mln. The contracts on 8 were concluded (the total value of RUR 62.7 mln), the competitive negotiations on 2 R&D projects were carried out, and the winner, the Centre for Engineering Research and Development IDGC, LLC, was defined (the conclusion and implementation of these contracts are prescribed by the Company R&D Plan-2012).

Under 8 concluded contracts, the works were implemented and paid for on RUR 27.98 mln. In 2011, one R&D project was fully implemented (a neutral short-term bridging device operation test in 10 kV electric network based on reclosers).

The key activities of R&D Plan-2012 are the corporate information resource management system and improvement of the innovative activity management system. The essential component of R&D Plan-2012 realization is the financing mechanism of scientific research and experimental development activities, namely, the implementation of 14 R&D projects (9 R&D projects passing from 2011, and 5 new R&D projects) with the funding volume of RUR 192 mln.

**In the sphere of the interest rate determination for the coupon periods under the non-convertible interest-bearing documentary bonds of IDGC of the South, JSC (recognized as a priority area on 8 June 2011, Minutes № 66/2011 of 9 June 2011).**

During the reporting year, in order to determine the interest rate of the coupon periods under the non-convertible interest-bearing documentary bonds of IDGC of the South, JSC as a priority area of activity of the Company, by the decision of the Board of Directors of the Company of 8 June 2011, the interest rate was determined on the fifth coupon period, in the amount of no more than 8.6% per annum. It was also determined that the interest rate of coupon periods (from the sixth to the ninth periods) is equal to the interest rate of the fifth coupon period. As part of the measures taken in respect of the mentioned area of activity, the meetings with the investment community and the largest bond holders have been organized and carried out; the analysis of market and expectations of present and potential bond holders has been performed. On basis of the analysis results, the effective rate for the fifth and subsequent coupon periods was determined in the amount of 8.1% per annum.

**In the field of introduction of the internal control and risk management integrated system to IDGC of the South, JSC (recognized as a priority area on 14 June 2011, Minutes № 66/2011 of 16 June 2011).**

According to the recommendations of Audit Committee of official meeting held on 28 February 2011 concerning the issue

“On consideration of the efficiency of internal control procedures within IDGC of the South, JSC for 2010” at the Board of Directors of the Company meeting held on 14 June 2011, the introduction of the internal control and risk management integrated system to IDGC of the South, JSC was acknowledged as a priority area of the Company activity for 2011. In September 2011, as part of this area of activity, the Provisions on Control Environment and Business Processes Risks were approved: Provision on Control Environment and Business Process Risks the “Commercial accounting and power transmission services rendering”; Provision on Control Environment and Business Process Risks the “Purchasing Management”, Provision on Control Environment and Business Process Risks the “Technological connection services rendering”; Provision on Control Environment and Business Process Risks the “Operations” (Minutes № 66/2011 of 9 June 2011).

**In the field of introduction of the management system for the most important investment projects construction (recognized as a priority area on 19 October 2011, Minutes № 74/2011 of 21 October 2011).**

The Board of Directors of the Company recognized the management system for the most important investment projects construction as a priority area of activity. The primary goals of the introduction of the management system for the most important investment projects construction to IDGC of the South, JSC are following: the operative cooperation of all the services of IDGC of the South, JSC, as well as cooperation of suppliers and contracting agencies; the decisions approval process minimization; identification of the persons responsible for all the stages of the construction operations organization and completion of all the complex of works in full-scale; capital construction blocks optimization. Implementation of measures on the introduction of the management system for IDGC of the South, JSC, most important investment projects construction is aimed at optimization of the control over investment projects execution. The Company developed and approved Regulation on implementation of the management system for the Company most important investment projects construction.

At the end of 2011, the Company elaborated orders on the projects “Construction of the substation 110/10 kV pump station-3 with the 110 kV feeding lines of 110 kV overhead lines and reconstruction of 110 kV adjacent network” and “Construction of the substation 110/10 kV pump station-2 with the 110 kV overhead line entries and reconstruction of 110 kV adjacent network” opening. The corresponding charters of the projects were approved. The performance of works in accordance with the “Plan on organization of measures on the introduction of the management system for the most important investment projects construction by the Department of large investment projects management of IDGC of the South, JSC” is continuing.

**In the sphere of performance of mandatory energy audit of the objects of industrial and economic needs and the objects of power grid facilities of IDGC of the South, JSC in 2011–2012 (recognized as a priority area of activity on 19 October 2011, Minutes № 74/2011 of 21 October 2011).**

In order to implement the priority area of activity in respect of performance of mandatory energy audit of the objects of industrial

and economic needs and the objects of power grid facilities of IDGC of the South, JSC in 2011–2012, the Company has developed and approved the plan of measures aimed performance of the mandatory energy audit of the objects of industrial and economic needs and the objects of power grid facilities of IDGC of the South, JSC in 2011–2012. The Company submits the report on the course of the Plan implementation to the Board of Directors of IDGC of the South, JSC on the quarterly basis.

On the results of 2011, as part of performance of the energy audit of IDGC of the South, JSC, the contract on performance of energy audit of the objects of industrial and economic needs and the objects of power grid facilities of IDGC of the South, JSC has been approved by the Board of Directors of the Company (Minutes № 74/2011 of 19 October 2011) and concluded with the affiliated and dependent company of IDGC of the South, JSC — Energoser-vise Yuga, JSC. The works on the first stage have been performed as part of the contract; the energy audit of 942 administrative and economic objects (buildings and constructions) and the electric grid complex of 16 electricity distribution zones of IDGC of the South, JSC, subsidiaries has been carried out; the reports have been executed; the measures aimed at inclusion into the program for power conservation and power efficiency improving have been developed. Performance of energy audit of the electric grid complex of 40 distribution zones in the first quarter, and 50 distribution zones in the second quarter is planned for 2012; as well as the expert examination performance and reception of the Energy Performance Certificate by IDGC of the South, JSC are planned for December 2012; this conforms the requirements of the Federal legislation on energy conservation and power efficiency increase.

**As part of consolidation of grid assets (recognized as a priority area of activity on 16 September 2011, Minutes № 72/2011 of 19 September 2011).**

Under development of the given priority area of activity in IDGC of the South, JSC, the Program of consolidation of grid assets of IDGC of the South, JSC for the period of 2011–2015 has developed and approved by the decision delivered by the Board of Directors (Minutes of 21 October 2011 № 74/2011).

In order to eliminate disorganization and improve the reliability of the Company's distribution electric grid complex, the normative documents regulating the work on consolidation of the ownerless electrical networks located in the area of responsibility of the Company, and grid assets of outside organizations and citizens located on the territory of the substations 35 kV and above of IDGC of the South, JSC have been developed.

The revealed ownerless networks in quantity of 1010 objects, as well as the networks of outside organizations in quantity of 42 objects are included into the project of the Program of consolidation of grid assets of IDGC of the South, JSC for the period of 2012–2016.

As part of the measures planned by the Program of consolidation of grid assets of IDGC of the South, JSC for 2011–2015, the Company closed 11 transactions on purchase of the outside organizations power grid property for the total amount of RUR 170,664,000 in 2011. As a result of the purchase of the said property, the required gross revenue increase of IDGC of the South, JSC amounted to RUR 22,461,000.

In addition, it is important to note following **decisions, approved by the Board of Directors of the Company in 2011:**

- The executive body organizational structures of IDGC of the South, JSC were approved (Minutes № 59/2011 of 11 February 2011 and № 65/2011 of 1 June 2011),
- The shareholders proposals on including of questions into agenda of the annual General Meeting of the Company's shareholders, as well as proposals on nomination of candidates to the Company management and control bodies were considered (Minutes № 60/2011 of 9 March 2011),
- The budgets for the Board of Directors Committees of IDGC of the South, JSC for 2011 were approved (Minutes № 61/2011 of 8 April 2011),
- The Provision on Personnel and Remuneration Committee of the Board of Directors was amended (Minutes № 61/2011 of 8 April 2011),
- The Program for power conservation and power efficiency improving of IDGC the South, JSC for 2011–2015 was approved. (Minutes № 62/2011 of 15 April 2011),
- The Program of insurance coverage for IDGC of the South, JSC for 2011 was approved (Minutes № 62/2011 of 15 April 2011),
- As part of preparation for the extraordinary General Meeting of Shareholders of IDGC of the South, JSC, the decisions were made (Minutes № 63/2011 of 19 April 2011),
- As part of preparation for the annual General Meeting of Shareholders of IDGC of the South, JSC, the decisions were made (Minutes № 64/2011 of 29 April 2011),
- The Standard of the organization "Means of an individual protection against thermal influence of an electric arch" was approved. Requirements for choice and operation procedure to be carried out by the workers of IDGC of the South, JSC (Minutes № 65/2011 of 1 June 2011),
- The insurers for IDGC of the South, JSC were approved (Minutes № 67/2011 of 16 June 2011, № 70/2011 of 26 August 2011 and № 79/2011 of 12 January 2012),
- Alexey Yurievich Perepyolkin, the Member of the Management Board, the Deputy Director General in charge of Corporate Governance and Property of IDGC of the South, JSC, was elected as the Chairman of the Board of Directors of the Company (Minutes № 68/2011 of 8 July 2011),
- The powers and term of the labour contract with the General Director of IDGC of the South, JSC, Sergey Alexandrovich Arkhipov, were extended for one year and one month up to and including 8 August 2012 (Minutes № 68/2011 of 8 July 2011),
- The work plan for 2<sup>nd</sup> half of 2011 — 1<sup>st</sup> half of 2012 was approved by the Board of Directors of IDGC of the South, JSC (Minutes № 69/2011 of 1 August 2011),
- The Innovation Development Program for IDGC the South, JSC was approved (Minutes № 69/2011 of 1 August 2011),
- The members of Audit Committee, Strategy, Development, Investments and Restructuring Committee, Reliability Committee, Personnel and Remuneration Committee, as well as Committee on Technological Connection to the Electric Grids at the Board of Directors of IDGC of the South, JSC, as well as their Chairmen were elected (Minutes № 69/2011 of 1 August 2011),
- It is recognized as the Company priority area of activity that the Company is to maintain the reliability and quality level of the services rendered in accordance with regulations, as it was established by the executive bodies of the constituent entities

of the Russian Federation engaged in state tariff regulation (Minutes № 72/2011 of 19 September 2011),

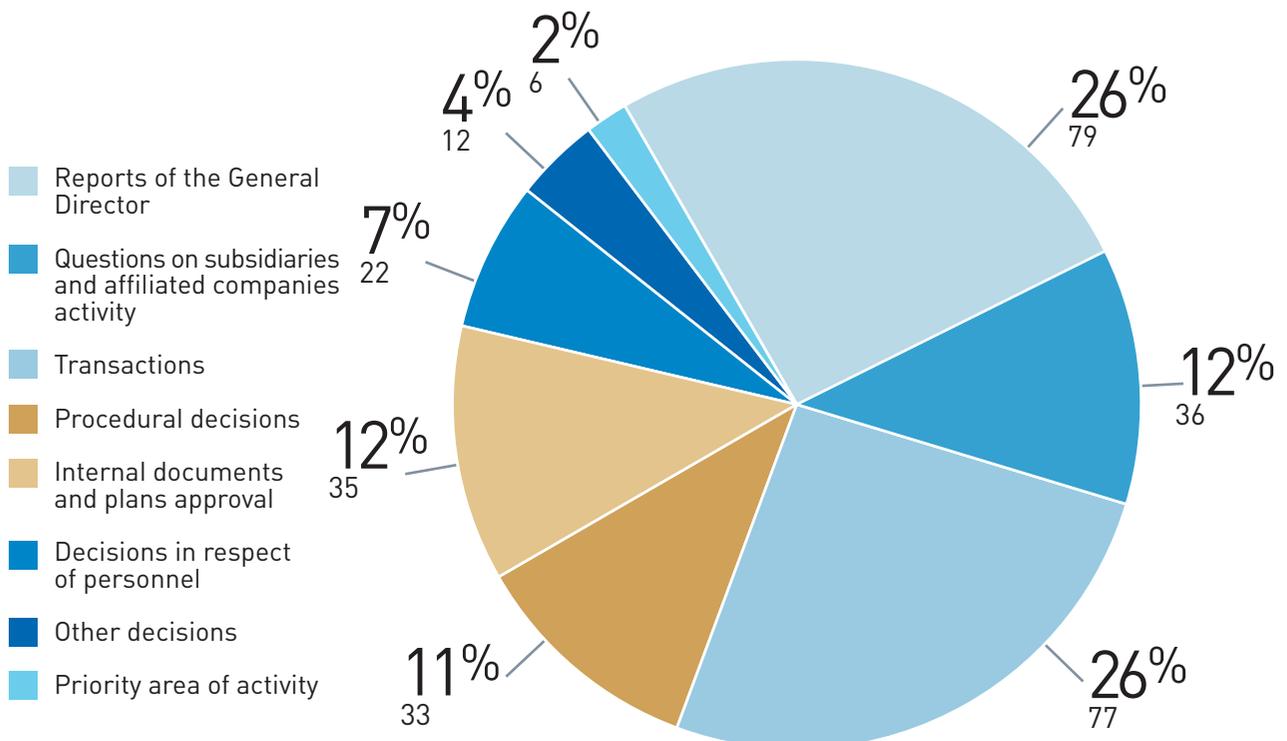
- The adjusted Program for power conservation and power efficiency improving of IDGC the South, JSC for 2011–2015 was approved. (Minutes № 72/2011 of 19 September 2011),
- The Standard of IDGC of the South, JSC “Centralized Customer Services System” was approved (Minutes № 72/2011 of 19 September 2011),
- The cancellation of the Company participation in Electric Power Innovations, NP was approved (Minutes № 72/2011 of 19 September 2011),
- The Standard of the organization on technical policy on electricity accounting in the distribution electric grid complex of IDGC of the South, JSC was approved. (Minutes № 72/2011 of 19 September 2011),
- The Provision on Insider Information of IDGC of the South, JSC was approved as amended (Minutes № 78/2011 of 29 December 2011),
- The Provision on the procedure for regulated procurements of goods, works and services for the needs of IDGC of the South, JSC was approved as amended (Minutes № 78/2011 of 29 December 2011),
- The business plan (including the investment program) of the Company for 2012, the adjusted plan of measures aimed at financial restructuring of IDGC of the South, JSC for 2012, and the plan of measures aimed at financial restructuring of IDGC

of the South, JSC for 2013–2016 were approved. (Minutes № 79/2011 of 12 January 2011),

- The target values of annual and quarterly key performance indicators (KPI) of the Company for 2012 were approved (Protocol № 79/2011 of 12 January 2012),
- The Program for power conservation and power efficiency improving of IDGC of the South, JSC for 2012 and the forecast for 2013–2016 were approved. (Minutes № 79/2011 of 12 January 2012),
- The calculation and estimation procedure for implementation of KPI “Lowering of expenditures on goods (works/services) on a per-unit basis no more than 10 percent per year in the course of three years in real terms measured in 2010” was approved for the General Director of the Company. (Minutes № 79/2011 of 12 January 2012).

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

### Analysis of the decisions made by the members of the Board of Directors in 2011



## Calculation of the amount of remuneration for the members of the Board of Directors of the Company in accordance with the Provision on remuneration and compensations for the members of the Board of Directors of IDGC of the South, JSC

Period	Calculation of the amount of remuneration for the member of the Board of Directors IDGC of the South, JSC for participation in one meeting (including Personal Income Tax, 13%)				Approximate annual remuneration amount for one member of the Board of Directors, RUR
	Amount of Minimum Monthly Tariff Rate, RUR	in absentia, RUR (8 of Minimum Monthly Tariff Rate)	In the form of physical meeting, RUR (10 of Minimum Monthly Tariff Rate)	For functions of Chairman	
<b>2011</b>					
1 <sup>st</sup> half	4,207	33,656	42,070	Increases by 50%	<b>674,472</b>
2 <sup>nd</sup> half	4,367	34,936	43,670		
3 <sup>rd</sup> half	4,417	35,336	44,170		
4 <sup>th</sup> half	4,417	35,336	44,170		
<b>Cumulative remuneration to the members of the Board of Directors for 2011 amounted to RUR 7,081,960.</b>					

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

In 2011, the training of the members of the Board of Directors of the Company was not conducted.

### Corporate Secretary of the Company

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

The Corporate Secretary of the Company is guided by the Federal Law "On Joint-Stock Companies", other regulations of the Russian Federation, the Charter and the internal documents

of the Company, as well as by [the Provision on the Corporate Secretary of IDGC of the South, JSC](#) (as amended), approved by the decision delivered by the Board of Directors of the Company (Minutes №34/2009 of 14 September 2009).

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

During financial year 2011, the functions of the Corporate Secretary of the Company were exercised by the elected on 25 June 2010 by the Board of Directors of the Company and re-elected on 18 April 2011 (Minutes №63/2011 of 19 April 2011) and on 28 April 2011 (Minutes №64/2011 of 29 April 2011):

#### ***Kantsurov Andrey Anatolievich***

*The Corporate Secretary of the Company,*

*The Deputy Head of the Department for Corporate Governance and Shareholder Relations of IDGC of the South, JSC*

Year of Birth: 1974

Nationality: Russia

Higher education:

- The Kuban State University, Major: Law

Occupations (last 5 years):

- Leading expert of the corporate relations department of Kubanenergo, JSC; Member of the Board of Directors of the Base recreation Energetic, JSC
- The Deputy Head of the Department for corporate governance organization and restructuring of the Corporate management department of IDGC of the South, JSC
- The Deputy Head of the Department for Corporate Governance and Shareholder Relations — the Head of the Department for corporate governance organization and restructuring of IDGC of the South, JSC



The remuneration shall be paid to the Corporate Secretary in accordance with the terms and conditions determined by the Provision on the Corporate Secretary of IDGC of the South, JSC, and the contract for the Corporate Secretary functions execution.

## COMMITTEES OF THE BOARD OF DIRECTORS OF IDGC OF THE SOUTH, JSC

In 2009, five Committees of the Board of Directors of the Company were organized at the Board of Directors of the Company:

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

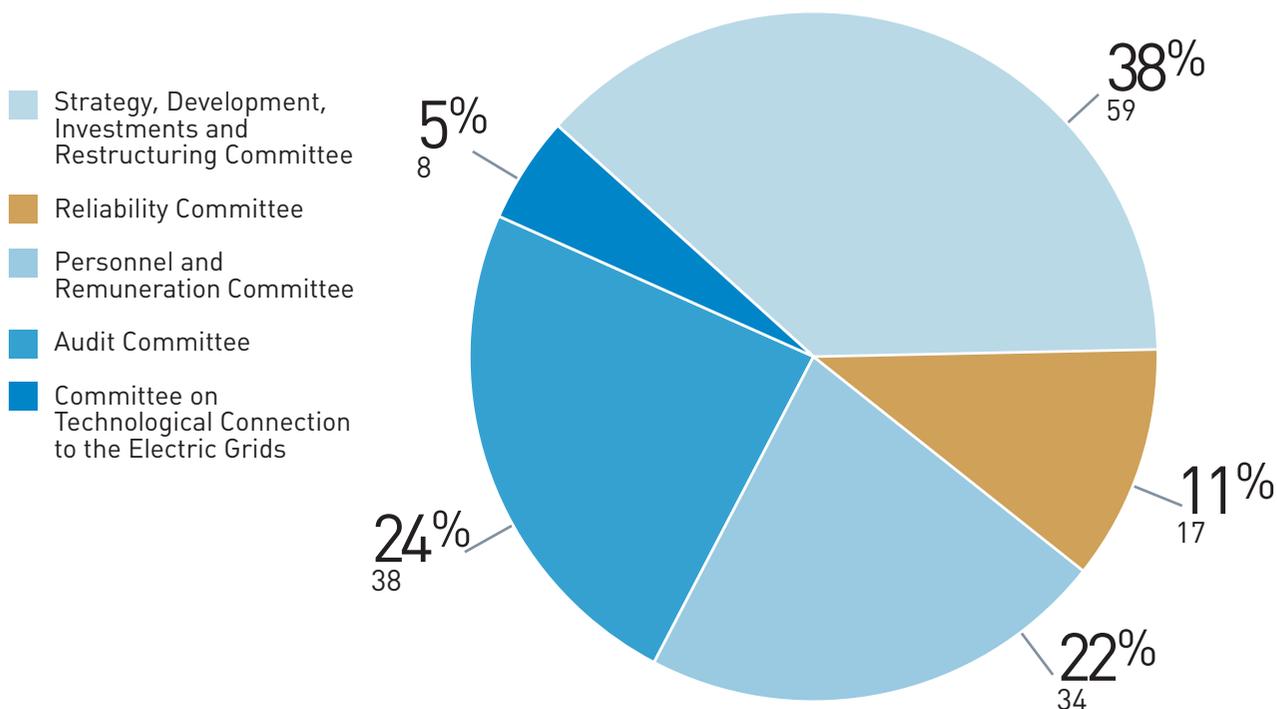
In accordance with the approved provisions on committees, the members of the committees shall be elected for a term till re-election of the Board of Directors of the Company's with new composition (as for Reliability Committee) and till the first meeting of the Board of Directors of the Company with new composition (as for the other four committees).

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

According to the provisions on the committees, the Company's Corporate Secretary exercise the functions of the Secretaries of the Committees, unless the decisions of the committees provide otherwise. The meetings of all the five committees resulted in the election of the Secretaries of the Committees.

In 2011, the Committees activity was performed under the leadership of two compositions. During the financial year, 51 meetings of the Committees with examination of more than 155 questions have been held.

### Activity of the Committees of the Board of Directors of the Company in 2011



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

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

The Committee performs its activity in accordance with the Provision on the Committee on Technological Connection to the Electric Grids at the Board of Directors of IDGC of the South, JSC approved by the decision of the Board of Directors on 09 February 2009 (Minutes of 11 February 2009 №22/2009) which is available on the web-site of the Company on Internet.

**The first Committee composition** was elected on the meeting of the Board of Directors on 27 July 2010 (Minutes №51/2010

of 30 July 2010) and acted till the first meeting of the Board of Directors in the new composition (i.e. till 8 July 2011) with the following members: Ivanov Maksim Sergeevich (the Chairman of the Committee and a member of the Board of Directors of IDGC of the South, JSC at the same time), Binko Gennadiy Feliksovich (a member of the Board of Directors of IDGC of the South, JSC at the same time), Brizhan' Vitaliy Vasilievich, Kostetskiy Vyacheslav Yurievich, StepanyanYuriy Aykazovich.

**The second Committee composition** was elected on the meeting of the Board of Directors held on 29 July 2011 (Minutes №69/2011 of 01 August 2011) with amendments of 16 September 2011 (Minutes №72/2011 of 19 June 2011) and of 23 December 2011 (Minutes №77/2011 of 26 December 2011):

Committee Member Full Name	Title as of the time of election
<b>Spirin Denis Aleksandrovich</b> , the Chairman of the Committee	Director of Corporate Management of the Representative Office of Prosperity Capital Management (RF) Ltd.
<b>Samarchenko Olga Petrovna</b> , the Deputy Chairman	Deputy General Director on development and rendering of services of IDGC of the South, JSC
<b>Brizhan' Vitaliy Vasilievich</b> (to 16 September 2011)	Deputy General Director in charge of Corporate Management of IDGC of the South, JSC till 15 August 2011
<b>Reshetnikov Mikhail Yurievich</b> (from 16 September 2011 to 26 December 2011)	Head of the Legal Support Department of IDGC of the South, JSC
<b>Karpenko Vadim Vladimirovich</b> (from 26 December 2011 to the present day)	Deputy General Director in charge of Corporate Management of IDGC of the South, JSC
<b>Pokrovskiy Sergey Vladimirovich</b>	Expert of the Investor Protection Association
<b>Pyatigor Aleksander Mikhailovich</b>	Head of the Department of Perspective Development and Technological Connection of IDGC Holding, JSC

### Information on the Committee's Activities and Main Decisions

During the financial year, Committee on Technological Connection to the Electric Grids at the Board of Directors of IDGC of the South, JSC held 4 meetings (all in absentia) and discussed 8 questions. In 2012 there were taken into consideration the results of monitoring of activities in the sphere of technological connection of consumers to distribution electric grids, including

contract work and the general statistics of connection procedure including individual groups; in addition, the Plan of activities was accepted and the proposals for the budget size for the Committee on Technological Connection to the Electric Grids at the Board of Directors of IDGC of the South, JSC.

## Audit Committee of IDGC of the South, JSC

The main task of the Committee is to develop and provide recommendations (conclusions) to the Board of Directors about the company's audit and accountancy.

The Committee operates in compliance with the Provision on Audit Committee of the Board of Directors of IDGC of the South, JSC in the new edition approved by the Board of Directors (Minutes № 52/2010 of 6 August 2010) and published on the web-site of the Company on the Internet.

Personal composition of the Committee of the Board of Directors was in full compliance with the requirements of MICEX, CJSC trade organizer to maintain securities of the Company in "Б" quotation list.

**The first Committee composition** was elected at the meeting of the Board of Directors of IDGC of the South, JSC on 27 July 2010 (Minutes № 51/2010 of 30 July 2010) and operated till the first meeting of the Board of Directors of the Company in the new composition (i.e. till 8 July 2011) with the following members: Yurchuk Sergey Yevgenievich (the Chairman of the Committee), Binko Gennadiy Feliksovich, Akhrimenko Dmitriy Olegovich, and Mikhailov Sergey Anatolievich. All the members of the Committee were the members of the Company's Board of Directors at the same time.

**The second Committee composition** was elected at the meeting of the Board of Directors of IDGC of the South, JSC on 29 July 2011 (Minutes № 69/2011 of 1 August 2011):

Committee Member Full Name	Title as of the time of election
<b>Yurchuk Sergey Evgenievich</b> , the Chairman of the Committee	Financial Director of IDGC Holding, JSC, a member of the Board of Directors of IDGC of the South, JSC
<b>Mekhanoshin Boris Iosifovich</b> , the Deputy Chairman	Deputy Director General — Technical Director of IDGC Holding, JSC, member of the Board of Directors of IDGC of the South, JSC
<b>Pankov Dmitry Leonidovich</b>	Director of Strategy, Development and Innovation in IDGC Holding, JSC, a member of the Board of Directors of IDGC of the South, JSC, the Independent Director of IDGC of the South, JSC
<b>Filkin Roman Alekseevich</b>	Co-director, electric power industry, engineering industry of Representative Office of Prosperity Capital Management (RF) Ltd., a member of the Board of Directors of IDGC of the South, JSC
<b>Shevchuk Aleksandr Viktorovich</b>	Deputy Executive Director of Investors Protection Association, a member of the Board of Directors of IDGC of the South, JSC

### Information on the Committee's Activities and Main Decisions

During the financial year, Audit Committee at the Board of Directors of IDGC of the South, JSC held 11 meetings (9 of them in absentia, 2 in the form of physical meeting) and discussed 38 questions.

Among the most important decisions made by the Committee in 2011 it is necessary to point out the following:

- Annual financial statements of the Company prepared in accordance with Russian Accounting Standards for 2010 were adopted beforehand as well as the Annual Report of the Company for 2010,
- The Provision on Insider Information of IDGC of the South, JSC was approved as amended,
- The Proposals for the budget size for Audit Committee of the Board of Directors of IDGC of the South, JSC for 2012 were organized,
- The reports on the working results of the Department of Internal Audit and Risk Management were examined,
- The recommendations on validation of the Provisions on Control Environment and Business Process Risks were given to the Board of Directors of the Company.

## Personnel and Remuneration Committee of IDGC of the South, JSC

Personnel and Remuneration Committee is an advisory and consultative body ensuring that the Board of Directors is effectively performing its functions in overall management of the Company.

The main task of the Committee is to develop and provide the Board of Directors with recommendations (conclusions) on remunerations to be paid to the members of the Board of Directors of the Company, on determination of significant terms of contracts with the members of the Board of Directors, the members of the collegial executive body and the person acting as the sole executive body of the Company.

The competencies and the procedures for convening and holding meetings of the Committee are defined by the Provision on Personnel and Remuneration Committee of the Board of Directors of IDGC of the South, JSC in the new edition, as approved by the Board of Directors of the Company on 6 April 2011 (Minutes

№61/2011 of 8 April 2011) and published on the web-site of the Company on the Internet.

**The first Committee composition** was elected at the meeting of the Board of Directors of IDGC of the South, JSC on 27 July 2010 (Minutes №51/2010 of 30 July 2010) and operated till the first meeting of the Board of Directors of the Company in the new composition (i.e. till 8 July 2011) with the following members: Lutskovich Victor Yevgenievich (the Chairman of the Committee), Erpsher Natalia Iljinichna, Akhrimenko Dmitriy Olegovich (was a member of the Board of Directors of IDGC of the South, JSC at the same time), Gricenko Pavel Nikolaevich, and Ivanov Maksim Sergeevich (was a member of the Board of Directors of IDGC of the South, JSC at the same time).

**The second Committee composition** was elected at the meeting of the Board of Directors of IDGC of the South, JSC on 29 July 2011 (Minutes №69/2011 of 1 August 2011):

Committee Member Full Name	Title as of the time of election
<b>Lutskovich Victor Yevgenievich</b> , the Chairman of the Committee	Deputy Head of Human Resources Management Department, the Head of Remuneration and Motivation Department of IDGC Holding, JSC
<b>Erpsher Natalia Iljinichna</b> , the Deputy Chairman	Head of Directorate for Organizational Development of IDGC Holding, JSC
<b>Gracheva Irina Anatolievna</b>	Head of Securities Department of the Department for Corporate Governance and Shareholder Relations of IDGC Holding, JSC
<b>Spirin Denis Aleksandrovich</b>	Director of Corporate Management of the Representative Office of Prosperity Capital Management (RF) Ltd.
<b>Masalova Svetlana Nikolaevna</b>	The Leading Expert of Directorate for Organizational Development of IDGC Holding, JSC
<b>Shevchuk Aleksandr Viktorovich</b>	Deputy Executive Director of Investor Protection Association, a member of the Board of Directors of IDGC of the South, JSC

### Information on the Committee's Activities and Main Decisions

During the financial year, Personnel and Remuneration Committee held 15 meetings (one meeting was held in person and in absentia) and discussed 35 questions, including:

- The organizational structures of the Company executive body and administration of the subsidiary offices of the Company were examined beforehand (Minutes № 17 of 18 May 2011),
- The Provision on Remunerative Incentives for the General Director of IDGC of the South, JSC and the Provision on Remunerative Incentives and Social Package for the Top Management of IDGC of the South, JSC were approved as amended (Minutes № 18 of 6 June 2011),
- The Provision on Talent Pool Consolidating Young Specialists of IDGC of the South, JSC was approved (Minutes № 20 of 24 June 2011),
- The Board of Directors of IDGC of the South, JSC was given recommendation to extend its authority and extend the term of the labour contract concluded with the General Director of IDGC of the South, JSC, Arkhipov Sergey Aleksandrovich, for one year and one month up to and including 8 August 2012 (Minutes № 21 of 7 July 2011).

## Strategy, Development, Investments and Restructuring Committee of the Board of Directors of IDGC of the South, JSC

The main task of Strategy, Development, Investments and Restructuring Committee is to develop and provide the Board of Directors with recommendations (conclusions) on identification of the priority areas of activity, strategic goals, and basic principles of the Company strategic development

The competencies and the procedures for convening and holding meetings of the Committee are defined by the Provision on Strategy, Development, Investments and Restructuring Committee of the Board of Directors of IDGC of the South JSC in the new edition, as approved by the Board of Directors of the Company on 1 December 2009 (Minutes № 37/2009 of 4 December 2009) and published on the web-site of the Company on the Internet.

**The first Committee composition** was elected at the meeting of the Board of Directors of IDGC of the South, JSC on 27 July

2010 (Minutes № 51/2010 of 30 July 2010) and operated till the first meeting of the Board of Directors of the Company in the new composition (i.e. till 8 July 2011) with the following members: Yurchuk Sergey Yevgenievich (the Chairman of the Committee, a member of the Board of Directors of IDGC of the South, JSC), Inozemtsev Vladimir Vyacheslavovich, Mikhailov Sergey Anatolievich (was a member of the Board of Directors of IDGC of the South, JSC at the same time), Ivanov Maksim Sergeevich (was a member of the Board of Directors of IDGC of the South, JSC at the same time), Katina Anna Yurievna, Martsinkovsky Gennady Olegovich, and Solomatina Svetlana Sergeevna.

**The second Committee composition** was elected at the meeting of the Board of Directors of IDGC of the South, JSC on 29 July 2011 (Minutes № 69/2011 of 1 August 2011):

Committee Member Full Name	Title as of the time of election
<b>Yurchuk Sergey Yevgenievich</b> , the Chairman of the Committee	The Financial Director of IDGC Holding, JSC, a member of the Board of Directors of IDGC of the South, JSC
<b>Pavlov Vadim Alekseevich</b> , the Deputy Chairman	Head of Strategy, Development and Innovations Centre of IDGC Holding, JSC
<b>Balaeva Svetlana Aleksandrovna</b>	Head of the Department for Investments of IDGC Holding, JSC
<b>Vashkevich Vladimir Frantishkovich</b>	Deputy Director General in charge of capital development of IDGC of the South, JSC
<b>Perepyolkin Aleksey Yurievich</b>	A member of the Management Board, Deputy Director General for in charge of Corporate Governance and Property of IDGC Holding, JSC, a member of the Board of Directors of IDGC of the South, JSC
<b>Filkin Roman Alekseevich</b>	Co-director, electric power industry, engineering industry of Representative Office of Prosperity Capital Management (RF) Ltd., a member of the Board of Directors in IDGC of the South, JSC
<b>Tsiku Ruslan Kimovich</b>	Head of the Department of Business Planning of IDGC Holding, JSC
<b>Shevchuk Aleksandr Viktorovich</b>	Deputy Executive Director of Investor Protection Association, a member of the Board of Directors of IDGC of the South, JSC

### Information on the Committee's Activities and Main Decisions

In 2011, Strategy, Development, Investments and Restructuring Committee held 14 meetings (two meeting were held in person and in absentia) and discussed 59 questions, including:

- The Board of Directors of the Company was given recommendations on identification of the priority areas of activity of the Company (Minutes № 19 of 2 March 2011, № 21 of 27 May 2011, and № 22 of 10 June 2011),
- The Innovation Development Program for IDGC of the South, JSC, as well as the Annual Integrated Program of Procurement of IDGC of the South, JSC for 2011 (Minutes № 22 of 10 June 2011) were approved beforehand,
- The Standard on Technical Policy on Electricity Accounting in the Distribution Electric Grid Complex of IDGC of the South, JSC (Minutes № 28 of 7 December 2011) was approved,
- The Board of Directors of IDGC of the South, JSC was given recommendation to approve the business plan (including the investment program) of the Company for 2012, the adjusted plan of measures aimed at financial restructuring of IDGC of the South, JSC for 2012, and the plan of measures aimed at financial restructuring of IDGC of the South, JSC for 2013–2016 (Minutes № 30 of 29 December 2011).

## Reliability Committee of IDGC of the South, JSC

The main task of Reliability Committee of the Board of Directors of IDGC of the South, JSC is to develop and provide the Board of Directors with recommendations (conclusions) on performance of expertise of investment programs and plans for repair of power facilities, as well as analysis of their implementation from the point of view of complex reliability requirements, and also on submission of information on conditions of energy facilities capital assets of the Company to the Board of Directors on quarterly basis.

The competencies and the procedures for convening and holding meetings of the Committee are defined by the Provision on Reliability Committee of the Board of Directors of IDGC of the South, JSC in the new edition, as approved by the Board of Directors of the Company on 1 December 2009 (Minutes №37/2009 of 4 December 2009) and published on the web-site of the Company on the Internet.

**The first Committee composition** was elected at the meeting of the Board of Directors of IDGC of the South, JSC on 27 July 2010 (Minutes № 51/2010 of 30 July 2010) and operated till the first meeting of the Board of Directors of the Company in the new composition (i.e. till 15 June 2011) with the following members: Shpilevoy Sergey Vladimirovich (the Chairman of the Committee), Sultanov Georgy Akhmedovich, Anatskiy Sergey Vladimirovich, Antipov Sergey Anatolievich, Ilyushin Pavel Vladimirovich, Podlutskiy Sergey Vasilievich Sysoyev Sergey Anatolievich.

**The second Committee composition** was elected at the meeting of the Board of Directors of IDGC of the South, JSC on 29 July 2011 (Minutes №69/2011 of 1 August 2011):

Committee Member Full Name	Title as of the time of election
<b>Shpilevoy Sergey Vladimirovich</b> , the Chairman of the Committee	Deputy Head of the Directorate for Production Control and Labour Protection of IDGC of the South, JSC
<b>Syzov Vyacheslav Victorovich</b> , the Deputy Chairman	Deputy Chief Operating Officer of IDGC of the South, JSC
<b>Bespalov Aleksandr Vasilievich</b>	Head of the Division for Investment Projects and Cost Estimate of the Department of Capital Construction of IDGC Holding, JSC
<b>Ilyushin Pavel Vladimirovich</b>	Deputy Head of Department for Operation Organization and Maintenance and Repair of Equipment of IDGC Holding, JSC
<b>Mikhalevich Sergey Gennadievich</b>	Head of Effective Investments Division of the Economics Department of IDGC of the South, JSC
<b>Pankov Dmitry Leonidovich</b>	The Director in charge of Strategy, Development and Restructuring of IDGC Holding, JSC, a member of the Board of Directors of IDGC of the South, JSC
<b>Pokrovskiy Sergey Vadimovich</b>	Expert of the Investor Protection Association

### Information on the Committee's Activities and Main Decisions

In 2011, Reliability Committee held 7 meetings and discussed 17 questions, including:

- The Standard of the organization "Means of an individual protection against thermal influence of an electric arch. Requirements for choice and operation procedure to be carried out by the workers of IDGC of the South, JSC" (Minutes №9 of 24 March 2011) was approved beforehand,
- The Board of Directors of IDGC of the South, JSC was given recommendation on the agenda question "On examination of the General Director of IDGC of the South, JSC report on overhead lines protection zones adjustment to standard values" (Minutes № 11 of 5 August 2011),
- Quarterly examination of information on conditions of the capital assets for the Board of Directors of the Company.

All of the Committees of the Board of Directors have been acting on the basis of the Work Plans for 2011.

During the financial year, the chairmen and the members of the Committees held regular working meetings with the Company top management, heads of business units of the executive body involved into business-planning process and development of strategy for IDGC of the South, JSC.

The official meetings of the Committees were attended by external.

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

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

On 3 February 2010, the corresponding Provisions on remuneration and compensation for the members of the Committees of the Board of Directors of the Company were approved in respect of all the Committees at the meeting of the Board of Directors of the Company (Minutes №39/2010 of 5 February 2010).

## Calculation of the amount of remuneration for the members of the Committees of the Board of Directors in accordance with the Provision on remuneration and compensation for the members of the Committees of the Board of Directors of IDGC of the South, JSC

Period	Amount of Minimum Monthly Tariff Rate, RUR	Amount of remuneration for the member of the Board of Directors Committee of IDGC of the South, JSC for participation in one meeting (including Personal Income Tax, 13%)			Approximate annual remuneration amount for one member of the Board of Directors Committee, RUR
		In absentia, RUR (1 Minimum Monthly Tariff Rate)	In the form of physical meeting, RUR (2 Minimum Monthly Tariff Rate)	For functions of Chairman	
<b>2011</b>					
1 <sup>st</sup> half	4,207	4,207	8,414	Increases by 50 %	<b>48,218</b>
2 <sup>nd</sup> half	4,367	4,367	8,734		
3 <sup>rd</sup> half	4,417	4,417	8,834		
4 <sup>th</sup> half	4,417	4,417	8,834		
<b>Cumulative remuneration to the members of the Committees of the Board of Directors for 2011 amounted to RUR 1,470,657</b>					

Amount of remuneration paid to the secretaries of the Committees of the Board of Directors for every session in the form of physical meeting is equivalent to 1 (one) Minimum Monthly Tariff Rate as of the day when the meeting is held, in absentia — to 0.5 (one half) Minimum Monthly Tariff Rate.

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

You may find full reports on the decisions made at the meetings of the Committees on the web-site of IDGC of the South, JSC on the Internet: [http://www.mrsk-yuga.ru/corporate\\_management/kom\\_sov\\_direct](http://www.mrsk-yuga.ru/corporate_management/kom_sov_direct).

## Executive Bodies of IDGC of the South, JSC

Management of the current activities of the Company is done by one sole executive body — the General Director and a collegial executive body — the Management Board, which are accountable to the General Meeting of Shareholder and the Board of Directors of the Company.

## The Management Board of IDGC of the South, JSC

The Management Board of the Company is a collegial executive body of the Company responsible for implementation of ideas and development and policy strategy of the Company. In accordance with the Charter of IDGC of the South, JSC, a Chairman of the Management Board is a General Director of the Company.

The Management Board of the Company acts in the interests of the Company, regulating by the decisions made at the General Meeting of Shareholders and the Board of Directors, as provided by the legislation of the Russian Federation, the Charter of IDGC of the South, JSC, the Provision on the Management Board of IDGC of the South, JSC approved by the decision delivered at the annual General Meeting of Shareholders of the Company on 15 June 2011 (Minutes № 5 of 17 June 2011), and other internal documents of the Company.

In accordance with the current Russian legislation and Article 22 of the Charter of IDGC of the South, JSC, the questions concerning the Company's activity are among the competencies of the Management Board of the Company.

According to § 22.2 (5) Article 22 of the Charter of IDGC of the South, JSC, the Management Board of the Company takes decisions on the problems that are in competencies of the top management bodies of the Company — General Meetings of Shareholders, the business entities, 100 per cent of authorized capital stock of which belong to IDGC of the South, JSC.

The number of members of the Management Board of the Company, their election, establishment of remuneration and compensation to be paid to them, termination of their authorities on an early basis — these are all the decisions to be taken by the Board of Directors of the Company.

For the first time in 2011, the Company made its own Calendar of corporate events for 2011 in order to ensure timely preparation of materials for examination at the meetings of the Management Board and the Board of Directors of IDGC of the South, JSC.

The functions of the Management Board shall be carried out by the Corporate Secretary.



## The Members of the Management Board of IDGC of the South, JSC as of 31 December 2011:

### **Arkhipov Sergey Aleksandrovich**



*The Chairman of the Management Board of IDGC of the South, JSC from 9 July 2010,  
The General Director of IDGC of the South, JSC, Member of the Board of Directors.*

Year of birth: 1967

Nationality: Russia

Higher education:

- The Alma-Atinsky Energy Institute, Major: Electric power systems and networks.
- Extended education: Professional retraining in the Academy of National Economy under the Government of the Russian Federation, the course of study: "Company Development Management".
- Federal State Educational Institution of Continuing Professional Education "Institute for Advanced Studies of Executives and Experts of the Fuel and Energy Complex" (FGU "IPK TEK"), the course of study: "State Secret Protection Management".
- Academic degree: Ph. D. in Economics.

Occupations (last 5 years):

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

### **Akilin Pavel Evgenievich**



*A Member of the Management Board of IDGC of the South, JSC from 24 December 2010, The Deputy Chairman  
of the Management Board from 27 September 2011,  
The Deputy General Director for Economics and Finance of IDGC of the South, JSC*

Year of birth: 1975

Nationality: Russia

Higher education:

- The Izhevsk State Technical University, Major: Economics and management of Company.
- The State Educational Institution of Higher Professional Education "The State University of Management", the course of study: "MBA-Company Management" with the assignment of an additional qualification of "Master of Business Administration (MBA)".

Occupations (last 5 years):

- The Deputy Director General for Economics of Udmurtenergo, JSC.
- The Deputy Director for Economics, Deputy Director for Economics and Finance in Verkhnevolzhsk subsidiary of IDGC of the Central Region and the North Caucasus, JSC.
- The Deputy Director General for Economics of Lenenergo Open Joint-Stock Company of Power Industry and Electrification.
- The Deputy Director General for Economics of Pavlovoenergo, Ltd.
- The Deputy Director for Economics and Finance in the Subsidiary of IDGC of the Central Region, JSC, Tverenergo.
- The Director of Economics of IDGC of the Central Region, JSC.

### **Alaev Timur Ulyumdzhievich**



*A Member of the Management Board of IDGC of the South, JSC from 16 September 2011,  
The Deputy Director General — the Director of the Subsidiary of IDGC of the South, JSC — Kalmenergo*

Year of birth: 1971

Nationality: Russia

Higher education:

- The Novocherkassk Polytechnic Institute named after Sergo Ordzhonikidze, Major — Automatic control of power systems, qualification — Electric Engineer.
- The National Academy of Professional Retraining for the Managers and Investment Specialists, the course of study: Ensuring safety of environment for managers and specialists of general economic management systems.
- The Federal State Educational Institution of continuing vocational training — the Interdisciplinary Institute of advanced training and retraining of managers and specialists of the Russian Academy of Economics under the name of G. V. Plekhanov, the Federal program — Managerial Human Resources management training, Major — Strategic Management, graduated with the right to carry out professional activity in the field of management.

Occupations (last 5 years):

- The First Deputy Managing Director — Chief Engineer of Kalmenergo, JSC.
- The Deputy Director General in charge of Technical Affairs — the Chief Engineer of Kalmenergo, JSC, a member of the Board of IDGC of the South, JSC.



### **Vashkevich Vladimir Frantishkovich**

*A Member of the Management Board of IDGC of the South, JSC from 30 May 2011,  
The Deputy General Director on Capital Construction of IDGC of the South, JSC, A Member of the Strategy,  
Development, Investments and Restructuring Committee of the Board of Directors of IDGC of the South, JSC*

Year of birth: 1972

Nationality: Russia

Higher education:

- The Leningrad Higher Military and Political Academy of AIR defence named after Yu. V. Andropov, Major — Command, tactical air defence.
- The Saint Petersburg State University, Major — Law.
- The Saint Petersburg Finance and Economics College, major — Finance, qualification — attorney.
- The Kuban State Technical University, Major — Power supply (the study is continuing).

Occupations (last 5 years):

- The Deputy Head of the Steel Works and Construction Materials Department of Gazkomplektimpeks, LLC.
- The Head of Sales and Marketing Department, the Director of Management and Contractual Work of Gazavtomatika, JSC.
- The Deputy Director General in charge of Material and Technical Resources, the acting General Director of Elektrogaz, JSC.
- The Deputy Director General in charge of Logistics and Maintenance Support of Elektrogaz, JSC.
- The Deputy Director General in charge of General Affairs of Elektrogaz, JSC.
- The Acting Deputy Director General of IDGC of the South, JSC.



### **Vosmirko Aleksandr Vladimirovich**

*A Member of the Management Board of IDGC of the South, JSC from 1 September 2010,  
The Deputy Director General in charge of Security and Controlling of IDGC of the South, JSC*

Year of birth: 1959

Nationality: Russia

Higher education:

- Military Policy Institution for Border Officers under KGB of the USSR named after K.E. Voroshilov; Major — “Military Policy, General Forces”; Qualification — “Military Officer of Higher Military and Political Education”;
- V. I. Lenin Military Policy Academy awarded Lenin, October Revolution and Red Banner Orders; Major — Military Policy; Qualification — Military Officer of Higher Military Education, Teacher of History;
- The State Educational Institution of Higher Professional Education “North Caucasus Academy of State Service”; Major — Law; Qualification — a lawyer.
- Extended education: Occupational retraining at “North Caucasus Academy of State Service”; Major: Law; with right to carry out professional activity in the sphere of criminal law relations”.

Occupations (last 5 years):

- The Chief Expert, the Representative of Rosoboronexport Federal State Unitary Enterprise in the Krasnodar Region.
- The Head of Delegation of the State Corporation Rostekhnologii in the Krasnodar Region.
- The Acting Deputy Director General in charge of Security and Controlling of IDGC of the South, JSC.
- The Deputy Director General in charge of Security and Controlling of IDGC of the South, JSC.



### **Goncharov Pavel Viktorovich**

*A Member of the Management Board of IDGC of the South, JSC from 16 September 2011,  
The Deputy Director General — the Head of IDGC of the South, JSC subsidiary Astrakhanenergo*

Year of birth: 1966

Nationality: Russia

Higher education:

- The Pavlodar Industrial Institute; Major — Electric Power Systems; Qualification — Electrical Engineer.
- The Volgograd Academy of Public Administration, retraining in qualification “State and municipal management”.
- Institute for Advanced Studies of Executives and Experts of the Fuel and Energy Complex; the course of study — “State Secret Protection Management”.
- Professional retraining at State University of management, the course of study — “Management of energy companies in market economy” with right to carry out activity in the sphere of economy and management in energy industry.

Occupations (last 5 years):

- The Technical Director of Astrakhanenergo, JSC.
- The First Deputy Director General — Chief Engineer of Astrakhanenergo, JSC.
- The Deputy Director in charge of Technical Affairs — The Chief Engineer of JSC MRSK South — Astrakhanenergo, JSC, a member of the Management Board of IDGC of the South, JSC.
- A Member of the Board of Directors of Astrakhanelectrosretremont, JSC.



### **Ivanov Vitaliy Valerievich**

*A Member of the Management Board of IDGC of the South, JSC from 24 December 2010,  
The Deputy Director General in charge of Technical Affairs — the Chief Engineer of IDGC of the South, JSC*

Year of birth: 1970

Nationality: Russia

Higher education:

- The Omsk Institute of Railway Engineers; Major — Railway Automation, Telemechanics and Communications.
- The Academy of National Economy of the Russian Federation Government; Major — Company Development Management.

Occupations (last 5 years):

- The Deputy Director General in charge of Technical Affairs — the Chief Engineer of IDGC of Siberia, JSC.
- The Advisor of the General Director Executive Office of IDGC Holding, JSC.
- The Chairman of the Board of Directors of Astrakhanelectrosetremont, JSC, Volgogradsetremont, JSC.
- A Member of the Board of Directors of IDGC of the South, JSC.



### **Karpenko Vadim Vladimirovich**

*A Member of the Management Board of IDGC of the South, JSC from 23 December 2011,  
The Deputy Director General for Corporate Governance of IDGC of the South, JSC, A Member of the Committee  
on Technological connection to the Electric Grids at the Board of Directors of IDGC of the South, JSC*

Year of birth: 1959

Nationality: Russia

Higher education:

- The Petrozavodsk Forestry Engineering College; Major — “Equipment of timber procurement enterprises and forestry”.
- The N. A. Voznesenskiy Leningrad Institute of Finances and Economics awarded with the Red Banner of Labour Order; Major — “National planning”.
- Professional retraining at the Academy of National Economy under the Government of the Russian Federation; the course of study — “Management and marketing”; Qualification — “Top Manager”.
- Short-term Training in the non-commercial partnership “Corporate Educational and Scientific Centre United Energetic System”; the course of study — “Management of technological processes in electric grids and systems”.
- Academic Degree: Ph.D. in Economics.

Occupations (last 5 years):

- The Director of Department of Land and Property Relations of Federal State Unitary Enterprise Russian Television and Radio Broadcasting Network.
- The Head of Property Management Department of IDGC Holding, JSC.
- The Acting General Director of Grechko A. A. Enterprise of Agriculture, JSC.



### **Kuzhilin Aleksandr Vladimirovich**

*A Member of the Management Board of IDGC of the South, JSC from 29 August 2011,  
The Deputy Director General — the Head of Executive Office of IDGC of the South, JSC*

Year of birth: 1969

Nationality: Russia

Higher education:

- The Moscow Higher Military Command School named after the Supreme Soviet of the RSFSR; Major — “Command and tactics of motorized rifle troop”.
- Military Academy named after M. V. Frunze; Major — “Military and administrative management”.
- The Samara State University of Economics; Major — Law.
- The State Educational Institution of Higher Professional Education “The Russian Presidential Academy of National Economy and Public Administration”; the course of study — Anti-corruption mechanisms in the sphere of state management.
- Non-commercial partnership “Corporate Educational and Scientific Centre United Energetic System”; the course of study — “Management of technological processes in electric grids and systems”.
- Academic Degree: PhD in History.

Occupations (last 5 years):

- The Head of Business Administration, the Advisor of the Director in the Federal Service for Defence Orders.
- The Deputy Head of the Directorate Office of IDGC Holding, JSC.
- The Head of Organization Department of IDGC Holding, JSC.
- The Deputy Head of Department of Business Administration — the Head of Organization Department of IDGC Holding, JSC.
- The Director of IDGC of the South subsidiary — Kubanenergo.



### **Kalenjuk Egor Vladimirovich**

*A Member of the Management Board of IDGC of the South, JSC from 16 September 2011,  
The Deputy Director General—the Head of the Subsidiary of IDGC of the South, JSC — Volgogradenergo*

Year of birth: 1970

Nationality: Russia

Higher education:

- The Khabarovsk Polytechnic Institute; Major — Engineering, Economics and Management.
- The Far Eastern State Transport University; Major — Electric Power Systems and Networks.
- State Educational Institution of Higher Professional Education "The Russian Presidential Academy of National Economy and Public Administration"; the course of study — Management in the energy sector.
- Private Non-commercial Educational Institution "RAO UES of Russia Institute of Management"; program—Training of energy utilities reserve managers (directors, chief engineers and their deputies) in conditions of electric power system control restructuring.
- Institute of Economics, Management and Social Relations; the course of study— Housing and public utilities debt management: new legal acts and methods of debt collection.
- Institute for advanced training for power engineers; the course of study — Tidal power plants and power supply industry efficiency improvement.
- Non-commercial partnership "The UES Corporate Educational and Research Centre"; the course of study — Quality management system implementation, monitoring and development.
- Short-term advanced training course (Belgian-Netherlands International Seminar) "Organization of effective marketing and commercial activities of energy utilities".
- State Educational Institution of Higher Professional Education "The Tomsk Polytechnic University; the course of study — Thermal Power Stations.
- Short-term course — "The Federal Law "On Saving Energy and Increasing Energy Efficiency: practice".
- Non-profit and non-commercial educational institution "Training Centre "Kubanenergo"; the course of study — Practical Leadership Model.

Occupations (last 5 years):

- The Deputy Director General in charge of electric and thermal energy supply of Khabarovskenergo, JSC.
- The Deputy Director General of Far Eastern Generating Company, JSC.
- The Acting Deputy Director General — the Director of IDGC of the South, JSC subsidiary — Volgogradenergo.
- A Member of the Board of Directors of Volgogradsetremont, JSC.



### **Samarchenko Olga Petrovna**

*A Member of the Management Board of IDGC of the South, JSC from 16 September 2011,  
The Deputy Director General on development and selling of services of IDGC of the South JSC, A Member  
of the Committee on Technological Ct to electric networks under the Board of Directors of IDGC of the South, JSC*

Year of birth: 1960

Nationality: Russia

Higher education:

- The Krasnodar Order of the Red Banner of Labour Polytechnic Institute; Major — Technology of Fats; Qualification — Manufacturing Engineer.
- Professional retraining in the Bauman Moscow State University; Major — "Enterprise Management" with the right to carry out professional activities in the sphere of "Enterprise Controlling".
- Short-term advance training in the Institute for advanced training for power engineers (VIPKenergo); the course of study — Competitive bidding of electric energy.

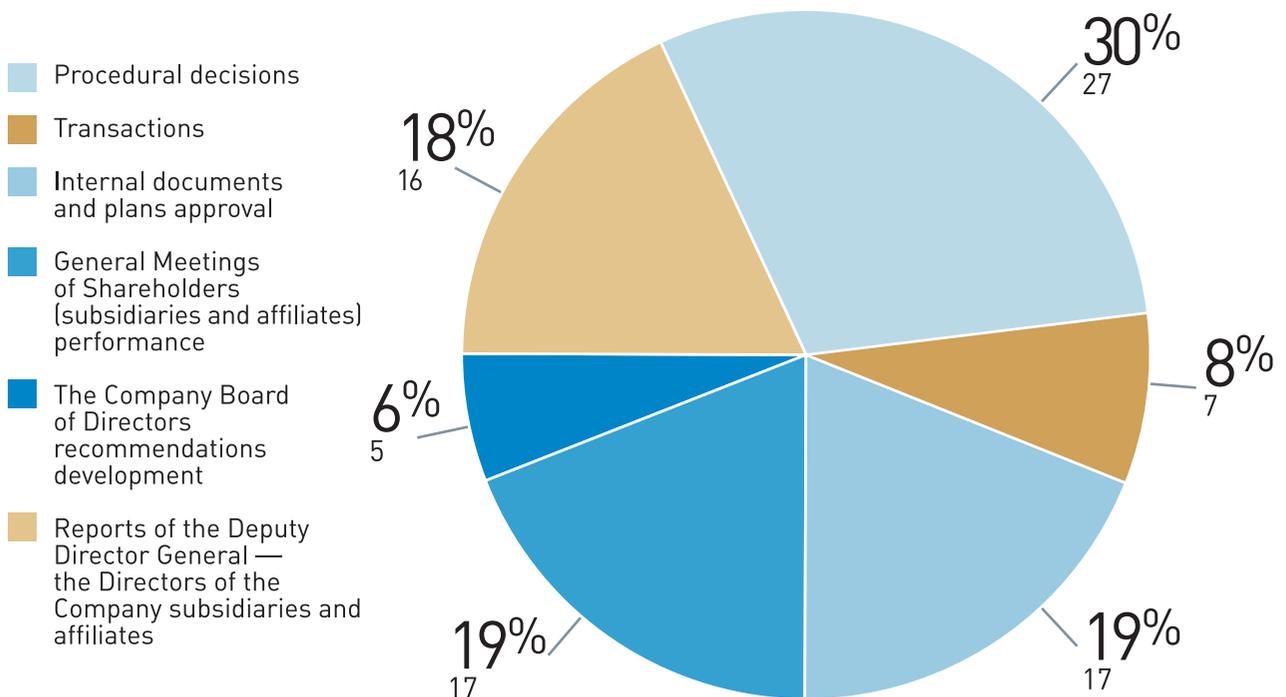
Occupations (last 5 years):

- The Head of Client Relations Department, the Head of Commercial Accounting Service of Energobalans — Kuban, LLC.
- The Head of Electricity Transportation Department of IDGC of the South, JSC.
- The Acting Deputy Director General in charge of development and rendering of services without release from work defined by labour contract (positions overlapping) of IDGC of the South, JSC.
- A Member of the Board of Directors of Energoservis Yuga, JSC.

The members of the Management Board of the Company do not own shares of IDGC of the South, JSC, or shares of IDGC of the South, JSC affiliated/dependent companies; they do not have any connections with other members of management and control bodies of the Company financial and economic activities. All the Members of the Management Board of the Company express their consent to disclose information about them in this Annual Report.

## Activities of the Management Board in 2011

During the financial year, the Management Board of the Company held 17 meetings (nine of them in person) and discussed 89 questions, including:



A Member of the Management Board	Number of participations in meetings (in person/in absentia) for 2011	Term of office
Arkhipov Sergey Aleksandrovich	9/7	from 09 July 2010 till nowadays
Alaev Timur Uljumdzievich	2/3	from 16 September 2011 till nowadays
Akilin Pavel Yevgenievich	9/8	from 24 December 2010 till nowadays
Brizhan Vitaliy Vasilievich	5/4	from 22 May 2008 to 16 September 2011
Vosmirko Aleksandr Vladimirovich	6/7	from 01 September 2010 till nowadays
Vashkevich Vladimir Frantishkovich	4/5	from 30 May 2011 till nowadays
Goncharov Pavel Victorovich	3/2	from 16 September 2011 till nowadays
Ivanov Vitaliy Valerievich	6/7	from 24 December 2010 till nowadays
Kopanev Vladimir Nikolaevich	5/4	from 22 May 2008 to 29 August 2011
Kuzilin Aleksandr Vladimirovich	3/3	from 29 August 2011 till nowadays
Kalenjuk Yegor Vladimirovich	2/3	from 16 September 2011 till nowadays
Karpenko Vadim Vladimirovich	0/1	from 23 December 2011 till nowadays
Kushnarev Konstantin Fedorovich	6/4	from 05 February 2010 to 16 September 2011
Savin Grigoriy Grigorievich	8/7	from 22 May 2008 to 23 December 2011
Samarchenko Olga Petrovna	3/3	from 16 September 2011 till nowadays

It is important to mention the following **most important decisions made by the Management Board** of the Company in 2011:

- The plans of measures aimed at financial restructuring of IDGC of the South, JSC subsidiaries — Astrakhanenergo, Volgogradenergo, Kalmenergo, Rostovenergo — for 2010–2011 were approved (Minutes № 45 of 26 January 2011 and № 50 of 26 April 2011).
- Quarter and annual KPI target values for 2011 were approved for IDGC of the South, JSC MRSK South subsidiaries — Astrakhanenergo, Volgogradenergo, Kalmenergo, Rostovenergo (Minutes № 48 of 05 April 2011).
- The Provision on Corporate Identity of IDGC of the South, JSC was approved. (Minutes № 52 of 16 June 2011)

- The contracts on technological connection between IDGC of the South, JSC and Caspian Pipeline Consortium-R, LLC were signed. (Minutes № 52 of 16 June 2011).

The members of the Management Board of the Company regularly examined the reports on compliance with their previous decisions, monitored the Company activity in the sphere of technological connection of consumers to the electric grids, including the contractual activities and the general statistics of the connection taking into account separate groups of consumers for the period under review.

In addition, the questions of the company supreme management bodies competency (with 100 % of the chartered capital belonging to IDGC of the South, JSC) were discussed at the meetings of the Management Board of the Company.

### Information on remuneration (compensation) to be paid for the members of the Management Board

According to Article 15 §15.1(13) of the Company Charter, the decision on remuneration and compensational payments for the members of the Management Board is a part of the Company Board of Directors competency.

The members of the Management Board belong to a category of top management of the Company.

According to the labour contracts concluded between the Company and the members of the Management Board, the remuneration for a member of the Management Board shall be paid in amount and in accordance with the procedure, defined by the Provision on remuneration and social package for the top management of IDGC of the South, JSC in new edition, approved by the Board of Directors of the Company on 14 June 2011 (Minutes № 67/2011 of 16 June 2011).

#### Remuneration for the members of the Management Board shall be performed as follows:

- By order of the General Director of the Company to establish personal premium in the amount of up to 15 % of the salary set for top managers,
- By quarter and annual remunerations to the members of the Management Board (as for the TOP managers) for compliance with corresponding key performance indicators.

On the basis of the decisions made by the Management Board of IDGC of the South, JSC:

Minutes of 22 May 2008 № 13/2008, Minutes of 1 December 2008 № 20/2008,

Minutes of 11 February 2009 № 22/2009, Minutes of 25 December 2009 № 38/2009,

Minutes of 5 February 2010 № 39/2010, Minutes of 28 April 2010 № 44/2010,

Minutes of 28 June 2010 № 49/2010, Minutes of 8 July 2010 № 50/2010,

Minutes of 1 September 2010 № 53/2010, Minutes of 29 October 2010 № 55/2010,

Minutes of 24 December 2010 № 57/2010, Minutes of 1 June 2011 № 65/2011,

Minutes of 30 August 2011 № 71/2011, Minutes of 19 September 2011 № 72/2011,

Minutes of 26 December 2011 № 77/2011 on determination of the number of members in Management Board of the Company and their election, and also, in accordance with Article 21 of the Charter of IDGC of the South, JSC and Articles 15 and 57 of the Labour Code of the Russian Federation, additional agreements to the labour contracts were concluded with the members of the Management Board of the Company (on exercising of powers of the Company collegial executive body member — the Management Board).

As from the date of establishment of the Management Board of IDGC of the South, JSC (19 May 2008) to 31 August 2011 monthly remunerations were paid to the members of the Management Board of the Company for exercise of their powers in the amount of 5(five) minimum monthly tariff rates for the first category worker set by the sectoral tariff agreement in the electric power complex of the Russian Federation

From 1 September 2011, monthly remunerations are paid to the members of the Management Board of the Company for exercise of their powers in the amount of 11 % of fixed official salary for top managers.

Total amount of remunerations paid to the members of the Management Board of IDGC of the South, JSC for 2011 was RUR 51,418 983. This amount includes remuneration expenses incurred for participation in the meetings of the Management Board of the Company — RUR 2,148,385 (including 13 % of Personal Income Tax) and salary payments — RUR 49,270,598 (including 13 % of Personal Income Tax).

## General Director

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

The rights and responsibilities of the General Director are determined by the legislation of the Russian Federation, the Company Charter and the labour contract between the Company and the General Director.

In accordance with Article 23 § 23.2 of the Company Charter the competence of the General Director includes matters on management of the current activities of the Company, except for

the matters referred to the competence of the General Meeting of Shareholders, the Board of Directors and the Management Board of the Company.

In exercising his rights and performing his duties the General Director shall act on behalf of the Company reasonably and in good faith.

On 8 July 2010, by the decision of the Board of Directors (Minutes № 50/2010 of 8 July 2010) the General Director of IDGC of the South, JSC was elected:

### **Arkhipov Sergey Aleksandrovich**

*The Chairman of the Management Board of IDGC of the South, JSC from 9 July 2010,*

*The General Director of IDGC of the South, JSC, a member of the Board of Directors of IDGC of the South, JSC.*



Personal data about the General Director is contained in the section "Members of the Management Board of IDGC of the South, JSC" in this Annual report as of 31 December 2011.

From 8 July 2011, the powers and the term of the labour contract are extended for one year and one month until 8 August 2012 by the decision of the Board of Directors of the Company (Minutes № 68/2011 of 08 July 2011).

The results of management decisions on the main business activities of the Company, taken by the General Director of the Company in 2011, are reflected in corresponding sections of this Annual report.

## Information on remuneration for the General Director

The issues of remunerative incentives of the General Director of the Company are regulated by the conditions of his labour contract and by the Provision on Remunerative Incentives for the General Director of IDGC of the South, JSC (as amended), approved by the decision of the Board of Directors of the Company (Minutes № 67/2011 of 16 June 2011).

In addition, the General Director of IDGC of the South, JSC is paid remuneration as a member of the Board of Directors and the Chairman of the Management Board of the Company.

The Provision on Remunerative Incentives of the General Director of IDGC of the South, JSC states:

- The procedure for determining, approving and changing the size of the official salary of the General Director,

- The procedure for establishing bonuses for working with information constituting a state secret,
- The types of premiums:
  - Bonus payment for the implementation of key performance indicators (quarter, annual, additional and special),
  - One time bonus payment (for performing tasks (works) of particular importance, in case of state, departmental and corporate awarding),
- The procedure of making decisions aimed at implementation of the Provision approved.

Bonuses for the General Director of the Company were paid out in 2011 on the basis of the results of key performance indicators determined by the Board of Directors.

## Information on interested party transactions

In 2011 in accordance with the requirements of the Federal Law "On Joint-Stock Companies" the Board of Directors of the Company approved 57 interested party transactions.

The list of interested party transactions approved by the Board of Directors, concluded by IDGC of the South, JSC in 2011 is given in Appendix № 8 of this Annual Report.

## Information on major transactions

In 2011, the Company didn't conclude any major transactions which require preliminary approval by the Board of Directors or the General Meeting of Shareholders, in accordance with the Federal Law "On Joint-Stock Companies".

During the financial year, the Company didn't conclude any transactions on acquisition or alienation of the Company shares with the members of management bodies.

## THE REVISION COMMISSION

For monitoring the financial and operational activities of the Company the General Meeting of Shareholders selects the Revision Commission.

The Revision Commission is a permanently functioning body of internal control of the Company, which fulfills regular monitoring of financial and operational activities of the Company, its separate subsidiaries, officials of the Company's management bodies and the structural units of the executive body concerning the compliance with Russian legislation, the Company's Charter and internal documents of the Company.

In its activity the Revision Commission is governed by the legislation of the Russian Federation, the Charter of the Company and other internal documents approved by the General Meeting of Shareholders, the Provision on the Revision Commission of the Joint-Stock Company of Interregional distribution grid company of the South,

JSC approved by the General Meeting of Shareholders of IDGC of the South, JSC (Minutes № 1751 np/4 of 5 October 2007).

The Revision Commission acts in the interests of the Company's shareholders and is accountable to the General Meeting of Shareholders in its activity.

In implementing its activity the Revision Commission is independent of the officials of the management bodies and the structural units of the executive body of the Company.

The Revision Commission implements its activity by means of scheduled and unscheduled checks, resulted in reports (acts) which are the documents of the Company's internal control.

The full text of the Provision on the Revision Commission of IDGC of the South, JSC is published on the website of the Company on the Internet at: <http://www.mrsk-yuga.ru/> in section "Corporate Governance".

### The competence of the Revision Commission

In accordance with Article 24 §24.3 of the Company Charter, the competence of the Revision Commission includes the following:

- Assurance of the data contained in the annual report, annual accounting statements, profit and loss statements of the Company,
- Analysis of the financial condition of the Company, identification of reserves for improving the financial condition of the Company and development of recommendations for the management bodies of the Company,
- Organization and performance of inspection (revision) of financial and operational activities of the Company, in particular:
  - Inspection (revision) of financial, accounting, payment, receiving and other documentation of the Company related to the implementation of financial and operational activities concerning the compliance with the legislation of the Russian Federation, the Company's Charter and other internal documents of the Company,
- Monitoring the safety and use of fixed assets,
- Monitoring compliance with the established procedure for writing off to losses the Company the indebtedness of insolvent debtors,
- Monitoring the outgoing cash flows of the Company in accordance with the approved business plan and budget of the Company,
- Monitoring the formation and use of reserve and other special funds of the Company,
- Checking the correctness and timeliness of accrual and payment of dividends on the shares of the Company, yield of bonds, yield on other securities,
- Verification of fulfillment of previously issued regulations on eliminating violations and deficiencies identified by previous inspections (revisions),
- Other actions (measures) related to the inspection of financial and operational activities of the Company.

During the financial year, two Revision Commission compositions monitored the financial and operational activities of the Company.

**Composition of the Revision Commission of IDGC of the South, JSC** elected by the annual General Meeting of Shareholders of IDGC of the South, JSC on 5 June 2010 (Minutes № 4 of 16 June 2010):

- **Alimuradova Izumrud Aligadzhievna** (the Chairwoman);
- **Arkhipov Vladimir Nikolaevich**;
- **Filippova Irina Aleksandrovna**;
- **Stepanova Maria Dmitrievna**;
- **Meshalova Galina Ivanovna**.

**Composition of the Revision Commission of IDGC of the South, JSC** elected by the annual General Meeting of Shareholders of IDGC of the South, JSC on 15 June 2011 (Minutes № 5 of 15 June 2011):

- **Alimuradova Izumrud Aligadzhievna** (the Chairwoman);
- **Arkhipov Vladimir Nikolaevich**;
- **Kormushkina Lyudmila Dmitrievna**;
- **Filippova Irina Aleksandrovna**;
- **Bogachev Igor Yurievich**.

Other information about the members of the Revision Commission cannot be presented by reason of a refusal of above noted persons to give appropriate consents.

## The activities of the Revision Commission in 2011

In 2011, the Revision Commission of IDGC of the South, JSC held five meetings:

- 21 March 2011 (Minutes №3 of 21 March 2011), at which two issues were discussed: about the procedure for inspection of financial and operational activities of IDGC of the South, JSC on the results of 2010 and about the approval of terms for inspection,
- 8 April 2011 (Minutes №4 of 8 April 2011), at which the issue of approving the opinion of the Revision Commission on the assurance of financial statements of IDGC of the South, JSC for 2010 was discussed,
- 29 April 2011 (Minutes №5 of 29 April 2011), at which the issue of approval of the Revision Commission Act of IDGC of the South, JSC for 2010 was discussed,
- 4 July 2011 (Minutes №1 of 4 July 2011), at which three questions were examined (election of the chairman and the

secretary of the Revision Commission; engaging of the performer in execution of documents by the Revision Commission and assistance in the organization of activity of the Chairman of the Revision Commission,

- 23 November 2011 (Minutes №2 of 23 November 2011), at which four questions were examined (performance of inspection of individual issues concerning financial and operational activities of IDGC of the South, JSC subsidiary — Volgogradenergo; determination of terms for inspection; approving the program of the inspection performance and engaging of experts and specialists to conduct inspection).

The Minutes of meetings of the Revision Commission for the whole period of the Company's activity are published on the website of the Company.

## Information on remuneration (compensation) for the members of the Revision Commission

Premium payments to the members of the Revision Commission are carried out in compliance with the Provision on remuneration and compensation for the members of the Revision Commission of Interregional distribution grid company of the South, JSC, approved by the decision of annual General Meeting of Shareholders of IDGC of the South of 30 May 2008 (Minutes №1 of 4 June 2008).

In accordance with the mentioned Provision, for participation in inspection of financial and economic activity of the Revision Commission, a member of the Revision Commission of the Company is paid remuneration in a single payment at the rate of amount equivalent to five minimal monthly tariff rates for workers of the first category, set by sectoral tariff agreement in the electrical energy complex of the Russian Federation.

For each of inspection (revision) performed, a member of the Revision Commission may be paid additional compensation in amount not exceeding 20 minimal monthly tariff rates for workers of the first category, set by the Agreement (including indexation).

A member of the Revision Commission is paid compensation of expenses incurred for participation in a meeting of the Revision Commission of the Company and performance of inspection, in compliance with the travel expense compensation regulations in force at the time of meeting or inspection.

The total compensation paid to the members of the Revision Commission of IDGC of the South, JSC for 2011 amounted **RUR 120,093** (including Personal Income Tax).



## AUDITOR

For inspection and the Company annual financial statements approval, the General Meeting of Shareholders elects the Auditor of the Company on the annual basis, in accordance with Articles 47, 48, 54 and 88 of the Federal Law “On Joint-Stock Companies”, Article 10 § 10.2(11), Article 11 § 11.1, Article 24 § 24.8 of the Charter of IDGC of the South, JSC.

### Criteria and the methods of the Auditor election

The Federal Law “On Joint-Stock Companies” neither defines terms and procedure for nomination of an auditor for inclusion to voters list concerning approval of the auditor of the Company, nor provides shareholders with the right to nominate an auditor.

In this regard, the Auditor’s candidacy for approval at the annual General Meeting of Shareholders shall be determined by the Board of Directors of the Company in connection with examination of preparation and holding of annual General Meeting of Shareholders.

Selection of the Company Auditor’s candidacies, evaluation of their qualification, quality of work and their compliance with independence requirements, submission of the Auditor’s candidacies for consideration to the Board of Directors, preparation of conclusions on the Auditor’s candidates presented by third parties are part of the competence of the Audit Committee of the Board of Directors.

Election of the Auditor shall be carried out in accordance with the results of open competition held by the Company or its authorized organization in compliance with the Provision on procedure for regulated procurements of goods, works and services for the needs of IDGC of the South, JSC.

The Auditor of IDGC of the South, JSC performs inspection of financial and operational activity of issuer in accordance with the legislation of the Russian Federation, on the basis of contract concluded with him.

In order to perform inspection of book keeping procedures and financial (accounting) statements for 2011, the Board of Directors of IDGC of the South recommended (Minutes № 64 of 29 April 2011) and approved the Auditor of the Company — FinEkspertiza, LLC by the decision of the annual General Meeting of Shareholders of the Company (Minutes № 5 of 17 June 2011) of 15 June 2011.

FinEkspertiza, LLC has a license to perform audit activity № E002588 of 6 November 2002 (valid till 6 November 2012), issued by the Ministry of Finance of the Russian Federation.

The Auditor of the Company is a member of the following organizations:

- Russian Collegium of Auditors, non-commercial partnership,
- Association of Russian Banks,
- The Russian Society of Appraisers, non-commercial partnership,
- The Russian Society of Appraisers,
- The Russian Managers Association — Association of Russian Banks,
- The Russian Audit Chamber, non-commercial partnership.

There are no factors, that may affect the independence of the auditor of the issuer, as well as significant interests that connect the auditor (officials of the auditor) and the issuer (officials of the issuer).

### Procedure for the Auditor remuneration determination

In compliance with Article 24 §24.9 of the Charter IDGC of the South, JSC, the amount of payment for services rendered by the Auditor shall be determined by the Board of Directors.

Cost of services, as well as order of their payment shall be stipulated by the contract concluded between the Company and the Auditor.

The amount of payment for services rendered by the Auditor of IDGC of the South, JSC — FinEkspertiza, LLC regarding the inspection of accounting (financial) statements of IDGC of the South, JSC for 2011 is determined by the Board of Directors of IDGC of the South, JSC (Minutes № 69/2011 of 1 August 2011) in the amount of **RUR 2,000,005**, including 18% of VAT.

There were no works carried out within the framework of special audit engagements during the financial year.

### The Auditor’s Contact Details

<b>Full name of organization:</b>	FinEkspertiza, Limited Liability Company
<b>Short name of organization:</b>	FinEkspertiza, LLC
<b>Audit organization legal address</b>	69 Mira Prospect, bldg. 1, Moscow, 129110, Russia
<b>Contact telephone number</b>	+7 (495) 775-2200
<b>Fax</b>	+7 (495) 775-2201
<b>Email address</b>	info@finexpertiza.ru

# THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The internal control and risk management system (hereinafter referred to as “ICRMS”) is an integral part of the general control system and aimed at its improvement. It ensures acceptance by management bodies of the Company of the most effective and economically reasonable decisions, as well as increases management transparency and efficiency, and improves investment appeal. This area of activity is considered by the Board of Directors of the Company as a priority one.

ICRMS functioning provides permanently operating and formalized process of identification, assessment and the Company risks management, integration in business processes of the control procedures reducing risks, and distribution of responsibility for their accomplishment. ICRMS implies involvement of all the Company business units in process of risk management and the control environment improvement.

## The main documents regulating the internal control and risk management system of the Company

- The Provision on internal control procedures of IDGC of the South, JSC is approved by the decision of the Board of Directors of 9 February 2009 (Minutes №22/2009 of 11 February 2009) — is the fundamental document determining goals and objectives of internal control, its procedures, subjects and orientation on prevention of risks arising out of the Company activities as well as timely adoption of measures aimed at minimization (elimination) of risks,
- Risk Management Policy and Internal Control Policy are approved by the decision of the Board of Directors of 9 June 2010 (Minutes №47/2010 of 11 June 2010). These policies determine internal control development strategy and the Company risks management,
- Methodic recommendations on risk management of IDGC of the South, JSC are approved by the order №538 of IDGC of the South, JSC of 7 September 2011. These recommendations determine the main methods of identification, assessment, management and monitoring of risks,
- The Provisions on control environment and business process risks the “Commercial accounting and power transmission services rendering”, “Purchasing Management”, “Technological connection services rendering”, “Operations” are approved by the decision of Board of Directors (Minutes №66/2011 of 9 June 2011) and describe the control environment of business process through determination of control points, identification of business process risks and integration of control procedures into business process for the purpose of decrease in risks.

## Participants of the internal control and risk management system. Responsibility delineation

According to Risk Management Policy and Internal Control Policy, the participants of ICRMS are all personnel of the Company.

ICRMS functioning is based on a principle of an accountability of all its participants (efficiency of control procedures is supervised by other participant of ICRMS).

Management bodies of the Company perform monitoring of the effectiveness of ICRMS through control authorities.

The Revision Commission confirms reliability of annual accounting statements and the annual report on financial and operational activities of the Company, by exercising revisory (subsequent) control of financial and operational activities of the Company.

The Board of Directors of the Company determines ICRMS development general strategy provides general assessment and monitors ICRMS effectiveness and department of internal audit activities and risk management by means of specially made consultative and advisory body at the Board of Directors — Audit Committee.

The General Director and the Company managers are responsible for development, integration and effective functioning of ICRMS.

The most significant risks holders responsible for quarterly risks realization and risks management organization are fixed within the Company.

Risks holders perform identification and risk assessment, development and carrying out of activities aimed at risk management, as well as risks monitoring on the quarterly basis.

According to functional obligations, the Company operating units exercise the current control by means of existing local regulatory documents.

Department of internal audit and risk management, being functionally accountable to Audit Committee of the Board of Directors of the Company, is responsible for coordination and methodical support of the control environment standardization and risk management process, and performs ICRMS efficiency evaluation and revisory control of the Company financial and economic activities.

**According to the Auditor of the Company, the internal control system of IDGC of the South, JSC aimed at preparation of reliable accounting (financial) statements is effective and corresponds to scales of the Company activities.**

## The results of control measures within the framework of inspections performed

The Department of internal audit and risk management performed 24 control measures in 2011:

- Three revisory inspections (the subsidiary of IDGC of the South, JSC — “Volgogradenergo”; Central Electric Grids production association of the subsidiary “Rostovenergo”; Non-state Educational Institution “Energetik” Educational Centre),
- Six revisory inspections of affiliated companies of IDGC of the South, JSC (Energetik Recreation Centre, JSC, Astrakhanelek-

trosetremont, JSC, Volgogradsetremont, JSC, Grechko A. A. Enterprise of Agriculture, JSC, Sokolovskoye Enterprise of Agriculture, JSC, extensive revisory inspection of A. A. Grechko Enterprise of Agriculture, JSC for 2009–2010),

- Fourteen issue-related inspections (eleven scheduled and three unscheduled),
- One control inspection on elimination of violations by Pravober-zhniye ES production association of the subsidiary of IDGC of the South, JSC — “Volgogradenergo”.

In addition, the specialists of the Department participated in revisory inspections of IDGC of the South, JSC.

The Department of Internal Audit and Risk Management constantly monitors elimination of violations.

Apart from inspection activity, the Department of Internal Audit and Risk Management implements constant preventive control:

- Participation in meetings of the Central Competitive Commission of the Company,
- Participation in meetings of the Commission on accounts receivable,
- Analysis of the materials presented to the Management Board, the Board of Directors of the Company and its subsidiaries and associates,
- Coordination of standards and other local normative acts.

### **IDGC of the South, JSC internal control and risk management system improvement**

The Company has a functioning working group on introduction and improvement of ICRMS. Its scope of functions includes implementation of local normative acts related to internal control and risk management, evaluation of risks and execution of a quarterly report submitted to executive bodies of the Company, improvement of current control by means of standardization of the Company main business processes control environment. The working group consists of managers and employees of the Company subsidiaries.

Within the framework of ICRMS, the Company performs work on adaptation of the approved Provisions on control environment and business process risks the “Commercial accounting and power transmission services rendering”, “Purchasing management”, “Technological connection services rendering”, “Operations” to the existing control procedures. Operating units of the Company developed plans of measures aimed at adaptation of these Provisions which include local normative documents development (alterations to current local normative documents) with the following introduction of alterations to the Provisions on structural units and job descriptions for employees.

Identification and estimation of risks, development and performance of measures on risk management as well as risks monitoring are implemented by the risks holders on the quarterly basis. According to the results of estimation, the Department of Internal Audit and Risk Management executes quarterly report on major risks which includes information on risks classification, factors of risks, distribution of integral magnitudes of risks throughout business processes, risk map, data on the most considerable risks and

their evaluation, measures aimed at risk management, information on risks realization, conclusions and proposals on further risks control and monitoring.

The report on major risks is considered at the meetings of the Management Board and the Audit Committee of the Company Board of Directors on the quarterly basis. Examination of reports on major risks of the Company allows getting information on the most considerable risks in relation to the main business processes, controlling the level of risks of the Company, implementing monitoring of activity on risk management as well as integrating information on major risks of the Company for further decision making on risk management.

## **Strategic risks and external environment risks**

Country and regional risks belong to category of risks associated with development, introduction and monitoring of strategy and influence of factors of the Company external environment.

### **Country risks**

IDGC of the South, JSC is the largest interregional distribution grid company performing its productive activity on the territory of the Astrakhan, Volgograd and Rostov Regions as well as the Republic of Kalmykia. The Company does not perform export of goods, works, or services. Therefore, the risks arising out of its activity are considered only within domestic market.

Stability of the Russian economy mainly depends on the course of economic reforms, development of legal, tax and administrative infrastructure as well as on effectiveness of measures taken by the Government of the Russian Federation within the scope of financial and monetary policy.

The factor of risk exerting certain influence on IDGC of the South, JSC is deterioration of economic situation in the country and the regions of the Company’s activity which influences purchasing power of consumers of Company’s products resulting from negative impact of the world economic crisis.

The Company is not able to influence country risks however activity planning is performed on the basis of a possibility to realize such risks. Moreover, the Company actively cooperates with state regulatory authorities and other organizations in order to create conditions for development of the sector and Russian economy in general.

### **Regional risks**

Regional zones of the Company’s responsibility are politically stable, and the risk of beginning of military conflicts and emergency situations is practically absent. However there is a risk of terrorist attacks, and the Company takes measures on industrial safety to minimize it.

Social situation in the abovementioned regions is characterized as peaceful lacking intense ethnic conflicts and allows performing economic activity with minimal social and political risks.

In case of destabilization of political and economic situation in Russia or in any region, the Company shall take a number of measures on anti-crisis management in order to reduce negative influence of the situation on IDGC of the South, JSC including measures on realization of the cost control program.

Geographical characteristics of the regions where the Company performs its activity imply small probability of risks related to the danger of natural calamities and negative influence of natural climatic conditions which may result in material damage to population, objects of public and housing utilities as well as social sphere, transport connection, heating and electric power supply to consumers. In order to compensate the damages caused by influence of emergency situations (including natural calamities), the Company concludes property insurance agreements, takes preparatory measures, creates emergency stores of material and technical resources, carries out works on training emergency recovery teams and develops special anti-crisis programs.

## Regulatory risks

The risks associated with tariff, industrial and antimonopoly regulation of IDGC of the South, JSC activity are related to regulatory ones.

### Risks associated with tariff regulation

Rendering of services on electric-power transmission and performance of technological connection is considered to be a regulated kind of activity. Executive bodies responsible for regulation of tariffs specify tariffs, provided that the Company does not fully bear the risks of accounting economically feasible expenses of the Company. Uncompensated expenses reduce finance result of the Company and demand constant reduction of expenses for reaching the break-even point.

The main factors of risk which relate to tariff regulation include:

- Position of the Government of the Russian Federation on control tariffs growth for consumers; in accordance with the Regulation № 1172 of the Government of the Russian Federation of 27 December 2010, initially approved boiler tariffs for electric-power transmission for 2011 were reduced up to the gain level of 15% in relation to approved tariffs for 2010. Moreover, in accordance with the Regulation № 1178 of the Government of the Russian Federation of 29 December 2010, tariffs for transmission for the first half of 2012 were approved at the level of 2011, and tariff growth for the second half of 2012 must not exceed 11%,
- Termination of lease contracts for the objects of electric grid complex of FGC UES, JSC (contracts of "the last mile") when consumers of the services on electric-power transmission switch to direct settlements with FGC UES, JSC which leads to reduction of the Company's market share,
- Incorrect forecasting of the demand on electricity and new connections which result from lack of a planning system for territory development on the level of municipal entities and constituent entities of the Russian Federation.

In order to reduce negative effect and circumstances influencing the activity, the Company performs the following measures:

- Participation of IDGC of the South, JSC in development of new normative acts and changes to the effective regulatory legal acts which have higher priority for organization of distributional power grid complex,
- Performance of transition of the subsidiary of IDGC of the South, JSC — Volgogradenergo to RAB-tariff regulation starting from 2013,
- Cooperation with the executive bodies of the constituent entities of the Russian Federation in the sphere of state tariff regulation on extension of the first long-term period of RAB-regulation of the subsidiaries of IDGC of the South, JSC — Astrakhanenergo, Rostovenergo, Kalmenergo — until 1 July 2017,
- Work with regulatory authorities in order to defend the position of need for outrunning growth of expenses of the Company as strategic company of the region.

### Risks associated with branch regulation

The main factors of risks associated with branch regulation include:

- Insufficient elaboration of retail market functioning mechanisms,
- Free pricing on the wholesale electric energy (capacity) market where purchase of electric energy (capacity) is performed in order to compensate for technologic consumption (losses) of electric energy during the process of transmission of electric energy via grids which leads to exceeding the price level put in tariffs and emergence of uncompensated expenses within the Company,
- Deterioration in demand for electric energy and technological connection; the bulk of electric energy consumption and technological connections within the territories of the area of responsibility is consumed by the Company in relation to industrial enterprises for which reason the level of business activity, development of industry and investment climate play key role in formation of incomes for IDGC of the South, JSC,
- Low level of paying capacity of energy sales companies and large industrial enterprises, difficult financial situation and bankruptcy of the number of the Company's contractors,
- Regulator's refusal to reimburse expenses for implementing installation and change of metering devices during the future period of tariff regulation in execution of the Federal Law № 261 ФЗ "On Energy Saving and Energy Efficiency and on Amending of the Certain Legislative Acts of the Russian Federation",
- Incorrect planning of amounts of energy consumption for the next period of regulation from the part of electric energy consumers,
- Disturbance of balance between production and consumption of electric energy by participants of the wholesale market,

- Inadequacy of the unified policy in the field of energy accounting and legislation,
- Lack of plans for economic development with specification of dynamics for electric energy consumption for a certain period of time in some constituent entities of and municipal unities of the Russian Federation.

In order to reduce negative influence and circumstances influencing its activity, the Company takes the following measures:

- Development of Energy efficiency improving programs and their coordination with regulatory bodies of the regions,
- Formation of proposals on technological electric energy consumption and their submission to state tariff regulatory bodies taking into account existing dynamics of productive electric power supply for the purpose of forming consolidated balance forecast of production and electric power supplies for the next year,
- Implementation of measures of a long-term consolidation program for electric grid assets until 2016,
- Development of short-term plans of measures aimed at elimination of discrepancies with consumers,
- Settlement of disputes,
- Claim-related work performance.

### Antimonopoly regulation risks

Being a natural monopoly, the Company is exposed to risks of recognition of antimonopoly legislation violations related to transmission services rendering and upon rendering of services on technological connection. In order to reduce this risk, the Company takes the following measures:

- Control over timely implementation of requests and applications of consumers,
- Control over compliance with terms of entry into an agreement.

### Financial risks

As other economic entities, IDGC of the South, JSC is subject to influence of the following risks:

- Currency, interest-rate risks,
- Risks associated with influence of inflation,
- Risks associated with default on obligations by contractors,
- Risks of default on obligations on commissioning investment objects.

### Currency, interest-rate risks

Performing its main activity, the Company attracts debt financing sources. Due to the fact that a share of credit resources comprises 40 % of the total amount of internal and attracted funds, the Company is exposed to risks associated with alteration of both credit and loan interest rates. Growth of interest rates is accompanied by increase in interest payments for usage of credits given by commercial banks, and income of the Company declines correspondently.

In order to minimize expenditures connected with maintenance of debt portfolio, the Company regularly performs analysis of its financial condition and dynamics of floating interest rates, selects financial organizations to provide financial services via open, single-step tender or an open auction in accordance with the procedures specified by the legislation of the Russian Federation, as well as performs constant monitoring of debt capital market and implements debt restructuring if possible.

At the present moment, the Company performs its main business activity on the territory of the Russian Federation and has no investments into foreign companies which net asset value is subject to risk of exchange rate changes as well as has no revenues and expenses in foreign currency. In addition, the Company does not plan to perform its activity at the foreign market; in this regard the risks associated with inconsiderable floating of exchange rates shall not be considered as factors of direct influence on results of financial and business activity of the Company and are estimated by the Company as insignificant ones.

In case of negative influence of exchange rate changes on financial and business activity, the Company plans to perform analysis of risks and take corresponding decision in every individual case.

### Risks associated with influence of inflation

The risk of influence of inflation may appear in case of monetary income acquired by IDGC of the South, JSC loses its value from the point of view of real purchasing power faster than it grows nominally. Escalation of inflation may lead to increase in expenses of an enterprise (due to advance in price for the main means, materials, works and services of external agencies) which results in downfall of the Company's income and profitability of its activity as well as in appreciation of borrowed assets for the Company.

Current level of inflation does not exert any significant influence on financial situation of the Company. In accordance with predicted values of inflation, it should not exert significant influence on paying capacity of the Company particularly on payment on securities.

In case of quick growth of inflation, the Company intends to pay special attention to increasing current assets turnaround, first of all, by means of reducing stocks and to reconsider existing contractual relations with consumers in order to reduce turnaround of receivables.

### Risks associated with default on obligations by contractors

The risk of concluding contracts with unfair or insolvent contractors which are unauthorized to enter these contractual relations or unable to fulfill their obligations due to difficult financial situation is estimated by the Company as inconsiderable, since the Company performs security checks of all contractors on the regular basis.

## Risks of default on obligations on commissioning investment objects

In order to provide an adequate level of fixed assets renewal, faultless operation of grids as well as renewal of the fund of the grid, the Company performs investments in the form of capital investments. This situation may result in the risks of nonobservance of terms for investment objects commissioning.

In order to minimize the risks, the Company performs the following measures:

- Organization of timely correction of an investment program,
- Reallocation of funds from savings based on the results of competitive procedures to other objects of the investment program,
- Control over timely performance of competitive procedures in relation to objects of the investment program,
- Control over terms of conclusion of contracts,
- Control over construction progress.

## Operational and technological risks

### The risks associated with provision of safe operation of the objects and energy efficiency

Condition of power grid property is characterized by high rate of depreciation which is one of the reasons for considerable level of electric power losses. Works on restoration and renovation of power distribution mains infrastructure performed within the framework of investment programs of the subsidiaries are aimed at reduction of amount of losses and failures during transmission of electric power in future. Obsolescing electric grid objects may be especially exposed to weather conditions, technical defects and industrial accidents which lead to increase of the risk of disruptions in electricity supplies for consumers. Technological violations lead to electric power losses and additional expenses for reconstructive measures.

In order to minimize risks, the Company performs the following measures:

- Development of programs for energy efficiency improving and their coordination with regulatory bodies of the regions,
- Modernization and automation of energy accounting systems,
- Commercial insurance of property, hazardous facilities, vehicles, civil liability; insurance of personnel against accidents and illnesses,
- Performance of measures aimed to enhance the power system reliability, including at the expense of continuous replenishment of supplies of fuel, spare parts and materials.

### Risks associated with reliability of power supply

High depreciation of key facilities may lead to negative changes in the industry, such as loss of power supply reliability. In order to reduce these risks, the Company carries out the reconstruction of existing and construction of new power networks, as well as modernization of key facilities.

The Company activities potentially involve an infringement of operation conditions and critical change in the parameters of the equipment, as well as the possibility of a disaster and emergency situations on the electric grid facilities. Among these risks, the following may be specified:

- Systemic disorders associated with ensuring of safe operation of industrial facilities and energy supply security,
- Risk of transition to the mode of operation with forced (emergency valid) overflows,
- Risk of one-time sharp increase in load beyond the scheduled due to natural disasters.

In order to minimize the probability of these risks, the Company takes the following measures:

- Analyzes situations in order to anticipate the risks under implementation of the production program and to take measures of protection from their influence,
- Generates and controls the execution of investment and repair programs.

## Risks connected with personnel management

At present, the risk of a deficit in qualified production personnel is estimated as insignificant. The Company has a system of work with personnel reserves taking into account business appraisal and the constant system of personnel training. The Company has developed a program for attracting, adapting, and keeping young specialists at work places.

## Risks connected with purchasing activity and logistics

The lack of a competitive environment in certain regions of the Company, the limited number of bids and the untimely presentation of technical assignments for purchasing leads to violating the terms for fulfilling the Annual Integrated Purchasing Program (AIPP).

In order to increase the effectiveness of purchasing activity and reducing the influence of these risks, the Company fulfills the following operations:

- Conducts centralized purchasing of production for the needs of the Company primarily on a competitive basis,
- Publishes information on the ongoing procurement using electronic trading platforms and other available information resources,
- Performs control over the formation of lots in the AIPP, excluding limiting competition among participants of purchasing procedures and repeating purchases,
- Performs control over the term for providing technical requirements, and forming the maximum cost of the purchase,
- Provides input quality control of supplied products.

## IT risks

To improve the efficiency and reliability of control systems, a variety of information systems function in the Company aimed at automatization of recording and transmission of data, and

therefore the Company bears the risks of software failure and its inefficiencies.

Events are further planned for the implementation of systems of automation of the financial and economic activities and asset management on the base of SAP software.

In order to automate dispatching management of power network equipment, the automated system of operational and technological management for production, exchange and process information from the network management centres is developed in the Company.

To improve an efficiency and reliability of the automation of activity the Company performs:

- Adaptation and integration of the existing information systems,
- Monitoring and analysis of the causes of failures of the software,
- Technical support of the software.

## Investment risks

In order to increase the volume of the services provided, the Company invests significant funds for reconstruction of electric networks and creation of new connection points to the created facilities.

The main sources of financing the investment program are the tariff sources of and debt capital. Three branches of the Company use the method of return on invested capital (RAB), except for the branch Volgogradenergo (the transition to the method of return on invested capital is planned in 2012). The use of RAB regulation should help to attract long-term investment in the sector, as well as to reduce the influence of subjective factors on the adoption of tariff-making decisions. Thus, with RAB-regulation, the government authorities usually claim such a rate of return on the base of invested capital, which is below the real cost of the invested capital. Currently, there is a risk of further decline of the approved rate of return on invested capital by the Government. The low rates of return on the invested capital limit the ability to obtain financing, which may cause a revision of the investment programs of the branches.

In the framework of realization of the investment programs of the branches, the responsibility for construction and management of certain distribution facilities, as well as the provision of services for technological hooking up (which may not provide the adequate economic return) may be laid on the Company. If the cost of implementing these projects is not included in the tariff and the costs are not compensated, it may have a significant impact on the operations and financial condition of the Company.

The investment programs of the branches are formed in accordance with the regional long-term development programs and are subject to review and approval by the regional authorities. If branches are not able to execute the approved investment program, the tariff revenue, which the affiliates expect to receive the next year, will be reduced on the amounts of costs for projects that have not been implemented. This mechanism allows the govern-

ment authorities to adjust investment programs in case of failure of the Company to comply the objectives.

Timely execution of the investment programs of the branches depends on many factors, including the failure to perform or untimely performance by counteragents of their obligations. Nonfulfillment of the investment programs increases the risk of technical failures and industrial accidents and can lead to violations of the power supply of customers.

Measures taken by the Company to reduce the risk of investment activities:

- Constant work with the regional authorities of tariff regulation in order to establish reasonable tariffs. However, the sphere of influence of the Company on decision-making by the federal and regional executive authorities is limited, and the Company can not guarantee that the activities aimed at overcoming of negative changes can lead to improvements,
- Monitoring of performance of the obligations by the suppliers, contractors in the framework of execution of the investment program,
- Organization of timely adjustment of the investment program,
- Reallocation of funds from savings based on the results of competitive procedures to other objects of the investment program,
- Monitoring of compliance with the terms of the procurement procedures,
- Evaluation of effectiveness and return on the investment projects,
- Improving of the project management efficiency, including through the introduction of the software Primavera on the most important and the largest objects of the investment program.

## Compliance risks

Activities of the Company is governed by law, due to this the Company faces the risks of violation of the established requirements (compliance risks).

## Corporate governance risks

### The risk of a decrease in the rating of corporate governance

The following internal factors are the sources of this risk:

- The Company failure to follow the requirements of internal documents for management bodies membership, the contents of internal documents, fulfilling corporate procedures, and disclosing information,
- Approving changes and new editions of internal documents which damage the Company corporate governance as compared with the current editions.

The Company implements the following operations so as to reduce this risk:

- Company internal documents analysis in order to comply with legislation in force and modern practice of corporate

governance, preparing changes into internal documents which improve the practice of corporate governance of IDGC of the South, JSC,

- Control over performing corporate procedures, analysis of the status of candidatures in the Company management bodies,
- Increasing information transparency, improving the corporate website,
- Studying and using recommendations of rating agencies.

### Risk of delisting

The following factors are the sources of this risk:

- External factor — the liquidity crisis on stock markets, as a result of which the average monthly trading volume decreases to less than RUR 3 mln,
- Internal factor — the Company failure to comply with the requirements to the trade organizer at the securities market for management bodies, internal documents, and corporate procedures,
- Internal factor — failure to comply with the requirements of Russian legislation for the order and terms of disclosing information.

The following measures are performed by the Company to reduce this risk:

- The contract on market-maker services on the MICEX exchange has been concluded and the continuous monitoring of the performance of its functions is carried out,
- Control over timely presentation of information by the trade organizer on the securities market is carried out,
- Analysis of internal documents of the Company and the status of candidates for management bodies of the Company is carried out with a view to their correspondence to the requirements of the trade organizer on the securities market,
- Control over fulfilling separate corporate procedures is carried out.

### Risks associated with property management

The Company leases or has a right to use permanently most of the land plots on which the property of the Company is located, but now the ownership of some of the land plots is not registered, in connection with which the Company may be sued for the recovery of fines or losses because of the use of such land plots.

Federal law establishes the requirement for re-registration, which can only be done in case of registration of the relevant land plots in the prescribed manner. Currently, the Company has not completed the execution of work on registration of ownership or lease on the land plots. The Company carries risks regarding the loss of investment capital invested in real estate in case if it does not obtain the ownership or lease on the land plots. Rising of real estate prices may increase the probability of presentation of claims in respect of the leased areas by the government authorities or own-

ers. In order to reduce this risk, the Company makes arrangements for registration of land rights in accordance with the legislation of the Russian Federation.

In the framework of the long-term program realization for consolidation of the power network assets, the Company may acquire the power network assets which do not provide adequate economic return and require a significant investment. If the costs of implementing of these projects are not included in the tariff and the costs are not compensated, it may have a significant impact on the activities and financial condition of the Company.

Due to the fact that the Company owns the shares of subsidiary and dependent companies (SDC) of non-core business in the amount of 100%, there is a risk of mismanagement and negative financial consequences associated with poor financial result of the SDCs activities. In case of a sale or liquidation of the SDCs, the Company bears the risk of loss. To reduce this risk, the Company takes steps to assess the assets and the sale at price not less than the market value.

### Risks connected with changes in the tax, environmental protection legislation, customs and currency regulation

Risks, in particular those connected with ambiguous interpretations of tax legislation provisions, are capable of leading to incorrect taxation and payment of taxes, which may result in fines on the part of tax authorities. In order to decrease these risks, the Company constantly carries out work on legitimate improvement of the methodology for calculating the tax base for various taxes and control over their accordance to acting legislation.

At the same time one can't exclude the risk of a change in the tax legislation as concerns an increase in tax rates and/or changes in the method and terms of paying taxes, which may lead to less net profit for the Company, as well as to decrease in the amount of dividends paid.

In case of introducing changes to the existing order and conditions of taxation, the Company expects to plan its financial activity in accordance with these changes.

A change in requirements for licensing the Company core business can lead to increase in the terms necessary to prepare documents for prolonging the terms of licenses, as well as to need to accord to these requirements. However, the risk in whole should be estimated as insignificant, besides the cases when prolonging licenses and performing the activities liable to licensing is covered with the requirements which the Company can't accord to, or which entail extreme costs, which may lead to elimination of this business type.

Changes in currency and customs legislation of the Russian Federation do not have an effect on the Company, and, likewise, do not lead to any legal risks.

## Tax risks

As there are no special tax regimes for the business led by IDGC of the South, JSC, and the Company does not have overdue taxes at all levels, the Company tax risks are minimal in the framework of activities of honest taxpayer.

The Company does not expect appearance of any significant risks in his financial and economic activity in the short term related to changes in the tax legislation, or with changes in civil legislation.

The Company builds its business on following provisions of the legislation in force of the Russian Federation, and constantly monitors changes in the legislation.

## Judicial risks

Judicial risks may be caused due to the specifics of the current legislation and the judicial system, expressed in particular in the various judicial practice on the same issues and interpretation

of the legislation generally, conflicts of laws, resulting in a risk of subjective and arbitrary judicial assessment of facts of financial activities.

Legal risks associated with changes in the judicial practice on the issues of the Company activities may adversely affect the results of its activities, as well as on the results of the ongoing trials, which involve IDGC of the South, JSC.

Despite the fact that there is no case law in the Russian Federation, the judicial practice has a great importance in the system of implementation of law. Judicial acts, without being the sources of the law in the strict sense, in certain cases assume the binding of interpretation of legal norms to be applied.

IDGC of the South performs its activities strictly in accordance with the current legislation; the adverse effects of changes in the judicial practice are only possible for the Company in case of change of position by the supervisory bodies or performing by the Company of an activity with violation of the law.

# LEGAL SUPPORT OF THE COMPANY BUSINESS

**Legal support of the Company business is performed in the following areas:**

- Legal support of the Company financial activity,
- Claims work,
- Organizational and methodological support of the branches activities.

Organizational and methodological support of the Company business includes legal expertise of civil law contracts, orders, instructions, regulations, provisions, and other local normative acts, preparing legal opinions on issues of the Company business, and developing and co-ordination of typical forms of business contracts, other documents, etc.

As part of claim work, the timely and effective protection of the Company interests is ensured, both in pre-trial and court procedures. The effectiveness of this area of activities is ensured by clear regulation by local normative acts approved by the Company, the actions of all services and subdivisions in case of conflict situations with the Company counteragents, governmental and municipal authorities.

Organizational and methodological support of the branches activities is aimed at achieving uniformity of law enforcement practice in all branches of the Company, providing a unified methodology and principles for legal support, and forming a unified legal position of all branches on legal disputes which the Company is involved in. The goals specified are achieved by collecting and analyzing report data on branches, building , and implementing in

the branches the Company position on questions of enforcement of law, control over enforcement of organizational/management documents, written orders on questions of legal support of the Company business.

## Information on legal proceedings for 2010 which could have had a significant effect on the Company business

Volgogradenergosbyt, JSC was brought an action for compensating of the cost of losses of electric power in grids belonging to the Company, arising during providing services for electric power transmission in the amount of **RUR 1,060,486,008.21**.

By the ruling of the Commercial Court of the Volgograd Region of 05 November 2009, the claim was dismissed. At present, the case is being examined by the Twelfth Commercial Court of Appeal. The proceedings have been suspended due to expertise conduction. In case of quashal of the decision of the first instance court, and satisfaction of the claim of Volgogradenergosbyt, JSC, the court decision will become final and enforceable. Enforcement this judicial act may have a significant effect on the issuer's financial activities.

Volgogradenergosbyt, JSC was brought an action to recover the cost of electricity consumed during the period of non-introduction of restrictions in the regime of the power consumption by Khimprom, JSC in the amount of **RUR 264,453,445.61**.

By the decision of the Commercial Court of the Volgograd Region of 24 January 2011, upheld by the judgment of the Twelfth Commercial Court of Appeal of 12 April 2011, the claim was satisfied. By the judgment of the court of cassation instance, the judicial acts in the case were upheld. The Company appealed to the Supreme Commercial Court of the Russian Federation with the claim for supervisory review of the judicial acts. Judicial act is now enforced in full.

Nizhnovatomenergoby, JSC brought an action to recover **RUR 588,681,524.79** from the Company. The claims are based on the application of the consequences of the invalidity of the

transaction — the contract for the provision of services of power transmission, that was recognized as such by the court as a result of the dispute on the so-called lease contract “last mile” (the agreement on the exploitation of power transmission facilities included in the unified national electric grid (UNEG)). By the decision of the Commercial Court of the Rostov Region of 5 December 2012 the claim was satisfied. By the judgment of the Commercial Court of Appeal, the decision was upheld. The cassation appeal was filed. In the event of dismissal of the appeal and the judicial decision entry into force, the judicial act will become enforceable, which will significantly affect the financial activities of the issuer.

## PROPERTY MANAGEMENT

### SDCs

Currently, IDGC of the South, JSC is the founder of six companies and owns 100% of the voting shares in each of them.

### Non-core activities

(more details are given in Appendix 7)

- Astrakhanelektrosetremont, JSC
- Volgogradsetremont, JSC
- PSKh named after A. A. Grechko, JSC
- PSKh Sokolovskoye, JSC
- Energetik Recreation Camp, JSC

### Profile activities

Energoservice of the South, JSC

<b>Location</b>	49 Bolshaya Sadovaya St.,344002 Rostov-on-Don, the Russian Federation
<b>Date of state registration</b>	30.12.2010
<b>Main activities</b>	Technical testing, research and certification, analysis of mechanical and electrical characteristics of the finished product, performance of design and construction works of power metering units, hot and cold water supply, the activities on ensuring of the efficiency of electric and heat networks.

IDGC of the South, JSC conducts its corporate management over SDCs through its representatives in the management bodies of the SDCs, following the legislation of the Russian Federation in force, the Charters of IDGC of the South, JSC and SDCs and the Order for Interaction of IDGC of the South, JSC with the companies which shares are owned by IDGC of the South, JSC (the Order), set by the Company Board of Directors (Minutes № 24/2009 of 10 March 2009).

In accordance with the Order, the Board of Directors of IDGC of the South, JSC determines the Company position on the agendas of general shareholders' meetings and meetings of the Board of Directors of SDCs (including giving Company representatives the task of taking or not taking part in voting on agenda questions, and to vote on resolutions "for", "against", or "abstain"), and also on questions about approval of business plan (adjusted business plan) of SDCs, SDCs business plan performance reports, distribution of profits and losses on the results of financial year, on recommendations on the amount of dividends on shares and its payment procedure.

159 issues were examined on the sessions of the Board of Directors of the SDCs in 2011.

In order to minimize risks of non-compliance of SDCs with the requirements of the current legislation of the Russian Federation

in the area of disclosure of information, the constant control of SDCs by monitoring of public sources of information is carried out by the Company.

In addition, during the reporting year, the tutorial assistance on the following issues was provided:

- Preparation of issue papers,
- Obtaining exemption from the obligation to disclose information in the form of statements of material facts and quarterly reports of the issuer by certain SDCs,
- Keeping the register of nominal securities holders,
- Disclosure of information.

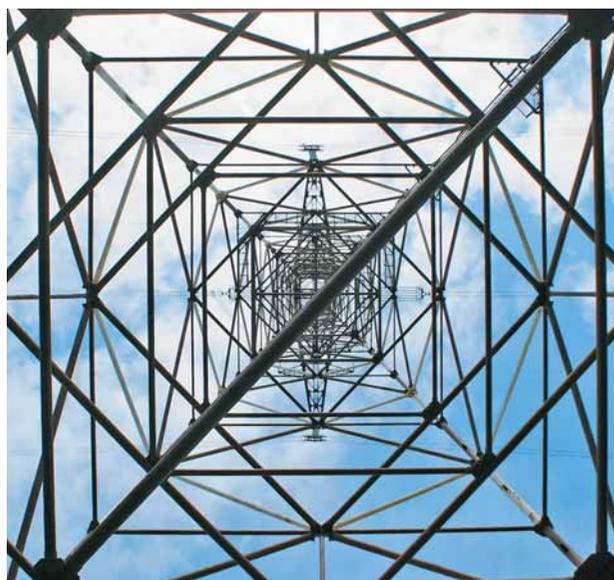
In respect of Energoservice of the South, JSC, registered on 30 December 2010, the work on the development of internal regulations governing the activities of management and control of society, payment of remuneration and compensation to the members of these bodies has been carried out. The Company conducted tutorial support of activities of the Board of Directors of the SDCs, as well as assisted in the preparation of issue papers, the disclosure of information about the company as the issuer of securities, keeping the register of shareholders.

Disclosure of information about the SDCs is carried out on the corporate website of IDGC of the South, JSC in Internet at: [http://www.mrsk-yuga.ru/corporate\\_management/doch\\_zavisimye/](http://www.mrsk-yuga.ru/corporate_management/doch_zavisimye/).

## Land plots

**26,798** land plots of total area of 2,214.10 hectares are in use of IDGC of the South, JSC, of which:

- 88 land plots with an area of 3.31 hectares are owned,
- 7,666 land plots with an area of 1,473.61 hectares are owned on a leasehold basis;
- 12,886 land plots with an area of 681.42 hectares are in constant (unlimited) use;
- The right is not defined on 6,158 land plots with an area of 62.39 hectares.



№ p.p.	Type of a land parcel	Total number and the area of land parcels		among them:			
				purchased as at reporting date		taken on lease (sublease) as at reporting date	
		number	ha	number	ha	number	ha
1	2	3	4	5	6	7	8
1	<b>Land parcel allocated for electrical substations objects</b>	<b>1,494</b>	<b>481.21</b>	<b>6</b>	<b>2.69</b>	<b>1,057</b>	<b>320.21</b>
	including:						
	Substation 220kV and more	4	12.85			2	7.59
	Substation 110kV	657	370.73	6	2.69	419	245.45
	Substation 35kV and less	833	97.62			637	67.17
2	<b>OL 220kV and more</b>	<b>22</b>	<b>5.33</b>			<b>11</b>	<b>2.99</b>
3	<b>OL 110kV and less</b>	<b>24,838</b>	<b>1,306.56</b>	<b>81</b>	<b>0.52</b>	<b>6,311</b>	<b>917.64</b>
	including:						
	OL 110kV	5,912	622.58			1,115	562.63
	OL 35kV	15,274	136.57			3,787	72.54
	OL 0,4 / 6 / 10kV	3,652	547.42	81	0.52	1,409	282.46
4	<b>Land parcel allocated for electric power plants objects</b>	<b>1</b>	<b>3.59</b>			<b>1</b>	<b>3.59</b>
5	<b>Land parcels allocated for boiler houses objects</b>	<b>1</b>	<b>0.08</b>			<b>1</b>	<b>0.08</b>
6	<b>Land parcels allocated for objects of heat distribution networks</b>						
7	<b>Land parcels allocated for other objects</b>	<b>442</b>	<b>417.32</b>	<b>1</b>	<b>0.09</b>	<b>285</b>	<b>229.09</b>
<b>TOTAL:</b>		<b>26,798</b>	<b>2,214.10</b>	<b>88</b>	<b>3.31</b>	<b>7,666</b>	<b>1,473.61</b>

among them:				State Cadastral Registration				Exclusion zones	
right of permanent (perpetual) use as at reporting date		right is not defined as at reporting date		State Cadastral Registration as at reporting date		rights are registered as at reporting date			
number	ha	number	ha	number	ha	number	ha	number	km
9	10	11	12	13	14	15	16	17	18
426	156.08	5	2.22	1,475	475.17	1,058	320.5		
2	5.26			4	12.85	2	7.59		x
229	120.48	3	2.10	650	366.17	425	248.14		x
195	30.34	2	0.12	821	96.51	637	67.17		x
11	2.34			22	5.33	11	2.99		
12,344	342.81	6,102	52.23	17,868	1,103.48	4,983	635.69		
3,502	46.71	1,295	13.23	4,587	605.54	1,115	562.63		
6,797	41.05	4,690	22.98	10,509	123.08	3,787	72.54		
2,045	255.05	117	16.01	2,772	374.85	81	0.52		
				1	3.59	1	3.59		x
				1	0.08	1	0.08		x
105	180.19	51	7.94	391	401.15	286	229.18		
12,886	681.42	6,158	62.39	19,758	1,989.16	6340	1,192.03		

**Information on structure of IDGC of the South, JSC property complex and its changes for the period of 01/01/2011 — 31/12/2011**

Item №	Name	Physical values: as to OLS and cable systems — circuit length (km); as to Substations and other assets — quantity (pcs.)	Book remaining value as of 01/01/2011 (thousand roubles)	Profit for the period of 01/01/2011 — 31/12/2011 (thousand roubles)	Losses during the period of 01/01/2011 — 31/12/2011 (thousand roubles)	Accumulated amortization for the period of 01/01/2011 — 31/12/2011 (thousand roubles)	Accumulated amortization for the period of 01/01/2011 — 31/12/2011 (thousand roubles)
I	II	III	IV	V	VI	VII	VIII
<b>1</b>	<b>Assets attributed to power grid facilities including:</b>	<b>88,392.75</b>	<b>20,384,079.00</b>	<b>2,017,547.00</b>	<b>118,851.00</b>	<b>1,731,744.00</b>	<b>20,551,031.00</b>
1.1	OL 220kV and more	456.50	108,011.00	0.00	0.00	1,598.00	106,413.00
1.2	OL 110kV	18,178.70	4,121,769.00	95,916.00	80.00	217,723.00	3,999,882.00
1.3	OL 35kV	11,816.40	1,486,334.00	149,480.00	0.00	83,494.00	1,552,320.00
1.4	OL 10kV and less	127,773.44	6,248,377.00	582,366.00	11,768.00	611,658.00	6,207,317.00
1.5	Substation 220kV and more	4.00	15,392.00	346.00	0.00	2,351.00	13,387.00
1.6	Substation 110kV	636.00	3,722,948.00	481,132.00	32,325.00	367,039.00	3,804,716.00
1.7	Substation 35kV	577.00	595,162.00	209,738.00	46,884.00	77,625.00	680,391.00
1.8	Substation 10kV and less	30,369.00	896,276.00	183,218.00	4,954.00	94,798.00	979,742.00
1.9	Cabling (all voltage classes)	1,959.82	1,454,128.00	153,983.00	22,838.00	74,400.00	1,510,873.00
1.10	Other assets intended for providing electrical connections	1,325.00	1,735,682.00	161,368.00	2.00	201,058.00	1,695,990.00
<b>2</b>	<b>Non-core assets entered in the "Register of non-core assets"</b>	<b>56.00</b>	<b>99,459.00</b>	<b>3,009.00</b>	<b>22,827.00</b>	<b>1,273.00</b>	<b>78,368.00</b>
<b>3</b>	<b>Other assets (p.3 = p.4 – p.1 – p.2)</b>	<b>14,914.00</b>	<b>4,383,353.00</b>	<b>2,396,653.00</b>	<b>1,432,749.00</b>	<b>504,319.00</b>	<b>4,842,936.00</b>
3.1	owned land parcels			807.00	0.00	0.00	2,037.00
<b>4</b>	<b>"Fixed assets" (the line of the Balance sheet)</b>	<b>65,788.00</b>	<b>24,866,891.00</b>	<b>4,417,209.00</b>	<b>1,574,427.00</b>	<b>2,237,336.00</b>	<b>25,472,335.00</b>
<b>5</b>	<b>Leased assets considered as power grid facilities including:</b>	<b>365.62</b>	<b>271,263.00</b>	<b>38,956.00</b>	<b>89,841.00</b>	<b>0.00</b>	<b>220,378.00</b>
5.1	OL 220kV and more	0.00	0.00	0.00	0.00	0.00	0.00
5.2	OL 110kV	0.00	0.00	0.00	0.00	0.00	0.00
5.3	OL 35kV	0.00	0.00	0.00	0.00	0.00	0.00
5.4	OL 10kV and less	365.31	57,751.00	20,970.00	44,268.00	0.00	34,453.00
5.5	Substation 220kV and more	0.00	0.00	0.00	0.00	0.00	0.00
5.6	Substation 110kV	0.00	0.00	0.00	0.00	0.00	0.00

Item №	Name	Physical values: as to OLs and cable systems — circuit length (km); as to Substations and other assets — quantity (pcs.)	Book remaining value as of 01/01/2011 (thousand roubles)	Profit for the period of 01/01/2011 — 31/12/2011 (thousand roubles)	Losses during the period of 01/01/2011 — 31/12/2011 (thousand roubles)	Accumulated amortization for the period of 01/01/2011 — 31/12/2011 (thousand roubles)	Accumulated amortization for the period of 01/01/2011 — 31/12/2011 (thousand roubles)
I	II	III	IV	V	VI	VII	VIII
5.7	Substation 35 kV	0.00	0.00	0.00	0.00	0.00	0.00
5.8	Substation 10 kV and less	169.00	17,489.00	16,183.00	10,071.00	0.00	23,601.00
5.9	Cabling (all voltage classes)	72.30	24,973.00	0.00	928.00	0.00	24,045.00
5.10	Other leased assets intended for providing electrical connections	300.00	171,050.00	1,803.00	34,574.00	0.00	138,279.00
<b>6</b>	<b>Other leased assets</b>	<b>2,348.00</b>	<b>4,774,613.00</b>	<b>770,203.00</b>	<b>896,684.00</b>	<b>0.00</b>	<b>4,648,132.00</b>
6.1	land parcels			763,261.00	893,937.00	0.00	3,985,044.00
<b>7</b>	<b>Assets used under lease agreements and considered as power grid facilities including:</b>	<b>0.00</b>	<b>65,369.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>65,369.00</b>
7.1	OL 220 kV and more	0.00	0.00	0.00	0.00	0.00	0.00
7.2	OL 110 kV	0.00	0.00	0.00	0.00	0.00	0.00
7.3	OL 35 kV	0.00	0.00	0.00	0.00	0.00	0.00
7.4	OL 10 kV and less	0.00	0.00	0.00	0.00	0.00	0.00
7.5	Substation 220 kV and more	0.00	0.00	0.00	0.00	0.00	0.00
7.6	Substation 110 kV	0.00	65,369.00	0.00	0.00	0.00	65,369.00
7.8	Substation 35 kV	0.00	0.00	0.00	0.00	0.00	0.00
7.9	Substation 10 kV and less	0.00	0.00	0.00	0.00	0.00	0.00
7.10	Cabling (all voltage classes)	0.00	0.00	0.00	0.00	0.00	0.00
<b>8</b>	<b>Other assets used under lease agreements and intended for providing electrical connections</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>9</b>	<b>Other assets used under lease agreements</b>	<b>10.00</b>	<b>25,221.00</b>	<b>93,074.00</b>	<b>11,148.00</b>	<b>0.00</b>	<b>107,147.00</b>
<b>10</b>	<b>Leased assets including those under leasing agreements TOTAL (p.10=p.5+p.6+p.7+p.8+p.9)</b>	<b>2,723.62</b>	<b>5,136,466.00</b>	<b>902,232.00</b>	<b>997,672.00</b>	<b>0.00</b>	<b>5,041,026.00</b>
<b>11</b>	<b>TOTAL (p.11=p.4+p.10)</b>	<b>67,123.62</b>	<b>30,003,357.00</b>	<b>5,319,441.00</b>	<b>2,572,099.00</b>	<b>2,237,336.00</b>	<b>30,513,359.00</b>



# 8

# SHARE CAPITAL AND SECURITIES MARKET

The turnover of IDGC of the South, JSC shares was 16% of the total quantity of placed shares in the reporting year. According to the MICEX stock exchange, the total number of transactions with Company shares in 2011 equaled RUR 1,074.8 mln.



**TRUST,  
RESPONSIBILITY**



# SHARE CAPITAL AND SECURITIES MARKET

## SHARE CAPITAL

### Share Capital History

As of 28 June 2007 (the date of state registration of IDGC of the South, JSC), the Company's authorized capital amounted to RUR 10 mln and was divided into 100 mln registered ordinary shares with a nominal value of 10 kopecks each.

On 31 March 2008, due to the reorganization of the Company in the form of accession of Astrakhanenergo, JSC, Volgogradenergo, JSC, Kalmenergo, JSC and Rostovenergo, JSC to it, the number of shares increased to 49,811,096,064 shares due to the conversion of shares of the merged companies.

As of 31 January 2011, the Company's share capital amounts to **RUR 4,981,109,606.40** and is divided into **49,811,096,064** registered ordinary shares with a nominal value of 10 kopecks each. Preferred shares were not issued by the Company.

Number of the stated shares: **31,078,103,936**.

The owners of the ordinary shares stated by the Company for placement are entitled to the rights provided for by p.6.2. art.6 of the Charter of JSC IDGC of the South.

### Company Share Issues

No	State Registration Number of the Issue	Amount, RUR	Share Category	Quantity, Shares	Nominal Value, RUR
<b>First Share Issue</b>					
1	1-01-34956-E of 20.09.2007	10,000,000	Ordinary	100,000,000	0.1
<b>Additional Share Issues</b>					
2	1-01-34956-E-001D of 20.03.2008	228,296,779.1	Ordinary	2,282,967,791	0.1
3	1-01-34956-E-002D of 20.03.2008	1,620,347,283.7	Ordinary	16,203,472,837	0.1
3	1-01-34956-E-003D of 20.03.2008	439,059,322.3	Ordinary	4,390,593,223	0.1
4	1-01-34956-E-004D of 20.03.2008	2,029,712,678.4	Ordinary	20,297,126,784	0.1
5	1-01-34956-E-005D of 20.03.2008	192,111,155	Ordinary	1,921,111,550	0.1
6	1-01-34956-E-006D of 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 dd. 12.08.2008 №08-EK-03/17099, annulment of individual numbers (codes) of additional shares issues was carried out; the united issue was assigned the state registration number 1-01-34956-E dd. 20.09.2007

## Share Capital Structure

As of 28 June 2007, 100% of shares belonged to the sole founder of the Company — RAO UES of Russia, JSC.

On 31 March 2008, as a result of the reorganization of the Company in the form of a merger of Astrakhanenergo, JSC, Volgogradenergo, JSC, Kalmenergo, JSC and Rostovenergo, JSC to the Company, the shareholders of shares in the merged companies became owners of Company shares if they have not used their right to sell back their shares to the Company under the reorganization of the merged companies.

Starting from 01 July 2008 as a result of the reorganization of RAO UES of Russia, JSC, IDGC Holding, JCS has become the owner of this company shares in the Company.

In 2011 the following changes took place in the share capital structure (the dates when the Company learnt of such changes are specified):

№	Date	Event	Share in the Authorized Capital, %		Owner's Name
			Before Changes	After Changes	
1	25.03.2011 (date of notification receipt by the shareholder)	Incorporation	0	8.51	LANCRENAN INVESTMENTS LIMITED
2	25.03.2011 (date of notification receipt by the shareholder)	Inclusion	0	8.91	PROTSVETANIYE HOLDINGS LIMITED
3	06.05.2011 (the latest register closing date)	Share change	8.51	9.25	LANCRENAN INVESTMENTS LIMITED
4	20.04.2011 (date of notification receipt by the shareholder)	Retirement	21.36	0	Management Consulting (D.U.), LLC (closed mutual fund "Resource")
5	06.05.2011 (the latest register closing date)	Share Changes	8.91	6.85	PROTSVETANIYE HOLDINGS LIMITED
6	06.05.2011 (the latest register closing date)	Incorporation	0	2.14	SELIGSON & CO OYJ
7	06.05.2011 (the latest register closing date)	Incorporation	0	1.71	Roselia Limited
8	06.05.2011 (the latest register closing date)	Share Change	2.79	2.85	Quorum Fund Limited
9	06.05.2011 (the latest register closing date)	Incorporation	0	1.04	ALFA-BANK OPEN JOINT STOCK COMPANY

As of 31 January 2011, the total number of persons registered in the register of shareholders is **9,278**.

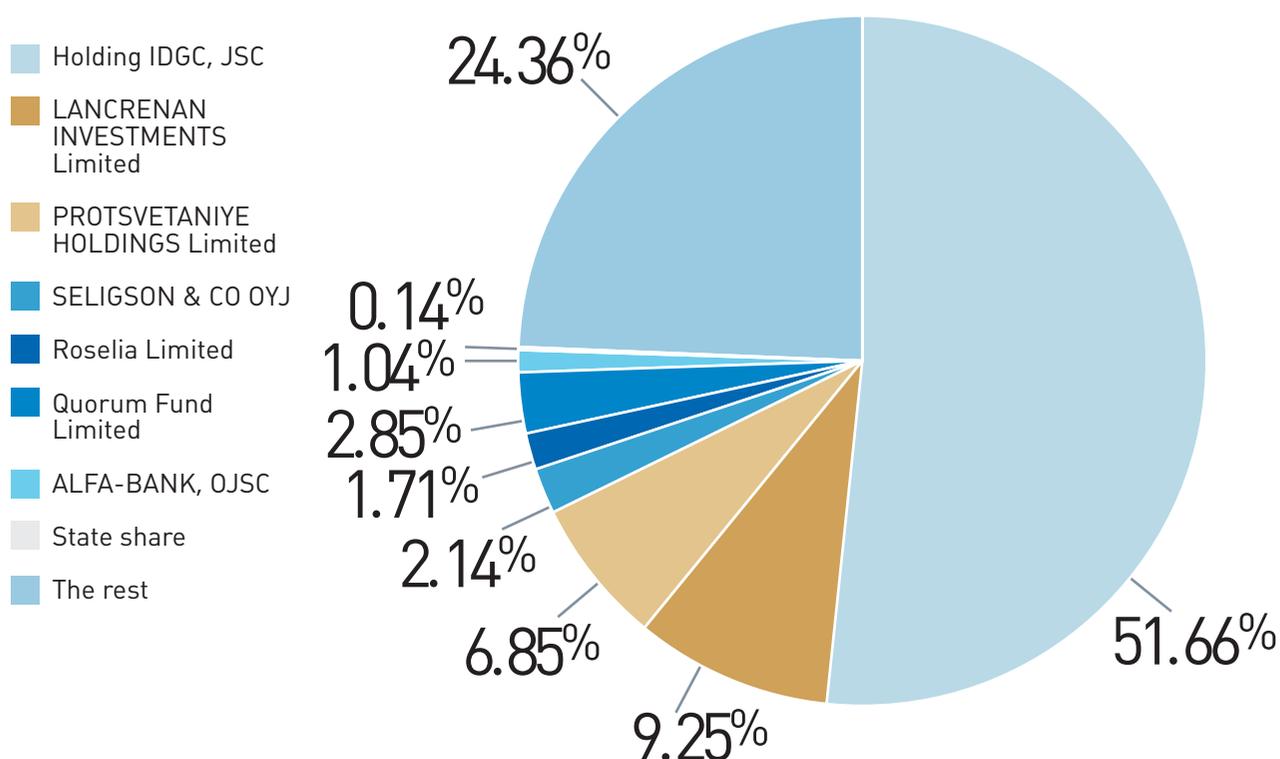
## Share capital structure as of 31 January 2011

Type of a Registered Person	Number of the Company Shareholders	Number of Shares	Share in the Authorized Capital, %
Natural Persons	9,184	1,464,708,717	2.94
including non-residents	41	11,130,899	0.02
Legal entities	82	65,554,321	0.13
including non-residents	10	15,997,144	0.03
State	2	70,456,639	0.14
Nominal Holders	10	48,210,376,387	96.79
<b>TOTAL:</b>	<b>9,278</b>	<b>49,811,096,064</b>	<b>100</b>

**Share capital structure as of 06 May 2011 (date of drawing up of the list of persons entitled to participate in the Annual General Meeting of Shareholders)**

Type of a Registered Person	Number of the Company Shareholders	Number of shares	Share in the Authorized Capital, %
Natural Persons	12,377	4,745,161,781	9.53
including non-residents	45	11,381,078	0.02
Legal entities	303	43,309,195,104	86.95
including non-residents	115	16,678,353,970	33.48
State	2	70,456,639	0.14
Nominal holders that have not disclosed information about their customers	8	6,347,565	0.01
Asset Managers	71	1,662,047,858	3.34
Common property shares	64	17,887,117	0.03
<b>TOTAL:</b>	<b>12,824</b>	<b>49,811,096,064</b>	<b>100</b>

**Composition of IDGC of the South, JSC Shareholders as of 06 May 2011 (the latest nominal shares holders register closing date)**



The Company obtained the approval from shareholders of IDGC of the South, JSC to disclose the above information on the ownership of the Company shares.

The Company management is not informed of changes in the above information.  
There are no Company shares held in cross ownership.

## CIRCULATION OF SHARES AT THE STOCK MARKET

From 03 July 2008 the Company shares have been admitted to trading by the following trade organizers at the stock market:

- MICEX Exchange, CJSC — 16 July 2010 Company shares were transferred from the list of off-listed securities to the “B” quotation list (ticker — up to 20 November 2011 inclusive —

MRKA, from 21 November 2011 — MRKY), ISIN code: RU000A0JPPG8;

- RTS, JSC — share trading has been carried out before 19 December 2011 (date of the reorganization of RTS, JSC), without listing in two modes — “T+0” (ticker — MRKYG) and “RTS Classica” (ticker — MRKY)

### Market-Makers

In order to improve the liquidity of the Company shares, on 24 December 2009, contract was signed for providing market-maker services on MICEX Exchange, CJSC with Unicom Partner, LLC, acting in the reporting year:

#### Information about the market-maker

Full name:	Universal Investment Company Partner, LLC
Shortened name:	Unicom Partner, LLC
License for fulfilling dealer activity:	№ 166-05957-010000 dd. April 19, 2002, without a limit on the term of validity, given by the Federal Commission for the Securities Market
Location:	78a Krasnoarmeyskaya St., Ekaterinburg, the Russian Federation
Postal address:	78a Krasnoarmeyskaya St., 620026 Ekaterinburg, the Russian Federation
Telephone:	+7 (343) 379-41-65
Fax:	+7 (343) 379-41-66
Website:	<a href="http://www.unicompartner.ru">http://www.unicompartner.ru</a>

#### Parameters of support for Two-sided quotations:

- Spread of the two-sided quotation (factual spread) as a percentage, not more than 3%,
- Minimal acceptable volume of offers, no less than **RUR 300,000**,
- Total sum of transactions reached with securities as part of fulfilling the Market maker’s obligations over the course of one trading day in main trading, at which point the Market maker has the right to support only one-sided trading for buying or selling securities, no less than **RUR 2,100,000**.

Starting from the date of the start of the contract, the market maker provides securities trading services by presenting and constantly supporting of the market-maker offer.

This reporting year, the turnover of shares of IDGC of the South, JSC was 16% of the total number of outstanding shares.

IDGC of the South, JSC shares completely fulfill the requirements made by the organizer of trade for support in the “B” quotation list of MICEX Exchange, CJSC.

## Quotations and Trading Volumes in 2011 (Data given for the period from 1 January 2011 to 31 December 2011)

Trade Organizer	Volume, mln, Shares (market and address transactions)	Volume, mln, Money Unit (market and address transactions)	Number of Market and Address Transactions, units	Transaction Prices				Weighted Average Price Changes for the Reporting Year, %
				First	Maximum	Minimum	Last	
<b>In roubles</b>								
MICEX	8,100.64	1,074.80	71,013	0.1810	0.1842	0.0642	0.0665	-63
RTS (T+0)	0.027	0.002	2	0.15	0.15	0.075	0.075	-50
<b>In US Dollars</b>								
RTS (Classica)	24.7	0.115	9	0.0055	0.0055	0.0043	0.0044	-20

The maximum trading activity was observed on the MICEX Exchange, CJSC — in 2011 the total volume of the Company share transactions amounted to **RUR 1,074.80 mln**. The peak values of trading volume were reached in January of 2011 and amounted to **RUR 331.66 mln**.

The intensity of trading on the full range of securities on the stock market historically increases during this period.

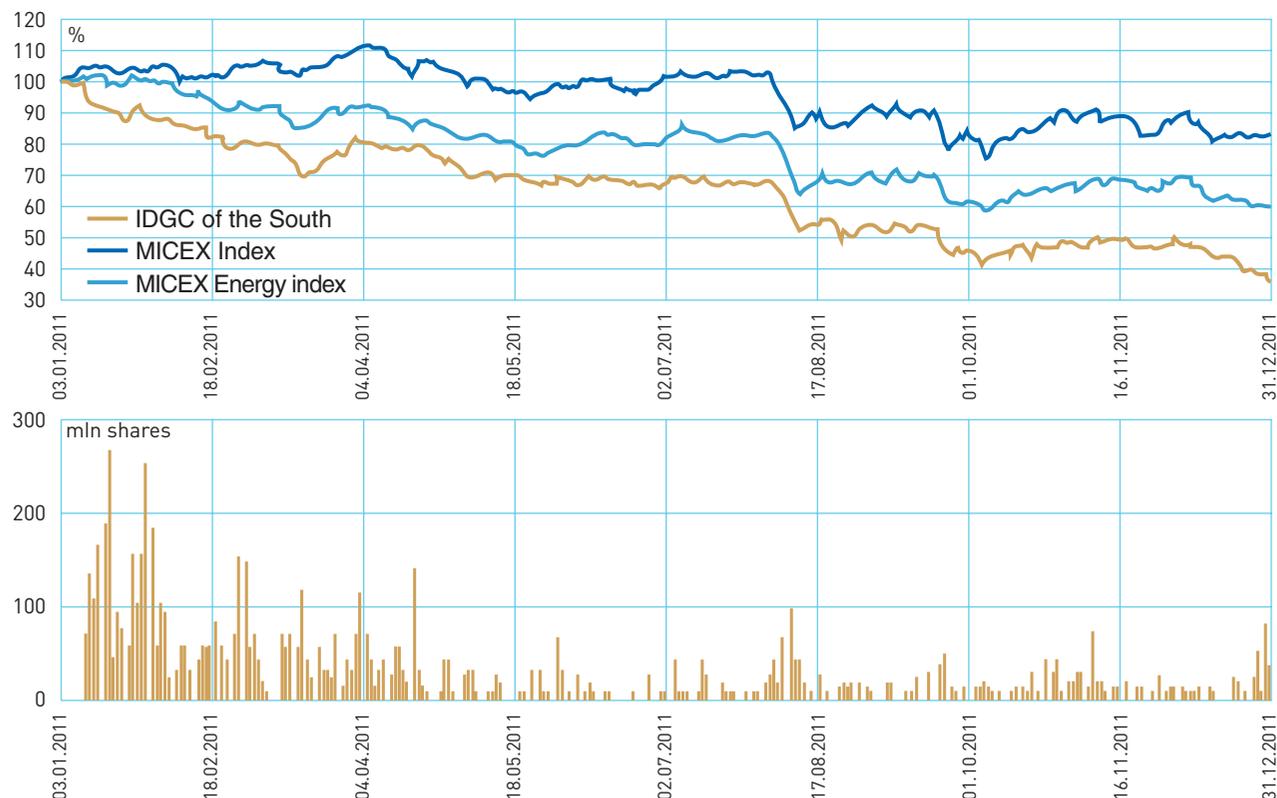
The lowest trading activity was observed in June 2011 (the volume of transactions amounted to **RUR 25.61 mln**), due to the revision of tariffs by the executive power authorities of the con-

stituent entities of the Russian Federation in the sphere of state regulation in each region from 01 May 2011 in accordance with Decree of the Government № 1172 “On the Endorsement of the Rules of the Wholesale Market of Electric Energy and Power and on the Amendments to Some Acts of the Government of the Russian Federation on the Issues of Organisation of Functioning of the Wholesale Market of Electric Energy and Power”.

The difference between the highest demand price (maximum Bid) and the lowest asked price (minimum Ask) in the reporting year amounted to less than 3%.



## Change in price of IDGC of the South, JSC shares, the MICEX index, and the MICEX Energy index in 2011 (according to data of the MICEX Exchange, CJSC)



According to data from MICEX Exchange, the market capitalization as of 31 December 2011 amounted to **RUR 3,283,547,452.53**.

The Changes in the Company market capitalization during the reporting year showed a decrease; according to MICEX Exchange, CJSC it amounted to **63%**.

This decrease of market capitalization of IDGC of the South, JSC has occurred against the backdrop of a significant decrease of MICEX Energy index (40%) and due to the government policy aimed at curbing the growth of tariffs for electricity transmission.

## Activities on Increasing the Shares Attractiveness for Russian and Foreign Investors

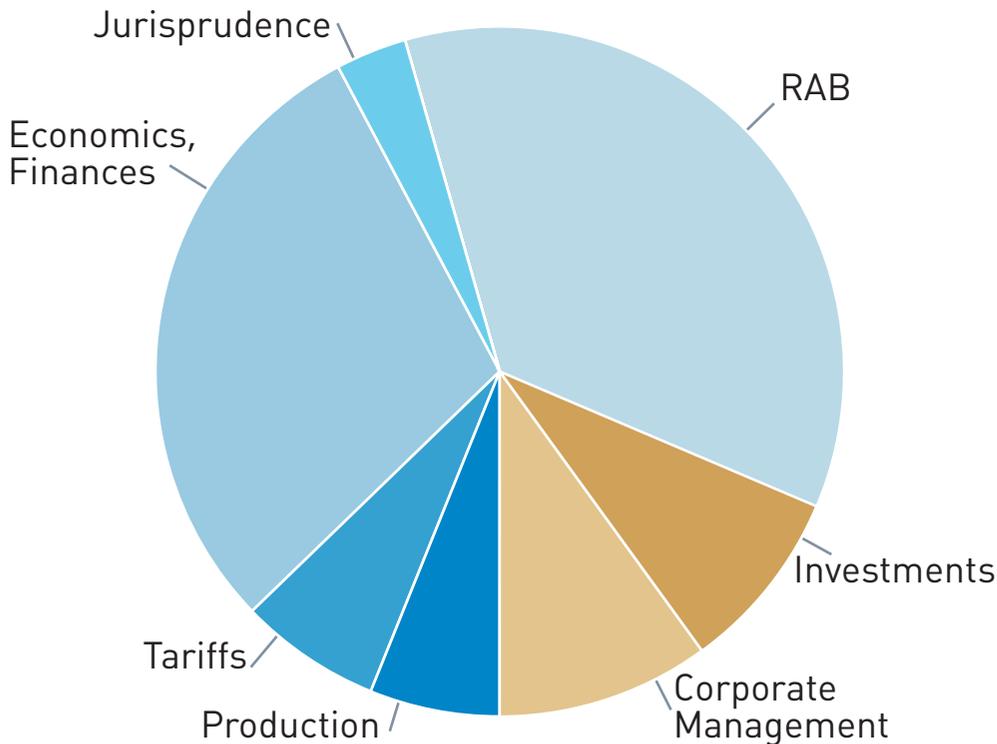
A Department of Corporate Management and Interaction with Shareholders has been created within the organizational structure of the executive apparatus of the Company, which is responsible, among other things, for work with analysts, potential investors and other interested parties (Investor Relations), are established, whose objectives are:

- To improve information policy,
- To organize provision of the necessary reporting to the target group — shareholders, regulatory authorities, stock markets, etc.;
- To form and maintain relations with the shareholders, analysts and the investment community, including with the aim of achievement of better awareness of interested parties about the Company, including:
  - Identifying the Company final beneficiaries,

- Drawing up and regular updating of a list of analysts and representatives of the investment community,
- Study of the needs of interested parties,
- Getting information about the activities of the other companies in the electricity transmission sector, making a comparative analysis,
- Positioning of the Company in the eyes of investors and analysts,
- Analysis of the opinions of analysts and investors about the Company growth prospects.

IDGC of the South, JSC supports close contact with analysts from investment companies and banks, including ATON, LLC, Troika Dialog IC, Oktrytie LLC, FINAM IC, Goldman Sachs International, Morgan Stanley, Deutsche Bank and others, carrying out their information support.

**Statistics on analysts' requests concerning information about IDGC of the South, JSC for 2011**



**Disclosure of Information**

The Company fulfills all requirements for disclosing of information set by the legislation of the Russian Federation and trade institutors, as well as local regulations, ensuring a high level of informational transparency. Shareholders, investors and other interested parties receive from the Company, according to our reckoning, information which is sufficient for taking decisions by these parties in respect of the Company shares.

In accordance with the legislation of the Russian Federation legislation in force, the Company disclosed the following information in the reporting year:

- Information about significant facts — **74**,
- Press releases about decisions taken by the management bodies — **10**.

Furthermore, during the reporting year, quarterly informational bulletins have been being prepared, placed on corporate website,

and distributed to analysts, shareholders' and the investment community representatives. These bulletins included:

- A survey of key news,
- Review of the Company management bodies resolutions,
- Surveys of the stock market,
- Information about production activities,
- Financial and economic indicators.

The corporate web-site of the Company provides the opportunity for feedback from the representatives of shareholders, investment community, the analysts and other interested parties with IDGC of the South, JSC as an additional channel for receiving current information on the financial and economic activities of the Company.

In order to make it more convenient for readers of the Company website to get analytical information about trading of IDGC of the

South, JSC stocks, in 2011 the contract with Capital Logika, LLC remained in force. The contract provided services for updating the corporate website of the Company with information about the results of trading of IDGC of the South, JSC stocks, including:

- An informer which broadcasts quotes of IDGC of the South, JSC stocks (RTS, MICEX) and the values of the main stock indexes (RTS Index, RTSeu, MICEX Index, MICEX Energy Index) with a 15-minute time lag (in accordance with the trade organizer's requirements) — <http://www.mrsk-yuga.ru/>;
- WAP-version of the informer, which broadcasts quotes of IDGC of the South, JSC stocks (RTS, MICEX) and the values of the main stock indexes (RTS Index, RTSeu, MICEX Index, MICEX Energy Index) with a 15-minute time lag (in accordance with the trade organizer's requirements) — <http://www.mrsk-yuga.ru/>;
- Graphic instruments which reflect the change in stock quotes of IDGC of the South, JSC (RTS, MICEX), and the main stock exchanges (RTS Index, RTSeu, MICEX Index, MICEX Energy Index, DJ RusIndex Titans 10) + the volumes of trading in IDGC of the South, JSC stocks (RTS, MICEX) — <http://www.mrsk-yuga.ru/stock/securities/>;
- Graphic instruments which reflect the change in value and yield of bonds of IDGC of the South (MICEX) — [http://www.mrsk-yuga.ru/stock/release\\_action/oblig/](http://www.mrsk-yuga.ru/stock/release_action/oblig/).

The Company has an English version of its corporate website with the aim of providing information on its business to foreign shareholders and investors.

## Work with Shareholders

The Company pays special attention to making it convenient for shareholders of IDGC of the South, JSC to fulfill their rights in relation to the shares owned by them, and makes every effort to improve the quality of service and information support available to shareholders.

The shareholders of the Company, residing in the regions served by IDGC of the South, JSC, have the opportunity to be served at the location of its branches: Rostovenergo, Volgograd-energo, Astrakhanenergo.

In 2012 the Company is planning a series of activities aimed at improving the investment attractiveness of shares to potential investors and market capitalization, in particular:

- Increasing openness: the Company will aim to disclose additional information about its business which is not required to be

In order to increase transparency in the relations of IDGC of the South, JSC with the analysts and the investment community, a number of events were carried out during the year.

On 25 March 2011, the Internet conference on the theme: "Results of the economic activity of IDGC of the South, JSC for the year 2010, forecasts for 2011" was held on the website FINAM IC.

Visitors of the website of FINAM IC are analysts, brokerage firms' representatives, professional securities market participants and retail investors, the mainstream media — a total of more than 12,000 unique visitors a day.

During the event, the Company management responded to questions received about the activities of IDGC of the South, JSC and shared with its plans for the future.

On 03 August 2011, IDGC of the South, JSC took an active part in the Day of investors, organized by IDGC Holding, JSC, having provided information about the prospects of the Company development within the approved parameters of tariff regulation. The event was attended by major investment institutions:

- VTB Capital,
- J.P.Morgan,
- Credit Suisse,
- Goldman Sachs,
- BNP Paribas,
- Morgan Stanley,
- The European Bank for Reconstruction and Development,
- Prosperity Capital Management,
- Troika Dialog IC.

disclosed in accordance with the requirements of the legislation of the Russian Federation in force and local provisions,

- Improving the process of disclosing information about the Company, including by improving the corporate website,
- Holding public events based information about expected or completed global corporate events in the life of the Company,
- Improving the quality of investor relations (IR) by making the Company informational reports more specific.

Furthermore, the Company aims to increase its financial stability and achieve high financial results allowing the Company to raise the dividend yield on its shares.

## Issuing Activity

No shares of IDGC of the South, JSC were issued in the reporting year.

## Information about the Registrar

Until 18 December 2010 CMD, JSC was the registrar of the Company, from 18 December 2010 Registrar R.O.S.T., JSC has been acting as the Company registrar.

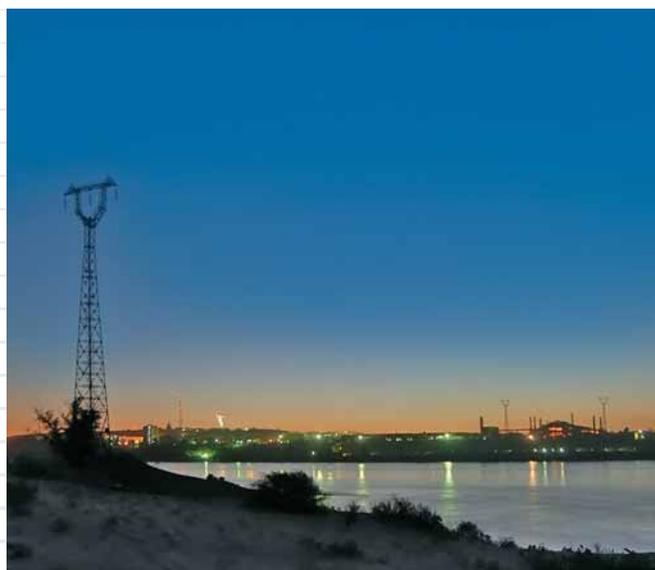
---

Full name:	Open joint-stock company Registrar R.O.S.T.
Short name:	Registrar R.O.S.T., JSC
License for carrying out of activities in maintenance of share register:	№ 10-000-1-00264, issued on 03.12.2002 by the Federal Financial Markets Commission
Location:	18 Stromynka St., bld.13, Moscow
Postal address:	18 Stromynka St., bld.13, 107996 Moscow, PO Box 9
Telephone:	+7 (495) 771-73-35
Fax:	+7 (495) 771-73-34
Mailing address:	rost@rost.ru

## Contact information about the Registrar subdivision in Volgograd:

---

Full name:	Subdivision of Registrar R.O.S.T., JSC in Volgograd
Location and postal address:	9 Bogomoltsa St. (3 floor), 400033 Volgograd
Telephone:	+7 (8442) 79-82-80
Mailing address:	volgograd@mail.rost.ru



## Information about transfer-agents of the Registrar serving the Company shareholders

### In Rostov-on-Don:

---

Full name:	“JRC-Rostov-on-Don” branch of the Open joint-stock company “Joint Registration Company” (JRC OJSC)
Location and postal address:	14a M. Nagibina av., 344038 Rostov-on-Don
Telephone:	+7 (863) 2-430-777, 2-430-755
Mailing address:	rostov-don@ork-reestr.ru

### In Astrakhan:

---

Full name:	Deposit-Akhtuba branch of the closed joint-stock company Professional Registration Centre (PRC CJSC)
Location and postal address:	94/1a Sofii Perovskoi St., 414004, Astrakhan
Telephone:	+7 (8512) 49-69-12
Mailing address:	astrakhan@profrc.ru

## Information on Payments to the Registrar

**RUR 1,906,020.96** were paid to CMD JSC in the reporting year, of which:

- RUR 134,520 for providing of services for maintenance and keeping of share register of Company shareholders,
- RUR 1,771,500.96 for providing of services for preparing and holding of general shareholders' meetings.

# DIVIDENDS

## Company Dividend Policy

The dividend policy is understood by the Company as a system of relations and principles for determining the size of dividends, the methods and terms of their payment, as well as for setting the responsibility of the Company for failure to fulfil its obligation for paying dividends.

The Company dividend policy is based on the balance of interests of the Company and its shareholders when determining the size of dividend payments, on the respect for and strict adherence to shareholder rights, as provided for by the legislation of the Russian Federation in force, the Company charter, and internal documents of the Company, and is aimed at increasing the Company investment attractiveness, its capitalization and shareholder value.

The Regulation on dividend policy of the Open joint stock company Interregional Distribution Grid Company, as amended, was approved by the decision of the Board of Directors (Minutes dated 01.09.2010 №23/2010), in accordance with the Civil Code of the Russian Federation, Federal Law №208-ФЗ “On Shareholder Companies” dated 26.12.1995, normative legal acts of the Russian Federation, the Charter of IDGC of the South, JSC, as well as recommendations of the Corporate Governance Code of IDGC of the South, JSC and other internal documents of the Company so as to:

- Ensure transparency of the mechanism of determining the size of dividends and their payment,
- Inform shareholders and other interested parties about the Company dividend policy.

## Dividend History

The Company has not taken the decision to pay dividends since it was founded. The decision not to pay dividends for 2007–2008 was caused by the Company’s desire after the reorganization process to focus its efforts on increasing and retaining cash funds, and for 2009–2010 — due to having operating losses. The decision to pay dividends has not yet been taken following the results of operations of 2011. The decision to send a net profit for the results of 2011 in the accumulation fund is planned to be taken.



# SUSTAINABILITY REPORT

The consistent development of IDGC of the South, JSC is based in the Company's economically effective activity at ensuring reliable and safe electric power supplies to consumers, protection of the surrounding environment, and the social welfare of the employees and general population in the regions where the Company is present.

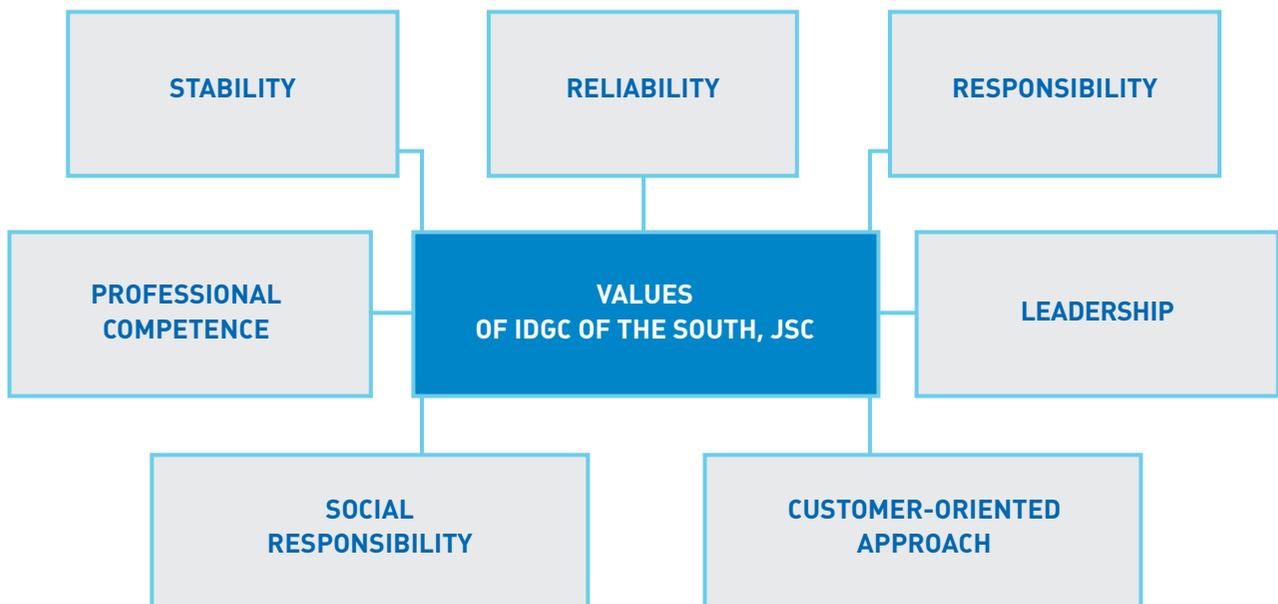


**CARE,  
WELL-BEING**

# 9

# SUSTAINABILITY REPORT

## Values of IDGC of the South, JSC



## The objectives of corporate social responsibility are as follows:

- To contribute to the maintenance of stable high-level national and international economic development and employment,
- To promote social progress of the Company,
- To establish a cohesive, socially secure, creative and economically motivated team of the Company,
- To improve work and rest conditions, increase the safety of employees in accordance with the international standard OHSAS 18001:2007, the national standard GOST R 12.0.007-2009,
- To achieve and maintain the status of a modern, highly efficient and socially responsible company according to the estimation of parties concerned,
- To support the protection of the environment and preventing pollution in balance with socio-economic needs in accordance with international standard ISO 14001:2004.

The activity of the Company is based on constant interaction with many interested parties, carried out not only to meet the requirements of current legislation, but also to prevent and minimize risks for sustainable development.

Starting from 2009, as a tool for dialogue with interested parties the Company uses the disclosure of corporate social reports containing information on personnel and environmental policy, Customer Service, shareholders and investors, as well as other information about the Company's activities in the area of social responsibility.

All-Russian Association of Employers, "the Russian Union of Industrialists and Entrepreneurs" included social reports for 2009–2010 in the National Register of corporate non-financial reporting, which is a data bank of voluntary non-financial reports of organizations operating in the territory of the Russian Federation, which represents a register of companies, preparing non-financial reports in the field of sustainable development, social reports and environmental reports, as well as a library of non-financial reporting.

#### **Interested parties of IDGC of the South, JSC are as follows:**

- Personnel,
- Customers,
- Shareholders, investors,
- State agencies and local governments, local communities of the operations areas,
- Business partners,
- Mass media, non-governmental organizations (NGOs),
- Educational institutions.

## **PERSONNEL OF IDGC OF THE SOUTH, JSC**

### **Personnel policy of the Company**

Personnel Policy of IDGC of the South, JSC represents a set of fundamental principles that are implemented by the heads and HR departments in the workforce of the Company.

The main objective of personnel policy in the IDGC of the South, JSC is to achieve a certain quality level of personnel able to provide a competitive and strategic development of the Company.

Work with personnel in IDGC of the South, JSC includes the following tasks:

- To achieve full both quantitative and qualitative compliance of professional and qualification structure of personnel with job structure and employment of the Company, taking into account the full range of requirements for the quality of personnel in the energy sector,
- To ensure the continuity of traditions and the Company's corporate values in the recruitment and training,
- To ensure a high level of motivation to achieve the goals and objectives of the Company,
- To ensure a sufficient level of personnel satisfaction with working conditions in the company.

#### **The main directions of the Company's personnel policy include:**

- 1) Optimization of the process of creating organizational systems, rationalization of labour,

- 2) Workforce planning (determination of staffing needs (the ratio of the quantity and quality),
- 3) Definition of a special category of employees whose retention is crucial to the Company,
- 4) Development and implementation of measures to rejuvenate the personnel in the Company, particularly personnel of production units (workers, engineers and technicians),
- 5) Cooperation with leading Russian institutions of higher secondary and additional vocational education with an emphasis on specialized energy educational institutions and departments,
- 6) Organization of continuous training, retraining and advanced training of staff aimed at maintaining an appropriate level of staff training to ensure the competitiveness of the Company,
- 7) Formation and development of personnel reserve of the Company, development of individual programs for personnel capacity development, staff career planning, organization of mentorship in the Company,
- 8) Development and implementation of tangible and intangible motivations in the Company based on the results of individual work and efficiency in order to attract, retain and encourage personnel,
- 9) Implementation of programs of non-state pension provision in order to improve social protection of employees of the Company, provision of targeted social benefits and guarantees for employees of the Company,
- 10) Implementation of measures aimed at preserving life and health of employees of the Company, through preliminary and periodic medical examinations, as well as the implementation of voluntary health insurance program,
- 11) Formation and maintenance of the Company's corporate culture,
- 12) System of psycho-physiological safety of operational personnel labour activity.

According to the support and development program of IDGC of the South, JSC personnel potential approved by the Board of Directors of IDGC of the South, JSC (Minutes of 30 July 2010 №51/2010), a number of activities for the conservation, replenishment and development of the Company's personnel scheduled to be implemented in 2011.

### The number and structure of the Company's personnel

In 2011 IDGC of the South, JSC carried out its activities as an operating company, which includes executive staff and five branches: Astrakhanenergo, Volgogradenergo, Kalmenergo, Kubanenergo, and Rostovenergo.

Branch of IDGC of the South, JSC — Kubanenergo — did not carry out operational activities in 2009–2011.

In 2011, the average number of IDGC of the South, JSC personnel amounted to 14,435 people, down by 4.5% compared to 2010.

Reduction of the number of personnel in 2011 is caused by the optimization of organizational structure, staff reductions related to the implementation of financial recovery program of IDGC of the South, JSC developed for the period of 2011–2014.

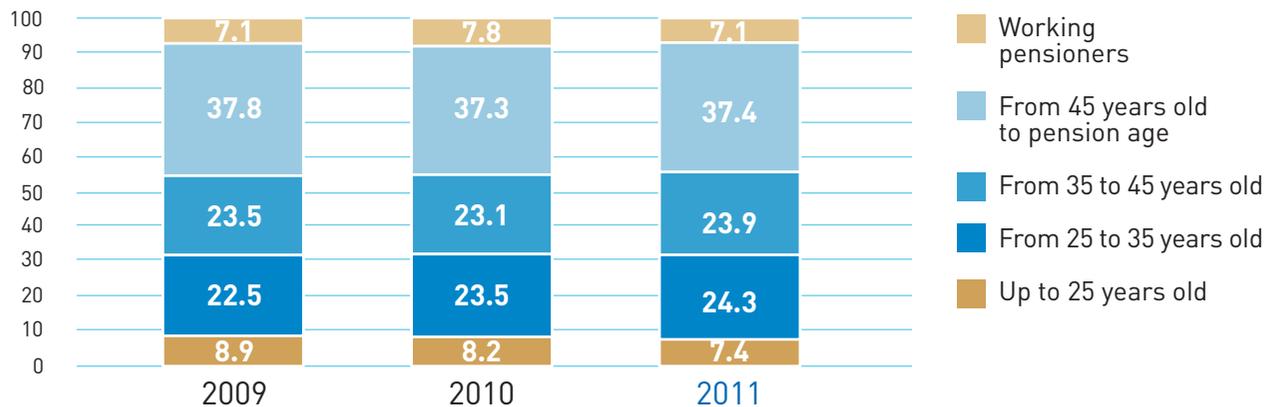
Analysis of the structure of the Company's employees by personnel categories showed that as in previous years the workers remain the main personnel category. Decrease in the share of the category of heads by 1.62 pp in the overall headcount over the level of 2010 is explained by the Company's activities to optimize the organizational structure.

### The structure of employees of IDGC of the South, JSC by personnel categories in dynamics for 2009–2011



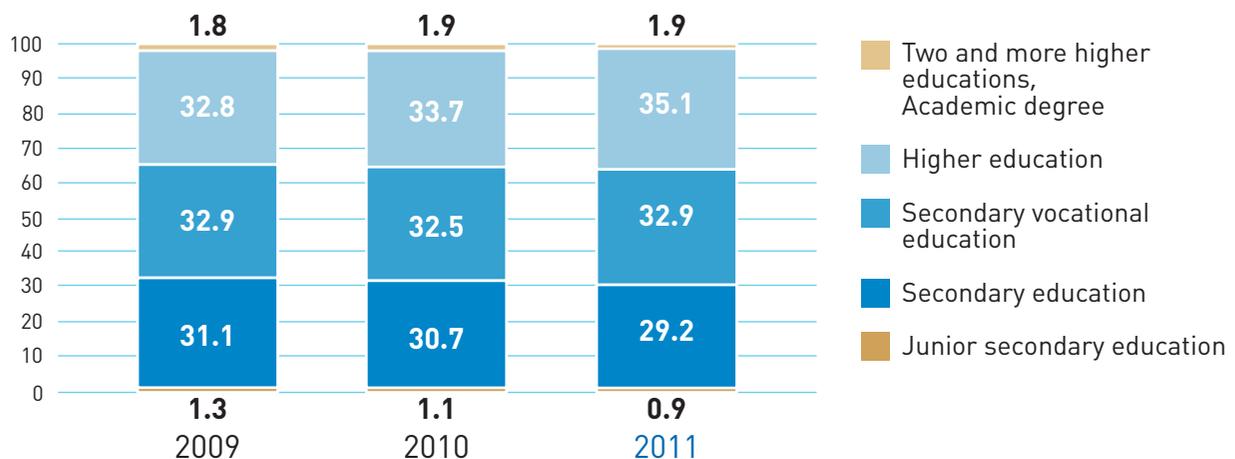
Analysis of the age structure of the Company revealed that the basis of labour (human) capacity of IDGC of the South in 2011 consists of employees aged between 25 and 45 years. They accounted for 48.2% of the total staff. By results of 2011 the share of employees under the age of 35 years remained at the level of 2010, namely 31.7% of the total headcount of the Company.

### Age structure of IDGC of the South, JSC personnel in dynamics for 2009–2011



Analysis of the qualification structure of IDGC of the South, JSC personnel has shown that the proportion of employees with incomplete secondary and secondary education has a tendency to decrease. It should be noted that in 2011 the number of employees with higher education (including two or more ones) increased by 2.32 pp compared to 2009. This trend is due to the implementation of policies to attract young qualified specialists in the Company and to introduce a system of continuous learning aimed at maintaining an appropriate level of staff training of the Company.

### Qualification structure of IDGC of the South, JSC employees in dynamics of 2009–2011



## Personnel Training and Development

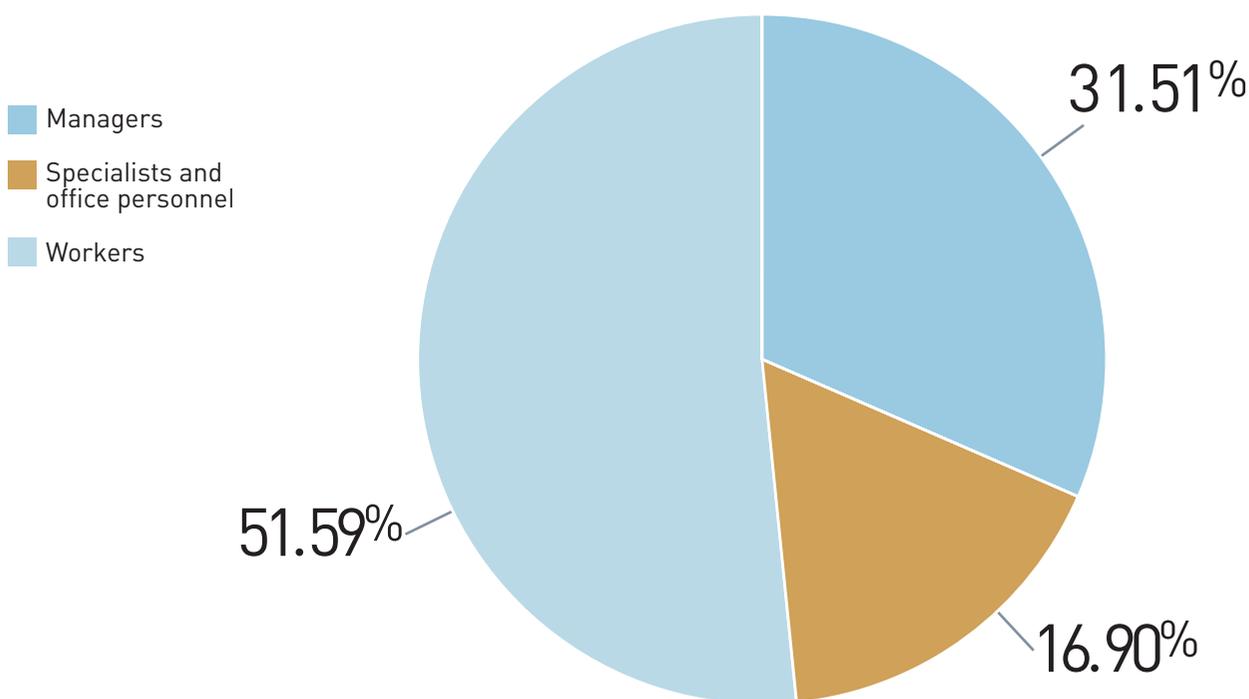
One of the most important activities in the area of the Company's personnel policy is the development of personnel capacity. The main role in this direction is assigned to a system, planned, and — most importantly — continuing professional training of personnel.

The development of training and development is aimed at ensuring full compliance of employees with the structure of posts

and jobs, taking into account the full range of requirements for the quality of personnel in the energy sector.

Training in IDGC of the South, JSC is held for all categories of employees. In 2011, in the training events were attended by 6,528 employees, or 45.22 % of the Company.

### Percentage of employees trained by Category



The main form of personnel training is compulsory training of electricians, engineers, and technicians carried out in accordance with Rules of personnel work in the power sector on the basis of their own training centres: Non-State Educational Establishment (NOU) "Training Centre Energetic" (Rostov-on-Don) and Non-State Educational Establishment (NOU) "Astrakhan Training Centre" (Astrakhan). Training centres are equipped with the necessary equipment, including simulators, teaching materials and literature. Centres have military training grounds at their disposal where prac-

tical training of workers and specialists takes place. Compulsory training in 2011 on the basis of their own training centres was passed by 1,763 employees.

In addition, in 2011 employees of the Company had training, retraining and professional development in Non-State Educational Establishment (NOU) "Centre for Energy Training" (St. Petersburg); Institute for Improving the Qualifications of Civil Servants (Moscow), Federal State educational establishment "St. Petersburg Power Engineering Institute of Professional Development", the

Corporate Energy University (Moscow) and other educational institutions. In total 307 employees of the Company received a diploma of vocational retraining in 2011.

Attraction of young specialists to work is one of the strategic objectives in the field of personnel policy of the Company; in this regard in 2011 the cooperation with leading educational institutions of higher and secondary vocational education on the territory of IDGC of the South, JSC presence was continued. Agreements on cooperation and strategic partnership were concluded with the Volgograd State Agricultural Academy, Volgograd State University and Kalmyk State University, Astrakhan State Technical University, Volgograd State Agricultural Academy. For the purpose of motivating and reinforcing obtained knowledge, students of educational institutions are allocated for practical training.

An important part of activities to attract young people is to increase the prestige of working in the power sector. Open Days for students of specialized universities, technical colleges and vocational schools, and high schools are held regularly. The purpose of such events is the professional orientation of high school graduates, attracting the attention of young professionals for careers that are in demand in the branches of the Company.

One of the main tasks of IDGC of the South, JSC in the field of personnel management is the formation and training of personnel reserves.

The Company has implemented the work on the formation and development of managerial personnel reserve and personnel reserve of young professionals. Managerial talent pool is formed in order to ensure prompt and high quality needs of the Company in employees trained to work in senior positions in IDGC of the South, JSC. The formation of a personnel reserve is carried out on positions of:

- Top managers,
- Middle managers (from the level of Head of Department),
- Management positions of production units and distribution zones, as well as the positions of operational managers.

Each candidate has been recommended to the personnel reserve by a direct supervisor. The main criteria for inclusion of an employee in the managerial personnel reserve are:

- High production results,
- Presence of strong leadership potential,
- Trainability,
- Mobility (willingness of the candidate to move to another location).

The managerial personnel reserve enrolled 2,171 employees by the end of the year.

In order to involve young workers in solving urgent problems of power grid facilities, to enhance their professional competence, and to assist in their career, the Company carried out work on the development of personnel reserve of young professionals in 2011.

The youth personnel reserve was widened with young professionals under 35 with higher education, from among the most promising employees with significant potential for development.

The formation of youth personnel reserve was held at two levels — in branches and in the Company. All the candidates passed evaluation procedures (document analysis, expert assessment of competence). Workers who showed the best results were enrolled in the youth personnel reserves of the branches and the Company.

252 employees took part in the competitive selection at the branches, of which 145 employees were from production units and distribution zones, 100 employees joined youth branch reserves, 69 of them were the employees of production units and distribution zones.

The formation of a personnel reserve of the Company also took place on a competitive basis. The competition was attended by 72 employees from branches and the executive office of IDGC of the South, JSC; there were 62 employees of IDGC of the South, JSC in the final list of members of the youth personnel reserve of the Company.

Lists of personnel reserve of the Company's young professionals were examined by the Committee on Personnel and Remuneration of the Board of IDGC of the South, JSC and approved by the Director General of the Company. For workers who were in managerial personnel reserve and required additional training for leadership, personal development plans were designed, under which reservists training was conducted during 2011.

In order to develop professional competence and management capacity of staff, comprising the personnel reserve, training in external educational institutions was organized, as well as corporate training. In the framework of internal corporate training 27 workers have been trained in specialized programs of professional retraining "School of Chief Engineers" and "Training School of Controllers", 98 people received a diploma of retraining program "School of Heads in Distribution Zones", 19 reservists of managerial personnel reserve were trained on the program of vocational retraining in the "Management" specialty.

In 2012, the Company and its branches will be made to the development of youth members of the personnel reserve. Target positions are approved and mentors are identified for each member of youth personnel reserve; in April 2012 there will be established individual development plans of reservists (IDPR), implementation of which will be carried out by reservists with the help of mentors. Events in IDPR involve not only training in seminars and workshops, but also the development of a reservist in the workplace, participation in project activities.

Working with young professionals came out to the next level in the Company, having received the status of a permanent and evolving project.

## Social Responsibility

The basic principles of social policy of IDGC of the South, JSC are the creation of comfortable labour and rest conditions of employees, increase of their social security, improvement of labour and social relations in the team.

When forming the motivation of employees and increasing its commitment to the production activities IDGC of the South, JSC gives special attention to social support of employees. Societal benefits and warranties, social programs and employee assistance

programs enable attraction and retaining of the most valuable personnel, strengthening of the loyal attitude of employees to the joint-stock company, promotion of the objectives of the company.

The basis for IDGC of the South, JSC's social policy are the sectoral tariff agreement (STA) in the power sector of the Russian Federation for 2009–2011 and branch collective agreements concluded in the framework of interaction between the social partners.

### Key documents in the sphere of social policy

Title of a local normative act (LNA)	APPROVED
The sectoral tariff agreement in the power sector of the Russian Federation in 2009–2011	The sectoral tariff agreement was prolonged for a period of 2012. Supplementary Agreement was signed on 2/11/2011 by Oleg V. Kulikov, General Director of All-Russian Trade Association of Employers in the Power Industry (the RaEI Association) and Valery N. Vakhrushkin, Chairman of the Public Association All Russian Elektroprofsoyuz
The collective agreement between the employer and the employees of IDGC of the South, JSC — Astrakhanenergo for 2007–2009	The collective agreement was prolonged up to 30/06/2012. Supplementary Agreement was signed on 21/12/2011 by Pavel V. Goncharov, Deputy General Director — Director of the branch of Astrakhanenergo, and N.I. Kochetkova, Chairman of Primary Trade Union Organization
The collective agreement between the branch of IDGC of the South, JSC — Volgogradenergo and the Bureau of the Volgograd regional organization of the All-Russian Elektroprofsoyuz for 2007–2008	The collective agreement was prolonged up to 30/06/2012. Supplementary Agreement was signed on 18/11/2011 by Yegor V. Kalenyuk, Deputy General Director — Director of the branch of Volgogradenergo, and the representative of employees represented by Yu. M. Vyazmin, Chairman of the Presidium of the Volgograd Regional Organization Elektroprofsoyuz
The collective agreement of IDGC of the South, JSC — Kalmenergo for 2007-2008	The collective agreement was prolonged up to 30/06/2012. Supplementary Agreement was signed on 18/11/2011 by Timur U. Alayev, Deputy General Director — Director of the branch of Kalmenergo and the representative of employees represented by G. P. Lidzhi-Garyaev, Chairman of the Kalmyk Republic Trade Union Organization Kalmenergo
The collective agreement of IDGC of the South, JSC Rostovenergo for 2009–2011	The collective agreement was prolonged up to 30/06/2012. Supplementary Agreement was signed on 27/12/2011 by Nikolay V. Fyodorov, Deputy General Director — Director of the Branch of Rostovenergo and Yu. A. Kulish, Chairman of the Rostov Regional Committee Elektroprofsoyuz
Regulations on additional benefits, guarantees and compensations for employees of the executive office of IDGC of the South, JSC	Order of IDGC of the South, JSC of 29/09/2011 № 589 “On Approval and Enactment of the Regulations on Additional Benefits, Guarantees and Compensations for Employees of the Executive Office of IDGC of the South, JSC”

Fulfillment of obligations to employees adopted by the employer under the collective-contractual regulation was and remains a key activity of IDGC of the South, JSC.

Summarizing the work of 2011 on social policy, it may be noted that all the branches of IDGC of the South, JSC have achieved the implementation of all scheduled commitments to employees.



## Implementation of collective agreements in the branches of IDGC of the South, JSC in 2011

Branch	Plan for 2011, thousand roubles	Fact for 2011, thousand roubles	Deviation, %
Astrakhanenergo	10,867.5	11,235.7	103.4
Volgogradenergo	12,972.0	15,861.6	122.3
Kalmenergo	9,744.7	13,441.1	137.9
Rostovenergo	113,509.0	114,002.0	100.4
<b>TOTAL in IDGC of the South, JSC</b>	<b>147,093.2</b>	<b>154,540.4</b>	<b>105.1</b>

In order to improve working conditions and living standards of employees of IDGC of the South, JSC the Company shall provide employees with additional, in excess of the legislation, social benefits and guarantees. As part of social package, employees of the Company are provided with financial aid: in cases of emergency, in connection with childbirth, marriage, burial of close relatives, in case of death of the employee, at retirement, and other benefits envisaged by collective agreements.

Given the complexity of the problem of providing housing for employees, collective agreements in branches stipulate corporate assistance and corporate support to improve the living conditions by providing financial aid to an employee for a mortgage loan and the repayment of interest on the loan.

In order to improve personnel social protection, the Company ensures quality health care of employees, whose industrial activities are connected with risk to life or with a probability of acquisition of occupational diseases and provides round the clock 100% accident insurance of its employees. In 2011 IDGC of the South, JSC insured 15,909 people under the program of voluntary health insurance.

In order to improve social protection of employees and develop non-financial incentives of IDGC of the South, JSC the work on Private Pensions of employees of the Company was continued in 2011 through Non-State Pension Fund of the Electric Power Industry.

In 2011, the amount of payments to non-state pension provision in IDGC of the South, JSC according to the Corporate Plan amounted to 1,781,564 roubles, according to the parity plan — 9,922,026 roubles. The number of pensioners who received a non-state pension during the given period amounted to 292 people.

IDGC of the South, JSC attaches great importance to health improvement and rest of staff and their children. In 2011, as part of the social program aimed at health improvement and rest of employees' children, 379 children of the Company's staff and 900 employees and members of their families were sent to children's health camps.

In order to develop the corporate solidarity of employees, their sense of commitment to the Company, pride for its achievements, as well as spiritual and physical development in IDGC of the South, JSC, corporate and social events are held every year.

Sports in IDGC of the South, JSC and its branches are available to everyone, and every employee may participate in systematic sport activities, as well as in competitions that are held in the power system. Available sports facilities and playgrounds as well as rented gyms are used for exercises. Employees of the Company twice during working hours do production gymnastics broadcasted through loudspeakers.

In September 2011, Fourth Power Industry Athletic Games of IDGC of the South, JSC were held on the basis of the educational institution of additional education of children "Specialized children's sports school of Olympic reserve № 9" (Azov, Rostov region). Over 450 athletes of the Company took part in competitions in six sports: volleyball, indoor soccer, weight lifting, table tennis, chess and athletics. As a result of the Athletic Games, teams of IDGC of the South, JSC were formed to participate in the All-Russian Power industry Athletic Games of the distribution grid complex. In winter and summer Athletic Games of IDGC Holding, JSC teams of IDGC of the South, JSC won second and third team places.

In order to create comfortable conditions for work and rest of employees, enhance their social protection, improve labour and social relations in the team, great attention is paid to team-building, the organization of leisure activities and conduct of such mass cultural events as Children Protection Day, Defender of the Fatherland Day, the International Women's Day, Christmas and other events. The branches of the Company held fun runs, contests, quizzes, competitions, visits of zoos by employees with kids, parks, circus, musical theatre, participation in which, in addition to employees' children, was taken by patronized inmates of children's homes.

Leaders of Councils of young specialists from branches and executive office of the Company as part of the joint team of IDGC Holding, JSC took part in the change of "Innovation and Technical Creativity" at the All-Russian Educational Youth Forum "Seliger-2011" held in the Tver region.

IDGC of the South, JSC Team took part in the First All-Russia games "Power industry KVN" and took 4<sup>th</sup> place among 10 teams.

In order to attract children of employees of IDGC of the South, JSC to the promotion of energy sector jobs, the Company organizes an annual contest among children of employees of the Company "Children Draw Power". The competition was attended by more than 200 children. Winners and prize-winners were awarded

with valuable prizes and gifts. Drawings of the winners were sent to IDGC Holding, JSC to participate in children's drawing contest dedicated to the Day of Energy, in which one work won the 3<sup>rd</sup> prize in the category "Energy-related subject".

Being a socially responsible company, IDGC of the South, JSC takes care of veterans and retirees of the Company. Veterans of Great Patriotic War are invited to participate in celebrations commemorating the Victory Day: "Victory Banner" relay race, laying flowers at the Eternal Flame and ceremonial meetings during which concerts of wartime songs, reception, meetings with the management of the branch and trade union, handing out flowers, St. George ribbons and commemorative postcards, sports and public events are organized. For the professional holiday — the Day of Energy — gift food sets and greeting cards are given, financial assistance is paid.

The Council of Veterans operates in IDGC of the South, JSC to help maintain and develop effective cooperation with the veteran community, mentoring and transfer of knowledge and professional experience to young people.

To celebrate the 66<sup>th</sup> anniversary of Victory in Great Patriotic War, the historical and memorial campaign "Relay race of Victory Banner" was launched in 2011. An exact copy of Victory Banner to conduct commemorative activities was presented to each of the branches of IDGC of the South, JSC in a festive atmosphere.

Employees of IDGC of the South, JSC took an active part in the All-Russia tree planting campaign "Distribution Grid Complex for protecting the environment". Environmental campaign took place on the territory of presence of all branches of the Company. On the whole, power engineering specialists planted more than 2,500 different species of young trees in cities and regional centres.

## Charitable Campaigns

- In February 2011 members of IDGC of the South, JSC executive office took part in a charity campaign to raise funds for the repair of the Church of Peter and Paul (Oktyabrskiy village, Krasnodar territory).
- In June 2011 members of IDGC of the South, JSC executive office took part in a charity campaign to raise funds in the Fund "Illustrated Books for Blind Children". The Foundation was established in 1994 under the project of the World Decade for Cultural Development of the UN and UNESCO and serves the noble purpose of aiding the blind children, empowering them to adapt to normal life.
- A special intranet resource for the employees of the Company is created in the executive body that receives all messages sent to IDGC of the South, JSC with a request to provide targeted assistance.
- During the reporting year holiday parties for children from Volga Orthodox orphanage "House of Mercy" were conducted in the branch of Volgogradenergo on a regular basis.
- In 2011 all branches of the Company carried out campaigns timed to International Children's Day for inmates of supervised children's homes, boarding schools.
- Employees of IDGC of the South, JSC's branch — Kalmenergo — initiated and conducted campaigns to help social orphans for the Centre for Families.



# ENVIRONMENTAL POLICY

## Implementation of the main objectives of the Company in 2011 in the field of environmental protection

IDGC of the South, JSC performs work on the implementation of environmental measures to protect the atmosphere, preserve and use the land rationally, reduce the negative environmental impact of production wastes and its operations.

Measures to protect the water basin are not provided due to the fact that branches and objects of the Company do not discharge wastewater into surface water bodies.

In 2011, the Company carried out a series of measures aimed at reducing the negative physical impact on the environment, the main of which are:

- Renewal of oil receivers at the substation to prevent environmental pollution in the event of petroleum oil spill,
- Equipment of concrete pads for temporary storage of oil-filled equipment and production waste storage,
- Prompt removal of waste production and consumption from industrial sites,
- Installation of bird-protective devices for the protection of rare species of birds from electric shock,
- Upkeep of water wells, equipment, sanitary protection zones of water intake, conducting sanitary-chemical and microbiological analysis,

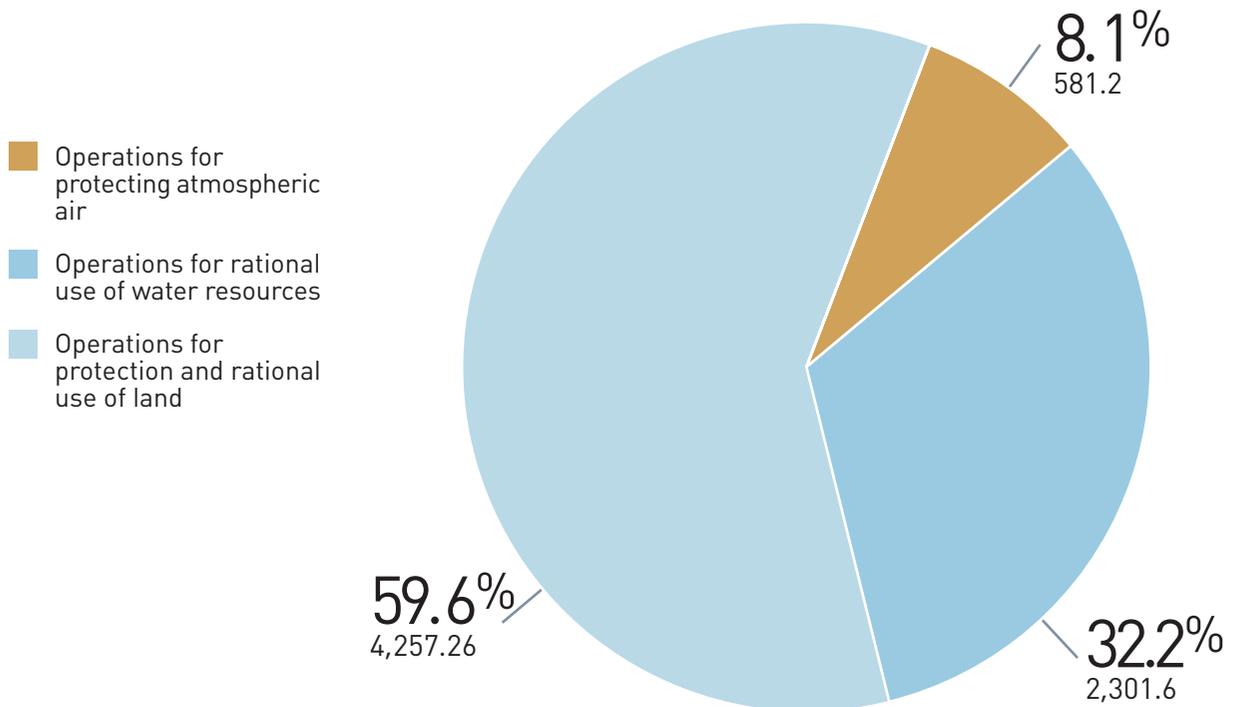
- Maintenance, repair and replacement of vehicles.

Total costs of IDGC of the South, JSC to carry out activities in the field of environmental protection amounted to 7,140,000 roubles in 2011.

The Program of Environmental Policy Implementation is developed and approved annually by order of IDGC of the South, JSC. In 2011, the Program of Environmental Policy Implementation was introduced by order of IDGC of the South, JSC of 14 March 2011 № 125. Under the Program the following activities were carried out:

- On atmospheric air protection in the amount of 581,200 roubles,
- On rational use of water resources in the amount of 2,301,600 roubles,
- On protection and rational use of land in the amount of 4,257,260 roubles.

Total costs for the implementation of measures under the Program of Environmental Policy Implementation in 2011 amounted to 7,140,000 roubles. The cost structure is given below.



## Total costs for the implementation of measures under the Program of Environmental Policy Implementation, RUR

Direction of costs	2009	2010	2011
atmospheric air protection	1,406,600	1,767,700	581,200
rational use of water resources	2,862,000	2,791,500	2,301,600
protection and rational use of land	2,510,200	4,052,600	4,257,260
<b>Total costs:</b>	<b>6,778,000</b>	<b>8,611,800</b>	<b>7,140,000</b>

### Implementation of the most significant activities in the field of environmental protection by IDGC of the South, JSC in 2011

In 2011, the following most significant activities in the field of environmental protection were carried out:

- Upkeep of water wells, equipment of sanitary protection zones of water intake, conducting sanitary-chemical and microbiological analysis, thus preventing possible damage to underground water-bearing horizons,
- Equipment of concrete pads for storage of oil-filled equipment and accumulation of production wastes, thus preventing possible contamination of soil with mineral oils,
- Disposal of decommissioned batteries of static capacitors containing polychlorinated biphenyls.

### Implementation costs on key activities in the field of environmental protection

Name of major activities	Costs, roubles	Achieved effect
Equipment of areas and places for temporary storage (accumulation) of waste	237,500	Prevention of soil pollution with production and consumption waste, in the event of a contingency, emergency situation
Employee training to deal with hazardous production and consumption wastes	210,000	Reducing the impact on the environment by ensuring safe standards of waste management
Removal and disposal of hazardous waste	1,308,300	Reducing the negative impact on the environment, prevention of land cluttering
Conducting laboratory and instrumental monitoring of pollutant emissions into the atmosphere and the quality of wastewater	484,480	Control of quantitative and qualitative composition of the gas mixture, departing from the emission sources and composition of wastewater discharged into the sewerage network
<b>TOTAL:</b>	<b>2,240,280</b>	

The well-being of the population, the existence of the world, its flora and fauna depend on the degree of negative impact of production processes of IDGC of the South, JSC on the environment.

For its part, the Company has a number of measures aimed at preserving the environment:

- Monitoring of exhaust gases from motor vehicles, decommissioning of equipment and vehicles not meeting acceptable standards for air emissions,
- Use of bird-protecting devices on supports of power transmission line of 10 kW in order to protect the rare species of birds from electric shock,
- Exploitation of power transmission line with protected wires which can reduce the size of a buffer zone of felled trees and shrubs around the line thereby preserving forest resources.

## The main objectives of the Company in the field of Environmental Safety for 2012

- Receiving waste disposal limits, permits for air emissions,
- Continuation of work on the disposal of batteries of static capacitors containing polychlorinated biphenyls (waste of hazard class one),
- Repair of oil receiving devices in substations, replacement of oil-filled equipment,
- Training and qualification of employees in the field of environmental safety,
- Support for the functioning of the environmental management system based on the ISO 14000 international standard,
- Operation of water wells in compliance with the requirements of environmental legislation in Rostovenergo and Volgograd-energo branches.

## CUSTOMER-ORIENTED POLICY

Customers of IDGC of the South, JSC are individuals, sole proprietors and legal persons receiving services on the territory of IDGC of the South, JSC branches.

In order to improve relationships with customers in IDGC of the South, JSC, the Customer-Oriented Policy of IDGC of the South, JSC (Order № 56 of 07 February 2011) was approved in 2011 to create a convenient and comfortable environment for customers when interacting with all the structural units of the Company on the basis of common rules that guarantee equity and access to services and ensure transparency of these relations.

As part of a customer-oriented policy it is explained which obligations the company undertakes when dealing with customers, as well as the attitude of the company's management to the problems of customers. According to the company management the aim of customer-oriented policy is the creation of convenient and comfortable environment for customers when interacting with all the structural units of the Company on the basis of common rules that guarantee equity and access to services of the company. Adoption of customer-oriented policy was a decisive step towards an open and trusting relationship of IDGC of the South, JSC with customers.

In order to improve customer service system of the Company in 2011, the Board of Directors of IDGC of the South, JSC approved the organizational Standard the Centralized Customer Service System in IDGC of the South, JSC — STO 80380011-IA-ISM 028-2011 (Annex № 3 to Protocol № 74 / 2011 of 21 October 2011). The Centralized Customer Service system in IDGC of the South, JSC Standard (hereinafter referred to as "the Standard") sets out requirements to all parties of the Company's interaction with customers (clients). On the basis of the Standard "the Plan of measures to bring the consumer service system in accordance with requirements of the Standard" is developed. This plan defines the strategy for the development of consumer service in the long term, including the year 2012.

**17 customer service centres (CSC) and 109 groups of technological connection and customer service (GTC and CS)** were operating in IDGC of the South, JSC as of 31 December 2011.

Total number of personnel involved in CSC system of IDGC of the South, JSC branches amounts to **158** employees.

Customer Service Units (CSC, GTC and CS) also provide receipt of applications for technological connection, reconstruction and increase in connection power, changes in power supply reliability, and changes in the scheme of external power supply, extension, and renewal of existing specifications. Since 2011 work is under way on additional features: receipt of applications and conclusion of contracts for extra services.

Pursuant to the request of the Russian Ministry of Energy on the establishment of hot lines of 29 November 2011 № АИИ-11650/10, in accordance with the requirements of the organizational Standard "Centralized Consumer Service System in IDGC of the South, JSC on 02/12/2011 at IDGC of the South, JSC a unified 24/7 telephone "hot line" with № 8-800-100-70-60 was introduced, the main function of which is the rapid provision of information to subscribers (consumers of services) on technological violations and cuts of consumers' power supply in the area of operational responsibility of IDGC of the South, JSC.

Call to 8-800-100-70-60 is free of charge from anywhere in Russia; it has a function of prompt auto-informing of subscribers (consumers) on activities of the company as well as on phone numbers — dispatching teams of all areas of the responsibility territory of IDGC of the South, JSC branches; audio recording of conversations with operator's subscribers (consumers of electricity) is conducted.

For operational work of the "hot line" temporary regulations were developed for actions of IDGC of the South, JSC employees carrying out reception of consumers calls on a single "hot line" and registering and processing incoming calls from customers on electricity in an appropriate register.

An information campaign has carried out to inform consumers of electricity in the area of the Company's responsibility on the functioning of the "hot line" on power issues of IDGC of the South, JSC which includes the following activities:

- Publication of a single "hot line" № 8-800-100-70-60 as well as phone numbers operational and dispatching groups of distribution zones (ODG DZ) in all areas of the territory of IDGC of the South, JSC responsibility (in the form of a banner and press release) on the corporate website,
- Distribution of a press release on the establishment of special "hot line" number for electronic media of IDGC of the South, JSC areas of responsibility,
- Publication of information on numbers of "hot line" in printed regional media on the territory of IDGC of the South, JSC responsibility (regional, city or district level),
- Direction of newsletters to the heads of executive authorities of IDGC of the South, JSC areas of responsibility — up to the district level.

In 2011, the corporate website of IDGC of the South, JSC launched an online service for the consumers of services "Internet Reception" (<http://www.mrsk-yuga.ru/feedback/>), for receiving appeals (applications, complaints and advice etc.) of citizens on any matter within the competence of IDGC of the South, JSC.

On the home page of the corporate web-site (<http://www.mrsk-yuga.ru/>) you can see a single "hot line" number and get acquainted with the convenient service of searching the phone of a dispatching service in any inhabited locality included in the servicing zone of the branch. Through a user-friendly search engine a customer can always find current phone numbers and obtain information on technological violations in this or that locality.

The corporate website also contains reference information on the services of the company, the location and telephone numbers of Customer Service branches.

In 2012, the Company plans to work on the alignment of premises and equipping of newly established business units servicing consumers of the Company branches — groups of technological connection and customer service with standard lacking equipment, office equipment and communication channels, furniture. It is planned also to optimize business processes of interaction with customers, including by introducing modern IT technologies.

In the second quarter of 2012 it is planned to create a contact centre (as the 1<sup>st</sup> phase of the Call-centre) on the basis of IDGC of the South, JSC branch — Rostovenergo as part of the unit (department) for interaction with customers of IDGC of the South, JSC executive office.

## FORECAST OF EMERGENCIES AT FACILITIES OF THE DISTRIBUTION GRID COMPLEX IN 2012

In 2011, in the area of Company's activities there were no natural and technogenic emergencies that caused an adverse effect on employees and facilities of the power grid complex.

### Forecast for emergencies for 2012

#### A) Natural disasters.

In the Company's zone of responsibility there is a wide range of natural phenomena that significantly affect the change in functioning of electric grid facilities (EGF) and efficiency of employees, the main ones being as follows:

- **Floods, water logging and high water** are caused, as a rule, with heavy rain showers, heavy ice melting and snow. Up to 30% of the Company's EGF fall in hazardous areas of such phenomena,
- **Surge wave** is formed under strong sustained winds forming a wave surge and resulting in increased water levels, which may exceed the critical point. About 5% of the Company's EGF get in the flooded zone,
- **Landslides and mudflows** occur as a result of heavy rainfall, inrush of waterworks, intensive melting of snow and ice, water

spouts. Up to 5% of the Company's EGF fall in area of such phenomena,

- **Earthquakes** — such natural phenomena in the zone of the Company's responsibility are virtually absent,
- **Icing and snow buildup on wires** appear at sudden changes in ambient temperature, intense snowfalls resulting in the breakage of transmission lines. Up to 80% of the Company's EGF fall in the area of such phenomena,
- **Hurricane and strong gusty winds** (over 25 meters per second) form gusts of transmission lines. 100% of the Company's EGF are subject to these phenomena,
- **Steppe, forest (landscape) fires** emerge in dry weather, with the result that power transmission towers burn and fall down. Part of the territories of the entire area of responsibility of the Company, including about 50% of the Company's EGF is subject to these phenomena.

According to preliminary estimates of the North Caucasus Interregional Territorial Administration of the Federal Service for Hydrometeorology and Environmental Monitoring, regional centres for monitoring and forecasting of emergencies for the Russian constituent entities of the Southern Federal District, after heavy

snowfalls and abnormally low temperatures in winter, the spring of 2012 can bring adverse scenarios of floods on rivers subject to jams, as well as in excess of air temperature norms in combination with precipitation over 15–20 mm for more than 2–3 days. Due to possible sharp temperature fluctuations and strong wind loads, transmission lines may be susceptible to ice formation and gusts. Earthquakes in the Company's area of responsibility are not expected. Strong winds with a speed greater than 20 m/sec, and heavy rains can be expected in the period from May to July. Flammable period in 2012 is forecasted at a level not exceeding 2011.

## B) Technogenic disaster

The Company has no radiation, chemical, explosive or inflammable objects. Failsafe mode of the Company's EGF operation may be affected by possible accidents (incidents) that occurred near potentially dangerous objects of economics (PDOE), urban districts and municipalities in the zone the Company's responsibility.

To minimize potential damage to personnel and EGF the executive office and all branches of the Company developed action plans for emergencies of various kinds, organized interaction with regional authorities of EMERCOM of Russia and territorial centres for monitoring and forecasting of emergencies; sessions and trainings are held with staff on actions in emergency situations of various kinds.

There are no PDO in the power grid complexes (PGCs) of the Company.

The greatest danger to EGF of the Company may be created with an accident (catastrophe) in the Rostov nuclear power plant (NPP) (Volgodonsk), Balakovo NPP (Saratov region) and Novovoronezh NPP (Voronezh region), where:

- 30 km zone of radioactive contamination (the zone of an emergency evacuation) reaches up to 1 production office (PO) of the Rostovenergo branch with the number of employees and their families amounting to 1,347 people,
- 100 km area (restricted area of residence) reaches up to 4 PO of the Rostovenergo branch with the number of employees and their families — 3,500 people.

In addition, the potential risk to EGF of the Company can be created by multiple waterworks in case of their failure or partial dam break, as well as accidents on chemically hazardous objects with emission of toxic substances. Up to 40% of the Company's EGF can be reached by the zone of possible catastrophic flooding and up to 10% EGF of 14 PO of the Company can enter the area of possible chemical contamination, with a total working staff of about 2,050 people.

Proceeding from the analysis of power grids over the past 5 years, the depreciation of fixed capital equipment and training of staff, the occurrence of emergencies is not expected, however, the main causes of individual cases of potential technogenic emergencies will continue to be:

- Depreciation of equipment and technical means of protection,

- Violations of fire safety regulations,
- Insufficient pace of new equipment introduction,
- Human factor of the personnel during maintenance and repair works.

Since the energy systems of the Company are on the path of development and implementation of ACS and IT, over time we are more likely to assume implementation of malicious hacking cyber-attacks on the energy and communication networks in order to eliminate them from the system and create the conditions for technogenic disasters. Repeated evidence of this phenomenon in the experience of foreign energy campaigns do not allow to drop them off and to the extent of automation and information processes of production and transmission of electrical energy there appears the question of planning for security and countering this type of hazard.

## C) Biology and social emergencies

Analysis of the electrical networks of the Company for the past 5 years has revealed that social emergencies in the area of responsibility of IDGC of the South, JSC have not been reported, and the existing cases of epidemics and epiphytoses did not significantly affect the employees and the work of the power grid facilities (equipment) and did not result in expenditure of material and financial resources.

In order to mitigate the effects of emergencies and enhance preparedness to eliminate them and restore power supply to consumers in the executive office and its branches On-site functional subsystems of Unified System of Prevention and Response to ES (RSChS) are created; the forces and resources operate in constant readiness (staff operational travelling teams, operational and maintenance crews and maintenance crews).

Executive Office and the branches of IDGC of the South, JSC held 133 joint command-staff exercises with the executive authorities, regional offices of Ministry of Emergency Situations (MES), concluded (prolonged) 35 framework agreements on mutual awareness and cooperation in the prevention and elimination of consequences of emergencies and accidents at electric power industry, of them:

- 3 agreements with agencies (departments) of Civil Defence and Emergencies of the territorial bodies of state power,
- 5 agreements with regional and territorial governments MES of Russia,
- 16 agreements with other entities of electric power,
- 11 agreements on cooperation with subcontractors.

As required by Resolutions of the Government of the Russian Federation of 4 September 2009 № 547 "On the Preparation of the Population in the Area of Protection Against Emergencies of Natural and Technogenic Characters" (as amended by Resolutions of the Government of the Russian Federation of 1 February 2005 № 49, of 15 June 2009 № 481, of 8 September 2010 № 702), from 2 November 2000 № 841 "On the Approval of Regulations on the Organization of Public Education in the Field of Civil Defence"

(as amended by Resolutions of the Government of the Russian Federation of 15 August 2006 № 501, of 22 October 2008 № 770), personnel training in the field of civil defence, protection from emergencies, maintenance of fire safety is carried out in the Company.

Training of managerial staff and employees of RSChS, EGF personnel training on activities in emergency situations (ES) are carried out at the refresher courses of Russian Ministry of

Energy, Ministry of Emergency Situations of Russia and other educational institutions of additional education, in training centres for civil defence and emergencies of the RF subjects and courses civil defence of urban districts and municipalities in the area of responsibility of the Company, as well as job training by conducting workshops and self-paced training. The extent of training of various categories of employees of the Company in the field of civil defence and emergencies is shown in Tables.

### Training of EGF managerial staff and employees of Civil Defence and Emergencies, pers

at Civil Defence Academy of Russian MES		at training centres for Civil Defence and Emergencies in RF constituent entities		at the civil defence courses of cities and regions		in educational institutions of advanced training and retraining, training centres of ministries and departments of the Russian Federation	
supposed to be trained	actually trained	supposed to be trained	actually trained	supposed to be trained	actually trained	supposed to be trained	actually trained
1	1	27	33	83	83	1	1

### Training of personnel engaged in the production and maintenance, pers

management of organizations and enterprises		personnel of volunteer emergency response team		employees	
supposed to be trained	actually trained	supposed to be trained	actually trained	supposed to be trained	actually trained
131	127	2,094	2,087	9,400	8,797

### The state of material and financial resources reserved

On the basis of Resolution of the Russian Government of 10 November 1996 № 1340 the Company has established reserves of material assets, spare parts and equipment (Reserves) to conduct repair and restoration of EGF in emergency situations of natural and technogenic character in the total amount of 73,188,700 roubles (nomenclature, accounting and storage procedures are specified

by order of IDGC of the South, JSC of 02 March 2011 № 92 "On the Approval and Enactment of the Provisions of the Emergency Reserve of IDGC of the South, JSC").

Accumulated material resources are stored in 57 storage facilities of production offices and branches of the Company's distribution zones.

## Storage of material resources for the elimination of CCTV and emergencies

Branches	State of the material and technical base for the storage of material resources for ES		
	Number of warehouses	Warehouse area, sq. m.	Storage conditions
Astrakhanenergo	4	1,490	Meet the requirements
Volgogradenergo	29	4,232	Meet the requirements
Kalmenergo	1	3,991	Meet the requirements
Rostovenergo	23	8,611	Meet the requirements
<b>Total for IDGC of the South, JSC</b>	<b>57</b>	<b>19,284</b>	<b>Meet the requirements</b>

Reserves are equipped by 100%.

In 2011, the withdrawal of material resources from the reserve on ES was not performed.

Existing warehouses and storage areas can contain a reserve of material resources constantly ready for use.



## The creation, existence, use and replenishment of reserves of material resources for the elimination of emergency situations of natural and technogenic characters

№	Name of material resources	units	planned volume	Available as of 01/01/2011		Used for the reporting period	Compensated for the reporting period (inherent)	Available as of 01/01/2012		Note
				Q-ty	% of planned volume			Q-ty	% of planned volume	
1	<b>Foodstuffs</b>	mln RUR	—	—	—	—	—	—	—	
1.1	Flour	tonnes	—	—	—	—	—	—	—	
1.2	Grain	tonnes	—	—	—	—	—	—	—	
1.3	Canned meat	tonnes	—	—	—	—	—	—	—	
1.4	Canned milk products	tonnes	—	—	—	—	—	—	—	
1.5	Other	tonnes	—	—	—	—	—	—	—	
2	<b>Clothing and equipment</b>	mln RUR	—	—	—	—	—	—	—	
2.1	Tents	set	—	—	—	—	—	—	—	
2.2	Garment against cold	set	—	—	—	—	—	—	—	
2.3	Footwear	pairs	—	—	—	—	—	—	—	
2.4	Bedding	set	—	—	—	—	—	—	—	
2.5	Other	pcs	—	—	—	—	—	—	—	
3	<b>Building materials</b>	mln RUR	—	—	—	—	—	—	—	
3.1	Cement	tonnes	—	—	—	—	—	—	—	
3.2	Schiffer	thou of plates	—	—	—	—	—	—	—	
3.3	Glass	sq. m.	—	—	—	—	—	—	—	
3.4	Pipes	tonnes	—	—	—	—	—	—	—	
3.5	Rolled metal products	tonnes	—	—	—	—	—	—	—	
3.6	Cable Products	km	—	—	—	—	—	—	—	
3.7	<b>Other:</b>	pcs	—	—	—	—	—	—	—	
4	<b>Medicines and equipment</b>	mln RUR	—	—	—	—	—	—	—	
5	<b>Petroleum products</b>	mln RUR	—	—	—	—	—	—	—	
5.1	Motor gasoline	tonnes	—	—	—	—	—	—	—	
5.2	Diesel fuel	tonnes	—	—	—	—	—	—	—	
5.3	Other petroleum products	tonnes	—	—	—	—	—	—	—	
6	<b>Other material resources</b>	mln RUR	69.4466	68.5466	99.3	5.58	6.48	73.1887	100	
	Astrakhanenergo Branch		5.886	5.886	100	0.1	0.1	5.886	100	
	Volgogradenergo Branch		26.4027	26.4027	100	—	—	26.4027	100	
	Kalmenergo Branch		5.8579	5.8579	100	—	—	9.6	100	
	Rostovenergo Branch		31.3	30.4	97.1	5.48	6.38	31.3	100	
	<b>Total:</b>	<b>mln RUR</b>	<b>69.4466</b>	<b>68.5466</b>	<b>99.3</b>	<b>5.58</b>	<b>6.48</b>	<b>73.1887</b>	<b>100</b>	

Funding for emergency and recovery operations is provided by working capital, followed by reduction of costs through insurance payments.

Provisions for emergency funding were not created in 2011.

The Company in full entered into contracts with insurance companies "On Compulsory Insurance of Liability for Damage during Operation of EGF".

Reserves of material and financial resources are sufficient to meet the challenges with emergency response.

## Increase in sustainability of the facilities

The Company does not possess any mission-critical facilities for national security.

Under the authority of the Company there are electric grid facilities (EGF) necessary for the sustainability of the facilities of the economy and the survival of the population in time of war, including substations: Substation 220 kW, Substation 110/35/10 kW, Substation 110/35 kW, Substation 110/10/6 kW, Substation 110/6 kW, Substation 35/10/6 kW, Substation 35/10 kW, Substation 35/6 kW and Transformer Substation.

Committee to increase the stability (reliability) of EGF is created and action plans to improve the stability (reliability) of EGF are designed in the branches of the Company.

In order to improve preparedness of EGF to operate in emergencies, equipment and technology systems of electrical substations are being upgraded; the network of transmission lines is being expanded; new substations are being constructed and included in the ring system of power supply to consumers.

In 2011, plans for reconstruction and overhaul of equipment of electrical networks, substations and other energy facilities have been designed to maintain the reliability of power supply to consumers and increase the stability of these facilities, and especially for the renovation of transmission lines and substation equipment having wear and tear of about 70% and located in areas exposed to possible projected accidents, emergencies and eventual effects of secondary factors of modern weapons in wartime. During the reporting year the Company has spent:

- For repair of EGF equipment — 683,549,000 roubles;
- For the renovation and technical re-equipment — 3,038,672,000 roubles.

To conduct rescue and technical and other emergency operations (hereinafter — RTOEO) the Company has established 2-level emergency reserve of supplies, equipment and spare parts.

Due to the lack of available capacity in the electricity grid, action plans (modes) of restrictions and emergency shutdowns of consumers are developed taking into account categories of facilities according to the reliability of power supply.

The feasibility of plans to improve the stability (reliability) of operation is checked during comprehensive inspections, command post exercises and staff training.

To provide rescue and recovery operations in the EGF and electricity facilities of essential services the Company branches have 30 autonomous backup power supplies, with the power of 30 kW or more each, and 165 pcs. of redundant power supply — less than 30 kW (mainly used in emergency situations for own needs and needs of emergency teams).

The Company has worked out instructions for a dispatcher on duty (Officer on duty) in the event of emergencies or complex technological breakdowns.

In order to conduct the unified state policy of the Russian Federation in the field of civil defence until 2020 (approved by the President of the Russian Federation, 3 September 2011 № Пр-2613), and the Principles of state policy on public safety in the Russian Federation and protection of crucially important and potentially hazardous facilities from the threats of natural, technogenic character and terrorist acts up to 2020 (approved by the President of the Russian Federation, November 15, 2011 № Пр-3400), IDGC of the South, JSC holds a set of activities aimed at improving the sustainability of the electric distribution grid sector and implementation of protection of crucially important, potentially dangerous, socially relevant, other material and cultural values, and the population in the Company's area of responsibility against the dangers arising from possible emergency situations of natural and technogenic characters:

- Development of mutual relations with organizations connected with framework agreements on mutual awareness and cooperation in the prevention and elimination of consequences of emergencies or accidents at power facilities, maintaining up to date contact information and information about the availability of forces and material resources,
- Enactment and implementation of the requirements adopted by IDGC of the South, JSC of the organizational Standard of emergency response activities in the electric networks of IDGC of the South, JSC,
- Extension of its own fleet of autonomous backup power supply sources for own use and emergency power supply to consumers with switched off power,
- Meetings & Events for cooperation with the regional headquarters to ensure the safety of power supply for the adoption and enforcement of provisions of the organization Regulations and use of temporary power supply to consumers in the face of massive violations of the power supply to consumers,
- PPE refreshment of the Company employees,
- Increased fire resistance, fireproof treatment of wood buildings and structures, maintenance and assembly of automatic fire-alarm unit (AFAU),
- Carrying out and improving the training of officers and employees of the Company in the field of protection against emergencies.

# PUBLIC RELATIONS, RELATIONS WITH PUBLIC AUTHORITIES, INTERNATIONAL COOPERATION, CONGRESS AND EXHIBITION ACTIVITIES

An integral part of strategic management of IDGC of the South, JSC is the management of communicative processes within the information policy of the Company. In developing and implementing long-term communications strategy and optimizing the communication environment the Company is guided by common principles of reputation and Information Policy, established in IDGC Holding, JSC and its branches and affiliates.

## Public relations

During 2011 the Department of Public Relations (DPPR) of IDGC of the South, JSC conducted full-scale work on strengthening and developing the Company's interaction with public authorities, the media, academia, veterans and youth agencies, community organizations.

Corporate site of IDGC of the South, JSC in the Internet still remains a major tool of communication of the Company. In 2011, the Department of Public Relations conducted a large-scale work to improve the structure of a corporate site and fill it with content. At the present time the site is being redesigned to further enhance its customer focus.

In particular, throughout the year 720 files and 331 news were posted on the website. Corporate site of IDGC of the South, JSC was visited by 57,204 people during 2011; 744,295 web pages were viewed.

The new visual solution and technical modernization of the site are due to the Company's desire to meet the standards of quality presentation of mandatory and voluntary disclosing data in real time to ensure maximum transparency of the Company.

For example, the Department of Public Relations has developed and posted a special multimedia presentation, as well as a thematic forum in the "Energy conservation and energy efficiency" section. On the website there appeared a special section to highlight the results of the implementation of targeted communications program of IDGC Holding, JSC — "Relay race of Victory Banner" in IDGC of the South, JSC area of responsibility where the Department's authoring is implemented — an interactive map that supports the placement of large volume of information about activities of the target communications program.

In December 2011 the integration of a corporate site with social networks (Facebook and Twitter) was established — official accounts with automatic crossposting of press releases were created; news pages obtained menu buttons for sharing news in the personal accounts of social networks. Within less than one month 12 and 25 people have been signed on accounts on Facebook and Twitter, respectively.

As a result of this work, following the 2011 IDGC of the South, JSC corporate site became the winner of "Silver Threads", the na-

An important activity in the area of increasing publicity (branding) capital is the formation of effective communications with the public and public authorities. The Company pays much attention to the congress and exhibition, charitable and sponsorship activities.

tional competition of media resources, in the nomination "The best design and navigation" and was awarded as "The Best Corporate Website of the South of Russia".

Working with the internal audience is one of the essential activities in the field of intra-corporate information exchange. In order to improve internal communications, in 2011 the Company released 5 issues of IDGC of the South, JSC corporate information publication newspaper "The energy of the South". On its pages there were published more than 100 informational materials about the most pressing issues of the Company. Their quality can be judged from the fact that by the results of "Silver Threads 2011", a national contest of media resources, the newspaper of IDGC of the South, JSC was recognized as the best corporate publication of the South of Russia.

The priority of the Department of Public Relations in increasing publicity (branding) capital is the formation of effective communications with the public and public authorities.

Experience shows that the implementation of targeted communication programs (TCP) of the Company provides significant publicity capital gain. In 2011 the Department initiated the development and implementation of a number of TCP which has strengthened the image of IDGC of the South, JSC as a socially-oriented and responsible Company.

In particular, the conduct of about 2,500 electrical safety lessons in schools and kindergarten was initiated in the areas of responsibility within the communications program for the prevention of injury and death of third parties on the distribution grid facilities of the IDGC of the South, JSC complex in 2011. These measures considerably reduced the risks of child electrical traumas. Campaign of 2011 covered more than 1,500 schools, kindergartens, specialized educational institutions and vocational education institutions of the Southern Federal District. In addition, creative contests, themed tours and open days were held within this work. In the summertime children's camps are included within the scope of this work. The partners of IDGC of the South, JSC in the implementation of programs to prevent child electric traumas encompassed regional Ministry of Education and Science of Rostov, Astrakhan and Volgograd

regions and the Republic of Kalmykia, that are parties to agreements on cooperation.

Specialists of IDGC of the South, JSC are constantly improving preventive measures to avoid child electric traumas. Thus, at the initiative of DPPR a teaching animated video was filmed which is now widely used during the “electrical safety lessons”. Department of Public Relations of IDGC of the South, JSC acts as a coordinator and communicator of the process. The plans for the future contain the wide implementation of gaming formats of such lessons: the use of online games and group board games and other know-how.

Issue of required printed materials and souvenirs on the subject of electrical safety is assured. Flash-animations demonstrating the basic rules of electrical safety for young and middle-school ages are created for lessons in educational institutions.

The importance of these activities has been emphasized many times by the heads of regions where the Company operates.

In 2011 IDGC of the South, JSC took an active part in the implementation of targeted communications program of IDGC Holding, JSC — “Electricity Distribution Complex — for environmental protection”.

On April 23, 2011 more than one thousand employees of IDGC of the South, JSC and their families, as well as 300 representatives of regional authorities and public organizations took part in the Unified Day of All-Russia tree planting of IDGC Holding, JSC. Employees of IDGC of the South, JSC planted more than two thousand trees that day. Alleys of Power Engineers appeared in Rostov-on-Don, Elista, the Mamayev Kurgan in Volgograd, as well as in dozens of cities, towns, villages in southern Russia. In cooperation with the authorities and public organizations power engineers planted trees and shrubs on the territory of children’s homes, rural and urban hospitals, churches and other social facilities. The action covered 137 localities in regions where the Company operates.

Great public interest on the territory of responsibility of the Company was caused by the historical and memorial campaign “Relay race of Victory Banner” initiated by IDGC Holding, JSC. Within its framework the Department of Public Relations of IDGC of the South, JSC has created an interactive map of the Relay race and prepared the final reporting presentation on activities carried out in areas of responsibility that led to the formation of the common results of “Relay race of Victory Banner” campaign by IDGC Holding, JSC and preparation of the brochure. In 2011, a copy of the Victory Banner visited over 20 towns of IDGC of the South, JSC area of responsibility; more than 40 events with the participation of IDGC of the South, JSC power engineers, veterans of power industry, representatives of governments, NGOs, inmates of patronized schools, children’s homes and shelters were

conducted within the campaign. More than three thousand people attended the events.

In addition, during the entire 2011 DPPR was active on information support of the IDGC of the South, JSC Council of Veterans.

Department of Information and Communications Policy of IDGC Holding, JSC used a number of IDGC of the South, JSC initiatives for broadcasting as a positive experience to other IDGCs.

Intensive work was carried out to strengthen cooperation, joint activities with the regional offices of public organizations “SUPPORT OF RUSSIA”, “Business Russia” the DOSAAF (Voluntary Society for Cooperation with the Army, Aviation, and Fleet).

In 2011 by order of IDGC of the South, JSC DPPR launched a competition to create an official corporate anthem of the Company. It was attended by around 100 people, among them were employees of the Company as well as representatives of creative intelligentsia from SFD regions. As a result, poetry and music of the corporate anthem of IDGC of the South, JSC were created and approved by the Order of the Company.

During 2011 DPPR of IDGC of the South, JSC was working hard to strengthen the partnership with the Russian Orthodox Church, conducting training and placing materials in the media about the activities within “Homeland of the Feat — Hero of the Motherland”, the international relay race in the memory and gratitude. At the initiative of DPPR a creative collection — “Energy of Inspiration” — was prepared and published, this collection includes works of art (poetry and prose) of IDGC of the South, JSC employees.

Department of Public Relations became the initiator, co-organizer and participant of many events held within the framework of IDGC of the South, JSC youth policy. Among them — participation of teams of IDGC of the South, JSC in the first all-Russian KVN games of power engineers (KVNE), and the participation of young professionals of IDGC of the South, JSC in “Seliger-2011” forum.

In 2011, the partnership with the trade unions was actively developed and strengthened. DPPR arranged informational support of the trade union conferences, negotiations with trade unions on issues of social rights and guarantees of the Company’s employees.

Participation in charity activities has become one of aspects of IDGC of the South, JSC work: in July–August 2011 a social campaign “Gather the children to school” took place in all structural units of the Company; activities for children of the Orthodox orphanage “House of Mercy” have been organized in Volzhskiy town of the Volgograd region, sponsorship assistance to boarding school №2 of the city of Astrakhan has been provided, as well as a number of charity events for orphans in Company’s areas of responsibility.

## Interaction with public authorities

The year 2011 became a significant step in establishing and maintaining constructive engagement of IDGC of the South, JSC with authorities at all levels, raising the awareness of management of public authorities on the activities of the Company.

Department of Public Relations of the Company provided information support of working meetings and production meetings of IDGC of the South, JSC management with the heads of government bodies, as well as media coverage of the facts of the implementation of joint decisions made at these events. An example of this work may be called the informational support of IDGC of the South, JSC interaction with the management of authorities to address the critical issues of national importance, such as technological connection of sports facilities to the networks of the Company erected in preparation for the FIFA World Cup 2018, and also facilities of the Caspian pipeline Consortium (CPC-P).

The most significant events include the grand launches of large-scale power facilities by IDGC of the South, JSC: Substation Kirovskaya 110 kW in Astrakhan (November 2011), NCC of the Rostovenergo branch (December 2011). The participation of heads of government bodies in celebrations of the anniversaries of regional power grids has been provided, in particular, the 80th anniversary of Volgogradenergo (March 2011) and the 90th anniversary of Rostovenergo (December 2011).

The primary role of the Department of Public Relations of IDGC of the South, JSC was to establish and develop strong ties with the authorities of the regions where the Company operates, which became the basis for signing the “Agreement on cooperation ...” between the administrations of the regions (with the Governor of the Volgograd region — in April, the governor of the Astrakhan region and the head of the Republic of Kalmykia — in September 2011) and JSC “IDGC Holding”.

Creation of a favourable information background and information support for legislative initiatives of IDGC of the South, JSC was an important step for the Department of Public Relations, inter alia, statements by the representatives of IDGC of the South, JSC at a meeting of scientific and expert council of the Federation Council working group with suggestions for the implementation of Federal Law № 261-ФЗ “On the energy efficiency ...” in August 2011. The positive public response has been created around the inclusion of representatives of IDGC of the South, JSC in advisory bodies under the heads of administrations in regions of responsibility (regional councils on energy conservation and energy efficiency, etc.).

This activity was appreciated in public with 24 commendation letters from heads of public authorities to structural units of the Company for their excellent work.

## Dealing with appeals of citizens and organizations

The new version of IDGC of the South, JSC website extensively uses tools of communication with customers and the business community, among which there is an Internet-reception room, a well-proven and time-tested feedback channel between the consumers of IDGC of the South, JSC services and its management.

During 2011 the Internet-reception room at IDGC of the South, JSC corporate website received 133 appeals, 125 of them were from individuals and 8 — from companies and organizations. None of these appeals were left unattended — an official response was given to each and every issue. The greatest number of calls came on issues concerning the technological connection to the networks of IDGC of the South, JSC. In addition, people frequently asked about the employment in IDGC of the South, JSC, as well as inquired about issues related to the operation of customer service offices of the Company. Residents of the Rostov Region happened to be the most active users of the Internet reception room in 2011.

The Internet reception room has been recognized by customers of the Company and acquired the status of a reliable channel of communication. Often the answer to a request in the online reception is given on the same day.

“Hot Line” phone number for emergency outages was established in December 2011 and now it is an important channel of communication between IDGC of the South, JSC and consumers. “Hot Line” number is 8-800-100-70-60. You can call it free of charge from anywhere in Russia.

In addition, to create the most user-friendly feedback mechanism for consumers, in 2011 on the website of IDGC of the South, JSC DPPR constantly actualized a specially designed interactive guide, where a consumer can find the phone number of any controller of any distribution zone in IDGC of the South, JSC.

## Mass media interaction

In order to implement a unified information policy, increase brand awareness, formation of a positive reputation and image of an open Company, as well as increase the audience of information influence, the interaction with leading regional and industry media is organized in IDGC of the South, JSC.

As a result of 2011 the average index of transparency of the Company has significantly increased.

In 2011, according to the operational monitoring, IDGC of the South, JSC was mentioned 4819 times in printing and online media that exceeds the result of 2010 by more than 120 references.

With the participation of the Director General of IDGC of the South, JSC several press conferences were held at the sites of leading news agencies and federal publications. Public media events with the participation of the Director-General were designed to form a positive and coherent image of the Company, as well as to strengthen the goodwill and increase publicity capital in the structure of the market value of the Company. The personal involvement of the Director General in the above activities also contributed to the formation of loyal positions in public opinion about the activities of the Company.

Thematic orientation of references on the activities of IDGC of the South, JSC in 2011 is represented by the following indica-

tors: production activity topic — 56% of references, social work and human resources — 24%; stock news, announcements on substantial facts — 16%, and other topics — 4%. At the same time more than 85% of references to IDGC of the South, JSC in the reporting period were positive and neutral with respect to the Company.

On the results of 2011 IDGC of the South, JSC among other branches and dependent companies of IDGC of the South, JSC holds the third place by quantity of references in external open-source materials per one branch.

The economic effect of the Company's information activity instead of placing advertising publications amounted to 14 million roubles, as well as about 50 million roubles at the rate of all messages per 1,000 people of the target audience.

In order to maintain a positive image of Russia's electric distribution grid sector, promote the occupation of an electrical grid engineer and enhance its prestige in 2011, large-scale information support was provided to professional skills competition, All-Russian competition of professional skill of crews servicing high-voltage transmission lines of distribution networks.

## Congress and exhibition activities

Congress and exhibition activities are centralized in the Company in order to create favourable conditions for strengthening the image of IDGC of the South, JSC in the international and domestic energy market.

In 2011, the Company participated in 7 major international and Russian exhibitions, investment forums in the electricity sector.

IDGC of the South, JSC maintains business ties with the investment community, leading research institutes, manufacturers of electrical equipment, and representatives of the various categories of public. The company took part in high-profile events of the international level such as the International Investment Forum "Sochi-2011" (September 2011, Sochi), the International Forum "Power Infrastructure of South Russia" EPIS-2011 (October 2011, Krasnodar) International specialized exhibition "Electrical networks of Russia-2011" (December 2011, Moscow). At these events, IDGC of the South, JSC was presented to the international investment and expert community and was positioned as the larg-

est transparent Electric Distribution Company of Southern Russia and Europe, going along the path of innovative development and adhering to the maximum development of social responsibility and customer service.

In addition, experts of the technical unit represented the Company at the All-Russian Scientific-Technical Conference "Metrology" — measurements — inventory and assessment of quality of electric energy" (May, St. Petersburg), the All-Russian scientific conference "Ways of Improving the Reliability, Efficiency and Safety of Energy Production" (June–July, p. Divnomorskoe, Krasnodar Territory), the contest of annual reports of RTS, JSC (November 2011, Moscow), the Federal Investment Forum (November 2011, Moscow).

Organization and information support of IDGC of the South, JSC participation in congress and exhibition events have become an essential tool for strengthening the image and attractiveness of the Company in the external environment.

# GLOSSARY

Terms, abbreviation	Definition
<b>AR</b>	Accounting regulations
<b>ASTU</b>	Automated technological management system
<b>Boiler tariffs for electricity transmission</b>	Uniform tariffs for electricity transmission in RF entities for electricity consumers (except for network companies), regardless of which network company they are connected to. The uniform tariffs are different for different voltage levels
<b>CIP TC</b>	Corporate integrated program "Technological connection"
<b>CISRM</b>	Corporate informational system for resource management
<b>CL</b>	Cable line for electric power transmission
<b>CSC</b>	Client Servicing Center
<b>DPC</b>	Data processing center
<b>DSW</b>	Design and survey work
<b>EBITDA</b>	Earnings before interest, taxes, depreciation, and amortization
<b>EDMS</b>	Electronic document management system
<b>EMERCOM</b>	Ministry of the Russian Federation for Civil Defense, Emergency Management and Natural Disasters Response
<b>ES</b>	Emergency situation
<b>ETL</b>	Electricity transmission lines
<b>Extra (commercial) losses of electric energy</b>	Difference between factual and standard losses of electric energy; it is fully paid by the grid company the networks of which suffered from extra losses of electric energy
<b>FA</b>	Fixed assets
<b>Factual (reported) losses of electric energy</b>	Difference between the volume of electric energy transmitted to the electric network from other networks or from electricity producers and the volume of electric energy consumed by electric devices connected to this network and/or transmitted to other network organisations
<b>Federal Energy Committee (in Russian, FEK)</b>	Federal Energy Committee
<b>Federal Grid Company/UES Federal Network Company (in Russian, FSK)</b>	Federal Grid Company
<b>FFMS</b>	Federal Financial Markets Service
<b>FOC</b>	Fiber-optic cable
<b>FTS</b>	Federal Tariff Service
<b>FWP</b>	Fall-winter period
<b>GCC</b>	Grids control center

Terms, abbreviation	Definition
<b>HF channels</b>	High-frequency channels
<b>HV</b>	High voltage (from 110 kV)
<b>IDGC</b>	Interregional distribution grid company
<b>IFRS</b>	International financial reporting standards
<b>ISC</b>	Isolator and short-circuiter
<b>IT</b>	Information technologies
<b>ITT</b>	Information technologies and telecommunications
<b>KPI</b>	Key performance indicators
<b>kV</b>	Kilovolt. A voltage measurement unit
<b>kWh</b>	Kilowatt hour. A unit for electric energy measurement
<b>Last mile</b>	Connection channel between a communication provider and a subscriber
<b>Losses of energy</b>	Difference between output to grids and useful power output
<b>LV</b>	Low voltage (0.4 kV and lower)
<b>ME</b>	Municipal entity
<b>MM</b>	Mass media
<b>MRO</b>	Maintenance repairs and operating
<b>MUC</b>	Municipal unitary company
<b>MVA</b>	Megavolt-ampere, an electric power measurement unit
<b>MV 1</b>	Middle voltage 1 (35 kV)
<b>MV 2</b>	Middle voltage 2 (20-1 kV)
<b>MW</b>	Megawatt, an electric power measurement unit
<b>Network company, grid company/GC</b>	Company that provides services in electricity transmission with the use of grid facilities not connected with the UNPG, and, in cases set out in the legislation of the Russian Federation, with the use of grid facilities included in the UNPG
<b>OL</b>	Overhead electricity transmission line
<b>Output to the grid</b>	The volume of electricity supplied to the electric power grid of the distribution company from different grids or from electricity producers
<b>PD</b>	Production division
<b>PDEA</b>	Potential dangerous economic asset
<b>PGIO</b>	Power grid infrastructure objects
<b>Power sales company</b>	Company that sells electric power to other companies as its main type of business

Terms, abbreviation	Definition
<b>PRA</b>	Protective relaying and automation
<b>REG</b>	Region of electric grids
<b>Regulated activities</b>	Activities regulated under federal law On state regulation of tariffs for electric and thermal energy in the Russian Federation
<b>ROE</b>	ROE (return on equity) measures the rate of return on the ownership interest (shareholders' equity) of the common stock owners. It measures a firm's efficiency at generating profits from every dollar of shareholders' equity (also known as net assets or assets minus liabilities). It shows how well a company uses investment money to generate earnings growth. ROE is equal to a fiscal year's net income (after preferred stock dividends but before common stock dividends) divided by total equity (excluding preferred shares), expressed as a percentage
<b>ROTA</b>	Return on total assets
<b>RRL</b>	Radio-relay lines
<b>RTS</b>	Regional tariff service
<b>R&amp;D</b>	Research and development
<b>SCTI</b>	System for collecting and transferring information
<b>SS</b>	Software system
<b>SS</b>	Substation
<b>SSIW</b>	Self-supporting insulated wire
<b>Substation</b>	Subsidiary station of an electricity generation, transmission and distribution system where voltage is transformed from high to low or the reverse using transformers
<b>TC</b>	Technological connection of clients to the electric networks of a company that renders services in electricity transmission
<b>Technological connection</b>	Technological connection of energy receiving devices (electric installations) owned by natural and legal persons to the electric networks of a company that renders services in electricity transmission
<b>TR&amp;R</b>	Technical reconstruction and re-equipment of fixed assets
<b>TS</b>	An electric substation for increasing and reducing voltage in the alternating current network and for electric energy distribution
<b>TS</b>	Technical specifications
<b>UES</b>	United Energy System
<b>UNPG</b>	United National (All-Russia) Power Grid
<b>Useful output from grids</b>	The amount of electric energy consumed by the energy-accepting mechanisms of the Consumer, connected to this grid, as well as transferred to other grid companies
<b>VC</b>	Video conference
<b>YIIP</b>	Yearly integrated purchasing program

# APPENDICES



# Appendix 1

## INFORMATION ON TARIFFS FOR ELECTRICITY TRANSMISSION SERVICES BY IDGC OF THE SOUTH, JSC

Tariffs for electricity transmission valid from 01.01.2011 to 30.04.2011

Singular "boiler" tariffs for electricity transmission services in 2011					
№	№, date of the tariff decree/group of customers	Two-part tariff		Average flat rate for transmission, RUR/MWh	
		Rate for maintaining electric grids (RUR/MW/month)	Rate for paying for technological losses in electric grids, RUR/MWh		
<b>IDGC of the South, JSC</b>					
<b>Astrakhanenergo</b>					
1	Decree of the Tariff Service of the Astrakhan Oblast dated 22.12.2010 №201 (Published in "Collection of Laws and Regulatory Legal Acts of the Astrakhan Oblast", №57, 28.12.2010)	HV	191,508.650	395.330	671.850
		MV1	267,971.420	450.880	1,000.420
		MV2	575,693.770	528.290	1,833.300
		LV	865,630.340	453.390	2,209.100
		LV for the general population and consumer categories equivalent to it	—	—	1,047.310
<b>Volgogradenergo</b>					
2	Appendix 1 to the Decree of the Directorate for Regional Tariffs of the Volgograd Oblast dated 22.12.2010 №35/3 (published in "Volgogradskaya Pravda", №244, 29.12.2010)	Other consumers			
		HV	623,028.420	65.390	886.850
		MV1	738,146.950	113.000	1,276.170
		MV2	988,244.450	239.270	1,994.900
		LV	988,784.810	793.650	2,948.330
		General population			
		HV	—	555.830	555.830
		MV1	—	555.830	555.830
		MV2	—	555.830	555.830
LV	—	555.830	555.830		
<b>Kalmenergo</b>					
3	Decree of the Regional Tariff Service of the Republic of Kalmykia dated 01.02.2011 №13-п/э (published in the newspaper "Khal'mg Ynn" dated 16.02.2011 №26 (16134))	Other consumers, including regional budget consumers			
		HV	1,349,190.339	104.985	2,372.213
		MV1	1,758,317.412	207.473	3,162.213
		MV2	1,779,764.286	331.433	3,322.213
		LV	2,208,508.338	530.956	4,242.213
		General population			
		LV — General population with gas stoves (with VAT)	716,532.658	626.529	1,830.616
		LV — General population with electric stoves (with VAT)	186,908.094	626.529	940.616
		LV — Rural population (with VAT)	186,908.094	626.529	940.616
LV — consumers equivalent to the general population (with VAT)	716,532.658	626.529	1,830.616		

Singular "boiler" tariffs for electricity transmission services in 2011					
№	№, date of the tariff decree/group of customers	Two-part tariff		Average flat rate for transmission, RUR/MWh	
		Rate for maintaining electric grids (RUR/MW/month)	Rate for paying for technological losses in electric grids, RUR/MWh		
<b>Rostovenergo</b>					
4	Decree of the Regional Tariff Service of the Rostov Oblast dated 31.12.2010 №23/1 (Published in the "Nashe Vremya" newspaper №25-26, 01.02.11)	Other consumers			
		HV	500,867.300	630.140	1,518.780
		MV1	617,571.700	692.140	2,193.750
		MV2	758,423.500	723.320	2,352.550
		LV	1,082,521.800	730.120	2,503.850
		General population			
		Urban with gas stoves			
		HV	—	—	1,510.820
		MV1	—	—	1,510.820
		MV2	—	—	1,510.820
		LV	—	—	1,510.820
		Urban with electric stoves			
		HV	—	—	722.680
		MV1	—	—	722.680
		MV2	—	—	722.680
		LV	—	—	722.680
		Rural			
HV	—	—	722.680		
MV1	—	—	722.680		
MV2	—	—	722.680		
LV	—	—	722.680		

**Individual tariffs for electric power transmission for mutual settlement between Regional Transmission Companies and related network companies, valid from 01.01.2011 to 30.04.2011**

№	№, date of adoption of the tariff decree	Company name	Two-part tariff		Single-part tariff RUR/MWh
			Rate for maintaining electric grids	Rate for paying for technological losses in electric grids	
			(RUR/MW/month)	RUR/MWh	
<b>IDGC of the South, JSC</b>					
<b>Volgogradenergo</b>					
1	Decree of the Directorate for Regional Tariffs of the Volgograd Administration dated 22.12.2010 №35/1 (published in "Volgogradskaya Pravda", N 244, 29.12.2010)	JSC Volgogradoblelektro	11,407.950	101.420	126.220
		Municipal Unitary Production Enterprise Volgograd Interregional Electricity Networks	170,163.270	26.430	462.300
		Municipal Government Enterprise Volga Interregional Power Networks	89,434.230	193.750	348.060
<b>Kalmenergo</b>					
2	Decree of the Regional Tariff Service of the Republic of Kalmykia dated 01.02.2011 №13-п/э (№13-п/э (published in the newspaper "Khal'mg Ynn" dated 16.02.2011 №26 (16134))	JSC KalmEnergoKom	845,653.507	193.094	1,614.160
		Interregional Public Organization October Transenergo	609,953.823	197.350	1,222.338
		Municipal Unitary Enterprise MPOKH Iki-Burulsky CMO RK	551,131.050	325.385	1,251.525
		Gazpromenergo LLC	1,420,889.565	319.558	2,707.271
		JSC RZD	1,010,154.862	283.780	1,981.280
<b>Rostovenergo</b>					
3	Decree of the Regional Tariff Service of the Rostov Oblast dated 31.12.2010 №23/4 (published in the "Nashe Vremya" newspaper №25-26, 01.02.11)	JSC Donenergo	141,574.300	0.090	288.060

Electricity transmission tariffs for branches of IDGC of the South, JSC, valid from 01.05.2011 to 31.12.2011

Singular "boiler" tariffs for electricity transmission services in 2011					
№	№, date of the tariff decree/group of customers	Two-part tariff		Single-part tariff (RUR/MWh)	
		Rate for maintaining electric grids (RUR/MW/month)	Rate for paying for technological losses in electric grids, RUR/MWh		
<b>IDGC of the South, JSC</b>					
<b>Astrakhanenergo</b>					
1	Decree of the Tariff Service of the Astrakhan Oblast dated 24.06.2011 № 74 (published in "Collection of Laws and Regulatory Legal Acts of the Astrakhan Oblast", 30.06.2011 № 27)	HV	169,907.85	367.39	612.72
		MV1	214,715.52	355.21	795.52
		MV2	439,876.85	283.34	1,280.48
		LV	648,279.78	560.68	1,813.43
		LV for the general population and consumer categories equivalent to it	—	—	1,200.65
<b>Volgogradenergo</b>					
2	Appendix 3 to the Decree of the Directorate for Regional Tariffs of the Volgograd Oblast dated 11.05.2011 № 17/2 (published in "Volgogradskaya Pravda", 18.05.2011)	Other consumers			
		HV	621,320.470	65.390	884.600
		MV1	733,572.020	113.000	1,268.960
		MV2	986,679.760	239.270	1,992.120
		LV	987,190.610	793.650	2,944.850
		General population			
		HV	—	650,730	650,730
		MV1	—	650,730	650,730
		MV2	—	650,730	650,730
		LV	—	650,730	650,730
<b>Kalmenergo</b>					
3	Decree of the Regional Tariff Service of the Republic of Kalmykia dated 08.06.2011 № 64-п/э (published in the newspaper "Khal'mg Ynn" dated 09.06.2011)	Other consumers			
		HV	978,668.792	102.747	1,747.337
		MV1	1,270,079.163	203.051	2,337.337
		MV2	1,281,196.781	324.368	2,477.337
		LV	1,587,504.172	519.639	3,187.337
		General population			
LV for the general population and consumer categories equivalent to it	—	—	1,154.995		

Singular "boiler" tariffs for electricity transmission services in 2011					
№	№, date of the tariff decree/group of customers	Two-part tariff		Single-part tariff (RUR/MWh)	
		Rate for maintaining electric grids (RUR/MW/month)	Rate for paying for technological losses in electric grids, RUR/MWh		
<b>Rostovenergo</b>					
4	Decree of the Regional Tariff Service of the Rostov Oblast dated 12.05.2011 № 10/1 (Published in the "Nashe Vremya" newspaper № 188–192, 02.06.2011)	Other consumers			
		HV	492,674.90	628.34	1,499.28
		MV1	519,587.90	691.14	1,647.74
		MV2	758,423.50	722.32	1,659.53
		LV	982,521.80	729.12	2,099.16
		General population			
		Urban with gas stoves			
		HV	—	—	1,559.59
		MV1	—	—	1,559.59
		MV2	—	—	1,559.59
		LV	—	—	1,559.59
		Urban with electric stoves			
		HV	—	—	771.45
		MV1	—	—	771.45
		MV2	—	—	771.45
		LV	—	—	771.45
		Rural			
HV	—	—	771.45		
MV1	—	—	771.45		
MV2	—	—	771.45		
LV	—	—	771.45		

**Individual tariffs for electric power transmission for mutual settlement between Regional Transmission Companies and related network companies, valid from 01.05.2011 to 31.12.2011**

№	№, date of adoption of the tariff decree	Company name	Two-part tariff		Single-part tariff (RUR/MWh)
			Rate for maintaining electric grids (RUR/MW/month)	Rate for paying for technological losses in electric grids (RUR/MWh)	
<b>IDGC of the South, JSC</b>					
<b>Volgogradenergo</b>					
1	Decree of the Directorate for Regional Tariffs of the Volgograd Administration dated 11.05.2011 № 17/2 (Published in "Volgogradskaya Pravda", 18.05.2011)	JSC Volgogradoblektro	10,772.18	138.60	162.01
		Municipal Unitary Production Enterprise Volgograd Interregional Electricity Networks	169,628.78	60.41	494.90
		Municipal Government Enterprise Volga Interregional Power Networks	88,867.80	228.63	381.97
<b>Kalmenergo</b>					
2	Appendix 2 to the Decree of the Regional Tariff Service of the Republic of Kalmykia dated 08.06.2011 № 65-п/э (№ 13-п/э (published in the newspaper "Khal'mg Ynn" dated 09.06.2011)	JSC KalmEnergoKom	536,718.741	188.978	1,090.899
		Interregional Public Organization October Transenergo	455,580.232	193.143	958.717
		Municipal Unitary Enterprise MPOKH Iki-Burulsky CMO RK	432,815.415	318.449	1,045.768
		Gazpromenergo LLC	1,129,301.938	312.746	2,210.465
		JSC RZD	607,263.984	277.731	1,298.199
<b>Rostovenergo</b>					
3	Decree of the Regional Tariff Service of the Rostov Oblast dated 12.05.2011 № 10/2 (Published in the "Nashe Vremya" newspaper № 188–192, 02.06.2011)	JSC Donenergo	72,854.640	0.095	149.060

# Appendix 2

## VOLUMES AND TARIFFS FOR TECHNOLOGICAL CONNECTION

Submitted to the body for tariff regulation for the current year and the next year and tariffs for technological connection set by the regulating body (in table form)

Volumes and tariffs for technological connections in the 2011 reporting year and for 2012 reported to the tariff regulation body and tariffs for technological connection to the electric grids of the Astrakhanenergo branch of IDGC of the South, JSC set by the regulating body

Capacity range, kW	Level of voltage in the connection point, kV	Astrakhanenergo					
		2011			2012		
		Volume of capacity at calculation of payment for technological connection, kW	Declared payment for technological connection, RUR/kW, exclusive of VAT	Fixed payment for technological connection, RUR/kW, exclusive of VAT	Volume of capacity at calculation of payment for technological connection, kW	Declared payment for technological connection, RUR/kW, exclusive of VAT	Fixed payment for technological connection, RUR/kW, exclusive of VAT
Up to 15 kW, total	0.4	3,738	466.1/ Standardized	466.1/ Standardized	14,874	Standardized	466.1/ Standardized
	6–20	283	466.1/ Standardized	466.1/ Standardized	3,599	Standardized	466.1/ Standardized
	35–110	In the case that applicants apply for connection of 35–110, the rate for technological connection is set by an individual project					
Including individual persons			466.1/ Standardized	466.1/ Standardized	17,992	466.1/ Standardized	466.1/ Standardized
From 15 to 100 kW, total	0.4	1,290	Standardized	Standardized	5,014	Standardized	Standardized
	6–20	767	Standardized	Standardized	6,716	Standardized	Standardized
	35–110	In the case that applicants apply for connection of 35–110, the rate for technological connection is set by an individual project					
Including reduced fee categories							
From 100 to 750 kW	0.4	250	Standardized	Standardized	3,240	Standardized	Standardized
	6–20	2,375.5	Standardized	Standardized	19,341	Standardized	Standardized
	35–110	—	—	—	—	—	—
More than 750 kW	0.4	—	Standardized	Standardized	—	Standardized	Standardized
	6–20	1,755	Standardized	Standardized	7,350	Standardized	Standardized
	35–110	In the case that applicants apply for connection of 35–110, the rate for technological connection is set by an individual project					

1. The fee for technological connection of power receivers maximum capacity not exceeding 15 kW inclusive (including the previously connected capacity at the connection point) is set based on the cost of measures for technological connection of not more than 550 rubles, provided that the distance from the border area of the applicant to the transmission facilities necessary to the voltage network organization in which the application is submitted is no more than 300 meters in cities and towns, and no more than 500 meters in rural areas.

2. In 2011, the acting Resolution of the Tariffs Service of the Astrakhan region of 16.12.2009. № 135 (period of 01.01.2011 to 24.04.2011) and from 07.04.2011 № 26 (period from 25.04.2011 to 31.12.2011, amended by the Regulation of ST AO 22.06.2011 № 72) was valid. In addition, the Resolution Service for Tariffs of 07.04.2011 № 26 set standardized rates at 2001 prices.

In 2012, the rates of payment for technological connection to the network branch Astrakhanenergo are the same as in 2011, prolonged by Resolution № 26 dated 07.04.2011, at 2001 prices.

**Volumes and tariffs for technological connections in the 2011 reporting year and for 2012 reported to the tariff regulation body and tariffs for technological connection to the electric grids of the Volgogradenergo branch of IDGC of the South, JSC set by the regulating body**

Capacity range, kW	Level of voltage in the connection point, kV	Volgogradenergo					
		2011			2012		
		Volume of capacity at calculation of payment for technological connection, kW	Declared payment for technological connection, RUR/kW, exclusive of VAT	Fixed payment for technological connection, RUR/kW, exclusive of VAT	Volume of capacity at calculation of payment for technological connection, kW	Declared payment for technological connection, RUR/kW, exclusive of VAT	Fixed payment for technological connection, RUR/kW, exclusive of VAT
Up to 15 kW, total	0.4	7 517	10,769	466.10	14,482	466.10/ 6138.18/ 29,831.79	466.10/ 382.66/ 7743.19
	6–20			466.10		466.10/ 2104.36/ 2401.48	466.10/ 382.66/ 7743.19
	35–110	In the case that applicants apply for connection of 35–110, the rate for technological connection is set by an individual project					
Including individual persons			466.10	466.10	14,482	466.10	466.10
From 15 to 100 kW, total	0.4	767	2,572.87/ 8,153.31	382.66/ 7,743.19	3,938	6,138.18/ 29,831.79	382.66/ 7,743.19
	6–20	1,806	1,845.42/ 6,143.71	382.66/ 7,743.19	4,056	2,104.36/ 2,401.48	382.66/ 7,743.19
	35–110	In the case that applicants apply for connection of 35–110, the rate for technological connection is set by an individual project					
Including reduced fee categories							
From 100 to 750 kW	0.4	6,042	236.18/ 10,187.65	72.92/ 8,161.59	2,402	825.3	72.92/ 8,161.59
	6–20	37,855	266.30/ 7,714.35	72.92/ 8,161.59	19,182	505.24/ 3,489.05	72.92/ 8,161.59
	35–110						
More than 750 kW	0.4		236.18/ 10,187.65	72.92/ 8,161.59		233.58/ 4,023.69	72.92/ 8,161.59
	6–20		266.30/ 7,714.35	72.92/ 8,161.59		233.58/ 4,023.69	72.92/ 8,161.59
	35–110	In the case that applicants apply for connection of 35–110, the rate for technological connection is set by an individual project					

The fee for technological connection of consumers to the grid of the Company is set by the Tariff Service of the Volgograd Region. In 2011 the rates of fees for connection to networks of the branch Volgogradenergo were established by Resolution of the URT Administration of the Volgograd region dated 17 December 2010, № 34/3.

In 2012, the rates of payment for technological connection to networks of the branch Volgogradenergo are the same as in 2011, prolonged by Resolution of the Tariff Service of the Volgograd Region dated 23 December, 2011, № 54/20.

**Volumes and tariffs for technological connections in the 2011 reporting year and for 2012 reported to the tariff regulation body and tariffs for technological connection to the electric grids of the Kalmenergo branch of IDGC of the South, JSC set by the regulating body**

Capacity range, kW	Level of voltage in the connection point, kV	Kalmenergo					
		2011			2012		
		Volume of capacity at calculation of payment for technological connection, kW	Declared payment for technological connection, RUR/kW, exclusive of VAT	Fixed payment for technological connection, RUR/kW, exclusive of VAT	Volume of capacity at calculation of payment for technological connection, kW	Declared payment for technological connection, RUR/kW, exclusive of VAT	Fixed payment for technological connection, RUR/kW, exclusive of VAT
Up to 15 kW, total	0,4	457	15,918.09	466.10	467	8,048.45	466.1
	6–20	107	15,918.09	466.10	334	8,048.45	466.1
	35–110	In the case that applicants apply for connection of 35–110, the rate for technological connection is set by an individual project					
Including individual persons		340	466.10	466.10	265	8048.45	466.1
From 15 to 100 kW, total	0.4	170.0	3,662.40/ Standardized	3,636.29/ Standardized	445	29,746.54/ Standardized	7,392.62/ Standardized
	6–20	300	3,662.40/ Standardized	3,636.29/ Standardized	665	29,746.54/ Standardized	7,392.62/ Standardized
	35–110	In the case that applicants apply for connection of 35–110, the rate for technological connection is set by an individual project					
Including reduced fee categories							
From 100 to 750 kW	0.4	—	3,662.40/ Standardized	3,636.29/ Standardized	210	29,746.54/ Standardized	7,392.62/ Standardized
	6–20	642	3662.40/ Standardized	3,636.29/ Standardized	1850	29,746.54/ Standardized	7,392.62/ Standardized
	35–110	In the case that applicants apply for connection of 35–110, the rate for technological connection is set by an individual project					
More than 750 kW	0.4	In the case that applicants apply for connection the rate for technological connection is set by individual project					
	6–20						
	35–110						

The fee for technological connection of power receivers maximum capacity not exceeding 15 kW inclusive (including the previously connected capacity at the connection point) is set based on the cost of measures for technological connection of not more than 550 rubles, provided that the distance from the border area of the applicant to the transmission facilities necessary to the voltage network organization in which the application is submitted is no more than 300 meters in cities and towns, and no more than 500 meters in rural areas.

In 2011 payment for technological connection was taken in accordance with the Decree of the Tariff Service of the Republic of Kalmykia dated 17.02.2006 №23-п/э (validity prolonged by decree №29 п/э dated 08.04.08), decree of the Tariff Service of the Republic of Kalmykia dated 21.07.2009 №56-п/э.

From 25.06.2011 payment for technological connection was taken in accordance with the Decree of the Tariff Service of the Republic of Kalmykia dated 18.05.2011 №56-п/э and №57-п/э (including standardized payment rates set at 2001 prices.).

In 2012, the rates of payment for technological connection are set by the Decrees of the Tariff Service of the Republic of Kalmykia dated 23.01.2012 №11-п/э and №12-п/э, including standardized payment rates set at 2001 prices.

**Volumes and tariffs for technological connections in the 2011 reporting year and for 2012 reported to the tariff regulation body and tariffs for technological connection to the electric grids of the Rostovenergo branch of IDGC of the South, JSC set by the regulating body**

Capacity range, kW	Level of voltage in the connection point, kV	IDGC of the South — Rostovenergo					
		2011			2012		
		Volume of capacity at calculation of payment for technological connection, kW	Declared standardized tariff rate exclusive of VAT	Established standardized tariff rate.	Volume of capacity at calculation of payment for technological connection, kW	Declared standardized tariff rate exclusive of VAT	Established standardized tariff rate
Up to 15 kW, total	0.4	49,694.68	Standardized rates/466.1	Standardized rates/466.1	49,659.90	Standardized rates/466.1	Standardized rates/466.1
	6–20						
	35–110	In the case that applicants apply for connection of 35–110, the rate for technological connection is set by an individual project					
Including individual persons		19,763.63	466.1 RUR/1 connection		25,570.70	466.1 RUR/1 connection	
From 15 to 100 kW, total	0.4	3,410.99	Standardized rates	Standardized rates	1,918.75	Standardized rates	Standardized rates
	6–20	13,447.66	Standardized rates	Standardized rates	7,287.10	Standardized rates	Standardized rates
	35–110	In the case that applicants apply for connection of 35–110, the rate for technological connection is set by an individual project					
Including reduced fee categories							
From 100 to 750 kW	0.4	1,482.4	Standardized rates	Standardized rates	2,558.13	Standardized rates	Standardized rates
	6–20	21,951.43	Standardized rates	Standardized rates	23,824.64	Standardized rates	Standardized rates
	35–110	In the case that applicants apply for connection of 35–110, the rate for technological connection is set by an individual project					
More than 750 kW	0.4	31,551.53	Standardized rates	Standardized rates	39,051.50	Standardized rates	Standardized rates
	6–20						
	35–110	In the case that applicants apply for connection of 35–110, the rate for technological connection is set by an individual project					

In 2011, by decision of the Regional Tariff Service of the Rostov Region dated 28.12.2010 №20/13, the standardized tariff fees for connection to distribution electric networks of IDGC of the South, JSC — Rostovenergo were set. By resolution of the Regional Tariff Service from 28.02.2011 №3/7, amendments were made to the resolution dated 28.12.2010 №20/13, including standardized payment rates set at 2001 prices.

In 2012, by decision of the Regional Tariff Service of the Rostov Region dated 27.12.2011 №30/10, the standardized tariff fees for technological connection to the distribution electric networks of IDGC of the South, JSC — Rostovenergo were set (in 2001 prices).

## REPORT ON DEMAND FOR TECHNOLOGICAL CONNECTIONS AND SATISFACTION OF DEMAND

### Report on contracts for technological connections for IDGC of the South, JSC, 2011\*

№	Type of connection category	Connection voltage, kV	Valid contracts at the beginning of the reporting period			Quantity of applications made for TC		Contracts reached for TC in the reporting period			Number of connections (complete fulfillment of TC Contracts)	
			units	Total capacity, kW	Total capacity, RUR thou	units	For total capacity (N), kW	units	Total capacity, kW	Total capacity, RUR thou	TOTAL	
											units	total capacity, kW
1	Up to 15 kW, TOTAL	0.4	7,266	48,394	11,149	12,149	91,794	9,841	74,230	9,086	5,529	41,042
		6–20	746	6,821	8,840	5,102	45,197	1,649	13,941	22,587	679	6,153
		35–110	0	0	0	82	682	2	23	290	0	0
2	Including individual persons	0.4	4,941	33,280	3,103	8,811	66,438	7,224	54,130	3,941	3,956	29,069
		6–20	149	1,625	280	310	3,368	151	1,738	751	75	832
3	From 15 to 100 kW, TOTAL	0.4	244	9,910	50,018	637	27,162	356	13,377	47,644	130	5,349
		6–20	370	21,069	63,002	710	38,808	352	19,551	26,708	194	10,647
		35–110	0	0	0	8	305	0	0	0	0	0
4	Including reduced fee categories		589	28,076	104,127	1,239	58,830	655	29,737	67,682	306	14,845
5	From 100 to 750 kW	0.4	69	18,532	136,427	150	35,881	51	11,413	48,776	25	5,886
		6–20	394	109,641	483,342	698	218,490	328	94,655	255,525	216	54,616
		35–110	2	275	200	16	5,277	4	1,707	390	3	700
6	More than 750 kW	0.4	9	23,028	111,620	16	42,117	3	5,500	9,744	2	1,805
		6–20	116	393,708	5,032,892	210	686,221	54	110,956	200,782	24	74,687
		35–110	10	157,181	665,195	19	174,339	2	6,900	240	0	0
<b>TOTAL</b>			<b>9,226</b>	<b>787,560</b>	<b>6,562,685</b>	<b>19,797</b>	<b>1,366,275</b>	<b>12,642</b>	<b>352,254</b>	<b>621,771</b>	<b>6,802</b>	<b>200,885</b>

- Without including power generating infrastructure

Number of connections (complete fulfillment of TC Contracts)		Number of terminated Contracts for TC, including				Acting contracts at the end of the period			Applications not accounted for in the current period		Volumes of distribution grid infrastructure introduced for TC Contracts	
By contract in the reporting year		TOTAL		By contract in the reporting year		units	total capacity, kW	Total capacity, RUR thou	units	Total capacity, kW	Transformer capacity, kVA	Overhead lines, km
units	total capacity, kW	units	total capacity, kW	units	total capacity, kW							
2,767	21,718	138	878	38	273	11,440	80,704	15,326	937	7,634	13,581	87
143	1,387	41	360	4	50	1,675	14,250	21,520	839	6,986		
0	0	0	0	0	0	2	23	295	75	603		
2,062	16,013	81	530	29	215	8,128	57,811	5,594	638	5,328		
15	191	8	77	3	40	217	2,454	162	85	898		
49	2,137	18	722	3	115	452	17,215	81,668	169	8,643		
68	3,641	27	1,400	2	170	501	27,572	62,372	130	7,848		
0	0	0	0	0	0	0	0	0	5	165		
111	5,435	44	2,023	5	285	894	40,944	133,878	281	14,974		
4	666	5	1,248	1	200	90	22,811	161,920	70	16,772		
44	12,882	17	5,196	4	1,150	489	144,484	535,603	195	66,649		
1	425	0	0	0	0	3	1,282	386	4	929		
0	0	0	0	0	0	10	26,723	101,024	11	33,858		
2	3,200	6	10,637	0	0	140	419,341	4,785,110	86	263,577		
0	0	0	0	0	0	12	164,081	625,329	9	115,469		
<b>3,078</b>	<b>46,056</b>	<b>252</b>	<b>20,441</b>	<b>52</b>	<b>1,958</b>	<b>14,814</b>	<b>918,487</b>	<b>6,390 553</b>	<b>2,530</b>	<b>529,132</b>		

**Report on contracts for technological connections for the branch of IDGC of the South, JSC — Astrakhanenergo, 2011\***

№	Type of connection category	Connection voltage, kV	Valid contracts at the beginning of the reporting period			Quantity of applications made for TC		Contracts reached for TC in the reporting period			Number of connections (complete fulfillment of TC Contracts)	
			units	Total capacity, kW	Total capacity, RUR thou	units	For total capacity (N), kW	units	Total capacity, kW	Total capacity, RUR thou	TOTAL	
											units	total capacity, kW
1	Up to 15 kW, TOTAL	0.4	1,782	10,647	1,110	4,697	29,396	3,581	22,189	1,680	1,086	6,847
		6–20	89	808	40	205	1,689	123	1,070	60	19	179
		35–110	0	0	0	0	0	0	0	0	0	0
2	Including individual persons	0.4	1,275	7,491	600	3,770	23,071	2,893	17,490	1,350	840	5,090
		6–20	41	401	20	94	755	51	426	20	9	88
3	From 15 to 100 kW, TOTAL	0.4	120	4,576	1,210	326	14,423	150	6,069	6,390	52	2,051
		6–20	107	6,130	510	186	11,513	118	7,505	690	49	2,991
		35–110	0	0	0	0	0	0	0	0	0	0
4	Including reduced fee categories		219	10 055	1,700	493	24,684	258	12,846	4,220	99	4 902
5	From 100 to 750 kW	0.4	22	4,294	17,640	57	13,849	16	3,370	9,856	7	1,003
		6–20	90	24,448	24,060	178	50,516	100	27,549	14,600	31	8,725
		35–110	0	0	0	0	0	0	0	0	0	0
6	More than 750 kW	0.4	0	0	0	3	15,883	1	2,300	2,894	0	0
		6–20	21	41 793	342,440	42	135,276	14	37,858	6,870	3	4,362
		35–110	1	19 500	117,040	1	1,400	0	0	0	0	0
<b>TOTAL</b>			<b>2,232</b>	<b>112,196</b>	<b>504,050</b>	<b>5,695</b>	<b>273 945</b>	<b>4,103</b>	<b>107,910</b>	<b>43,040</b>	<b>1,247</b>	<b>26,157</b>

- Without including power generating infrastructure

Number of connections (complete fulfillment of TC Contracts)		Number of terminated Contracts for TC, including				Acting contracts at the end of the period			Applications not accounted for in the current period		Volumes of distribution grid infrastructure introduced for TC Contracts	
By contract in the reporting year		TOTAL		By contract in the reporting year		units	total capacity, kW	Total capacity, RUR thou	units	Total capacity, kW	Transformer capacity, kVA	Overhead lines, km
units	total capacity, kW	units	total capacity, kW	units	total capacity, kW							
542	3,518	58	341	27	154	4,219	25,649	2,200	452	2,942	2,520	2
7	64	18	167	2	25	175	1,532	82	55	405		
0	0	0	0	0	0	0	0	0	0	0		
431	2,687	37	225	20	117	3,291	19,667	1,537	335	2,125		
3	38	5	49	2	25	78	690	37	37	279		
17	598	14	534	2	65	204	8,060	7,376	111	5,584		
25	1,620	11	489	2	170	165	10,155	897	37	2,546		
0	0	0	0	0	0	0	0	0	0	0		
42	2,218	25	1,023	4	235	353	16,976	5,391	145	7,879		
0	0	4	665	1	200	27	5,996	27,490	30	7,196		
14	3,823	9	2,467	3	850	150	40,804	31,100	35	10,783		
0	0	0	0	0	0	0	0	0	0	0		
0	0	0	0	0	0	1	2,300	2,894	2	13,583		
1	2,200	1	2,300	0	0	31	72,990	324,449	15	47,305		
0	0	0	0	0	0	1	19,500	68,585	0	0		
<b>606</b>	<b>11,822</b>	<b>115</b>	<b>6,963</b>	<b>37</b>	<b>1,464</b>	<b>4,973</b>	<b>186,985</b>	<b>465,074</b>	<b>737</b>	<b>90,344</b>		

**Report on contracts for technological connections for the branch of IDGC of the South, JSC — Volgogradenergo, 2011\***

№	Type of connection category	Connection voltage, kV	Valid contracts at the beginning of the reporting period			Quantity of applications made for TC		Contracts reached for TC in the reporting period			Number of connections (complete fulfillment of TC Contracts)	
			units	Total capacity, kW	Total capacity, RUR thou	units	For total capacity (N), kW	units	Total capacity, kW	Total capacity, RUR thou	TOTAL	
											units	total capacity, kW
1	Up to 15 kW, TOTAL	0.4	2,783	17,882	4,530	2,400	19,611	1,989	16,087	1,820	1,688	11,680
		6–20	152	1,603	840	184	2,367	117	1,556	300	91	989
		35–110	0	0	0	0	0	0	0	0	0	0
2	Including individual persons	0.4	2,028	12,897	1,690	1,762	15,098	1,478	12,094	1,200	1,207	8,255
		6–20	87	957	40	96	1,326	56	794	270	48	505
3	From 15 to 100 kW, TOTAL	0.4	50	1,815	3,060	137	4,507	107	2,850	16,360	34	1,288
		6–20	98	5,259	8,140	144	8,157	68	3,992	5,140	43	2,320
		35–110	0	0	0	0	0	0	0	0	0	0
4	Including reduced fee categories		141	6,626	10,670	245	10,375	151	5,544	21,120	69	3,145
5	From 100 to 750 kW	0.4	24	8,790	52,670	25	5,491	14	3,390	14,190	10	3,037
		6–20	91	27,179	39,540	132	42,266	68	20,653	15,390	47	13,994
		35–110	0	0	0	2	672	0	0	0	0	0
6	More than 750 kW	0.4	7	21,308	89,940	9	17,999	2	3,200	6,850	1	970
		6–20	22	59,682	154,020	50	167,020	12	19,955	10,480	8	23,833
		35–110	2	18,581	4,630	2	9,200	0	0	0	0	0
<b>TOTAL</b>			<b>3,229</b>	<b>162,098</b>	<b>357,370</b>	<b>3,085</b>	<b>277,291</b>	<b>2,377</b>	<b>71,684</b>	<b>70,530</b>	<b>1,922</b>	<b>58,111</b>

- Without including power generating infrastructure

Number of connections (complete fulfillment of TC Contracts)		Number of terminated Contracts for TC, including				Acting contracts at the end of the period			Applications not accounted for in the current period		Volumes of distribution grid infrastructure introduced for TC Contracts			
By contract in the reporting year		TOTAL		By contract in the reporting year		units	total capacity, kW	Total capacity, RUR thou	units	Total capacity, kW	Transformer capacity, kVA	Overhead lines, km		
units	total capacity, kW	units	total capacity, kW	units	total capacity, kW									
711	5,575	40	252	7	78	3,044	22,037	4,207	185	2,209	5,370	3		
31	390	2	25	1	15	176	2,144	940	52	685				
0	0	0	0	0	0	0	0	0	0	0				
523	4,108	19	141	7	78	2,280	16,594	2,318	160	1,971				
9	118	2	25	1	15	93	1,221	95	40	541				
10	385	1	20	0	0	122	3,357	17,303	16	1,013				
11	377	1	35	0	0	122	6,896	11,447	44	2,503				
0	0	0	0	0	0	0	0	0	0	0				
19	699	2	55	0	0	221	8,969	28,392	51	2,793				
2	346	0	0	0	0	28	9,143	53,282	10	2,003				
15	4,379	2	580	0	0	110	33,258	38,156	39	12,396				
0	0	0	0	0	0	0	0	0	2	672				
0	0	0	0	0	0	8	23,538	89,743	5	12,040				
1	1,000	0	0	0	0	26	55,804	152,190	23	59,532				
0	0	0	0	0	0	2	18,581	12,985	0	0				
<b>781</b>	<b>12,453</b>	<b>46</b>	<b>912</b>	<b>8</b>	<b>93</b>	<b>3,638</b>	<b>174,759</b>	<b>380,253</b>	<b>376</b>	<b>93,054</b>			<b>5,370</b>	<b>3</b>

**Report on contracts for technological connections for the branch of IDGC of the South, JSC — Kalmenergo, 2011\***

№	Type of connection category	Connection voltage, kV	Valid contracts at the beginning of the reporting period			Quantity of applications made for TC		Contracts reached for TC in the reporting period			Number of connections (complete fulfillment of TC Contracts)	
			units	Total capacity, kW	Total capacity, RUR thou	units	For total capacity (N), kW	units	Total capacity, kW	Total capacity, RUR thou	TOTAL	
											units	total capacity, kW
1	Up to 15 kW, TOTAL	0.4	142	741	79	239	1,253	204	1,049	106	209	1,061
		6–20	70	516	40	55	431	48	385	87	44	360
		35–110	0	0	0	0	0	0	0	0	0	0
2	Including individual persons	0.4	51	276	23	131	578	110	474	51	118	553
		6–20	1	5	0	2	18	2	18	1	1	5
3	From 15 to 100 kW, TOTAL	0.4	11	510	78	12	432	10	352	634	8	299
		6–20	13	515	72	16	858	12	603	568	9	465
		35–110	0	0	0	0	0	0	0	0	0	0
4	Including reduced fee categories		20	753	107	28	1,290	22	955	1,202	17	764
5	From 100 to 750 kW	0.4	1	210	27	1	320	0	0	0	0	0
		6–20	9	2,802	2,812	5	1,395	5	1,395	3,105	6	2,065
		35–110	0	0	0	0	0	0	0	0	0	0
6	More than 750 kW	0.4	0	0	0	0	0	0	0	0	0	0
		6–20	2	55,500	2,820,632	1	3,720	1	3,720	472	0	0
		35–110	0	0	0	0	0	0	0	0	0	0
<b>TOTAL</b>			<b>248</b>	<b>60,793</b>	<b>2,823,740</b>	<b>329</b>	<b>8,409</b>	<b>280</b>	<b>7,504</b>	<b>4,971</b>	<b>276</b>	<b>4,250</b>

- Without including power generating infrastructure

Number of connections (complete fulfillment of TC Contracts)		Number of terminated Contracts for TC, including				Acting contracts at the end of the period			Applications not accounted for in the current period		Volumes of distribution grid infrastructure introduced for TC Contracts	
By contract in the reporting year		TOTAL		By contract in the reporting year		units	total capacity, kW	Total capacity, RUR thou	units	Total capacity, kW	Transformer capacity, kVA	Overhead lines, km
units	total capacity, kW	units	total capacity, kW	units	total capacity, kW							
123	596	0	0	0	0	137	728	72	4	19	0	10
11	103	1	10	1	10	73	531	102	4	35		
0	0	0	0	0	0	0	0	0	0	0		
78	343	0	0	0	0	43	197	20	1	5		
0	0	0	0	0	0	2	18	1	0	0		
4	149	0	0	0	0	13	562	293	1	50		
5	256	0	0	0	0	16	653	578	2	145		
0	0	0	0	0	0	0	0	0	0	0		
9	405	0	0	0	0	25	944	858	3	195		
0	0			0	0	1	210	27	0	0		
4	1,165	1	750	0	0	7	1,382	305	0	0		
0	0	0	0	0	0	0	0	0	0	0		
0	0	0	0	0	0	0	0	0	0	0		
0	0	0	0	0	0	3	59,220	2,821,105	0	0		
0	0	0	0	0	0	0	0	0	0	0		
<b>147</b>	<b>2,269</b>	<b>2</b>	<b>760</b>	<b>1</b>	<b>10</b>	<b>250</b>	<b>63,287</b>	<b>2,822,481</b>	<b>11</b>	<b>249</b>		

**Report on contracts for technological connections for the branch of IDGC of the South, JSC — Rostovenergo, 2011\***

№	Type of connection category	Connection voltage, kV	Valid contracts at the beginning of the reporting period			Quantity of applications made for TC		Contracts reached for TC in the reporting period			Number of connections (complete fulfillment of TC Contracts)	
			units	Total capacity, kW	Total capacity, RUR thou	units	For total capacity (N), kW	units	Total capacity, kW	Total capacity, RUR thou	TOTAL	
											units	total capacity, kW
1	Up to 15 kW, TOTAL	0.4	2,559	19,124	5,430	4,813	41,535	4,067	34,905	5,480	2,546	21,454
		6–20	435	3,895	7,920	4,658	40,710	1,361	10,930	22,140	525	4,625
		35–110	0	0	0	82	682	2	23	290	0	0
2	Including individual persons	0.4	1,587	12,616	790	3,148	27,692	2,743	24,072	1,340	1,791	15,171
		6–20	20	263	220	118	1,269	42	500	460	17	234
3	From 15 to 100 kW, TOTAL	0.4	63	3,010	45,670	162	7,800	89	4,106	24,260	36	1,711
		6–20	152	8,166	54,280	364	18,280	154	7,451	20,310	93	4,871
		35–110	0	0	0	8	305	0	0	0	0	0
4	Including reduced fee categories		209	10,642	91,650	473	22,481	224	10,393	41,140	121	6,034
5	From 100 to 750 kW	0.4	22	5,239	66,090	67	16,221	21	4,653	24,730	8	1,846
		6–20	204	55,212	416,930	383	124,313	155	45,058	222,430	132	29,832
		35–110	2	275	200	14	4,605	4	1,707	390	3	700
6	More than 750 kW	0.4	2	1,720	21,680	4	8,235	0	0	0	1	835
		6–20	71	236,733	1,715,800	117	380,205	27	49,423	182,960	13	46,492
		35–110	7	119,100	543,525	16	163,739	2	6,900	240	0	0
<b>TOTAL</b>			<b>3,517</b>	<b>452,474</b>	<b>2,877,525</b>	<b>10,688</b>	<b>806,630</b>	<b>5,882</b>	<b>16,156</b>	<b>503,230</b>	<b>3,357</b>	<b>112,367</b>

- Without including power generating infrastructure

Number of connections (complete fulfillment of TC Contracts)		Number of terminated Contracts for TC, including				Acting contracts at the end of the period			Applications not accounted for in the current period		Volumes of distribution grid infrastructure introduced for TC Contracts	
By contract in the reporting year		TOTAL		By contract in the reporting year		units	total capacity, kW	Total capacity, RUR thou	units	Total capacity, kW	Transformer capacity, kVA	Overhead lines, km
units	total capacity, kW	units	total capacity, kW	units	total capacity, kW							
1,391	12,029	40	285	4	41	4,040	32,290	8,847	296	2,464	5,691	72
94	831	20	158	0	0	1,251	10,043	20,395	728	5,861		
0	0	0	0	0	0	2	23	295	75	603		
1,030	8,875	25	164	2	20	2,514	21,353	1,719	142	1,227		
3	35	1	3	0	0	44	526	30	8	79		
18	1,005	3	168	1	50	113	5,236	56,696	41	1,996		
27	1,387	15	877	0	0	198	9,869	49,450	47	2,654		
0	0	0	0	0	0	0	0	0	5	165		
41	2,112	17	945	1	50	295	14,056	99,238	82	4,107		
2	320	1	583	0	0	34	7,462	81,121	30	7,573		
11	3,515	5	1,399	1	300	222	69,039	466,044	121	43,469		
1	425	0	0	0	0	3	1,282	386	2	257		
0	0	0	0	0	0	1	885	8,386	4	8,235		
0	0	5	8,337	0	0	80	231,327	1,487,366	48	156,739		
0	0	0	0	0	0	9	126,000	543,759	9	115,469		
<b>1,544</b>	<b>19,512</b>	<b>89</b>	<b>11,806</b>	<b>6</b>	<b>391</b>	<b>5,953</b>	<b>493,457</b>	<b>2,722,746</b>	<b>1,406</b>	<b>345,484</b>		

# Appendix 3

## THE 2011 ANNUAL ACCOUNTING REPORTS OF IDGC OF THE SOUTH, JSC

### ACCOUNTING BALANCE as of 31 December 2011

	Form as per ARCMD	0710001
	Date (year, month, day)	2011/12/31
Company: <b>IDGC of the South, JSC</b>	as per RNNBO	80380011
Taxpayer Identification Number	TIN	6164266561
Business activity: <b>Electrical Power Transmission</b>	as per OKVED	40.10.2
Form of legal entity's incorporation/form of ownership: <b>Open joint stock company/private entity</b>	as per ARCFI/ARCFO	47/16
Unit of measurement: <b>RUR thousand</b>	as per OKEI	384
Location [address]: <b>344002, Rostov-On-Don, Bolshaya Sadovaya St., 49</b>		

Explanation	Indicator	Code	As of December 31, 2011	As of December 31, 2010	As of December 31, 2009
<b>ASSET</b>					
<b>I. NON-CURRENT ASSETS</b>					
5.1.1.–5.2.2	Intangible assets, including	1110	18	20	20
5.2.2	pending transactions to acquire intangible assets	1111	—	—	—
	rights to patents, programs, trademarks (service trademark), other rights and assets similar to the listed ones	1112	18	20	20
	company's business reputation	1113	—	—	—
	other types of non-current assets	1114	—	—	—
5.2.1–5.2.2	R&D results, including:	1120	26,133	3,304	4,406
5.2.2	costs for unfinished research and development	1121	21,267	—	—
	R&D results	112101	4,866	3,304	4,406
5.3.1.–5.3.5	Fixed assets	1130	28,927,577	26,680,503	27,114,066
	land plots and environmental facilities	1131	2,037	1,230	1,240
	buildings, machinery and equipment, constructions	1132	25,260,976	24,675,943	25,239,066
	other fixed assets types	1133	209,318	189,719	232,174
5.3.5	Uncompleted construction	1134	3,136,531	1,706,538	1,493,351
	advances given for capital construction	1135	314,371	106,741	143,961
	advances given to suppliers of OS	1136	4,344	332	4,274
5.3.1	Income-bearing investments into inventories	1140	—	—	—
	property for leasing	1141	—	—	—
	property presented by the rent agreement	1142	—	—	—
5.4.1.–5.4.3	Financial investments	1150	418,950	461,702	453,503
	investments into subsidiaries	1151	350,451	401,849	399,349
	investments into dependent companies	1152	—	—	—
	investments into other organizations	1153	20,236	11,590	7,133
	loans granted by organizations for a term of more than 12 months	1154	—	—	—
	other long-term financial investments	1155	48,263	48,263	47,021
5.7.2	Deferred tax assets	1160	160,929	367,050	119,031
	Other non-current assets	1170	745,779	459,513	485,049
<b>Section I, TOTAL</b>		<b>1100</b>	<b>30,279,386</b>	<b>27,972,092</b>	<b>28,176,075</b>
<b>II CURRENT ASSETS</b>					
5.5.1.–5.5.2	Reserves, including	1210	1,064,327	786,594	736,735
	raw materials, materials, and other same valuables, including	1211	1,021,057	778,919	733,382
	fuel and labricants	121101	20,273	18,878	17,966
	spare parts	121102	140,894	124,343	109,731

Explanation	Indicator	Code	As of December 31, 2011	As of December 31, 2010	As of December 31, 2009
	other raw materials	121103	859,890	635,698	605,685
	rears and fatteners	1216	—	—	—
	work-in-progress expenses	1212	—	—	—
	finished products and goods for sale	1213	43,270	7,675	3,353
	goods delivered	1214	—	—	—
	future periods expenses	1215	—	—	—
	Value-added tax concerning acquired values	1220	63,758	17,751	25,182
5.6.1.–5.6.4	Accounts receivable	1230	8,930,446	8,665,281	10,454,496
	Payments for which are due more than 12 months after the reporting date)	1231	577,372	704,965	908,448
	buyers and customers	123101	31,542	33,875	905,368
	promissory notes receivable	123102	—	—	—
	advances made	123103	853	12,990	—
	other accounts receivable	123104	544,977	658,100	3,080
	Payments for which are due within 12 months after the reporting date	1232	8,353,074	7,960,316	9,546,048
	buyers and customers, including:	123201	6,592,443	6,736,482	6,532,508
	for electricity transmission	12320101	6,030,420	5,620,370	5,486,121
	for technological connection services	12320102	62,596	484,594	264,159
	other buyers and customers	12320103	499,427	631,518	782,228
	promissory notes receivable	123202	—	—	—
	subsidiary and dependent companies debts for dividends	123203	—	—	—
	participants (owners) debts concerning contributions to charter capital	123204	—	—	—
	advances made, including:	123205	700,407	140,103	226,386
	to materials suppliers	12320501	14,946	28,555	86,280
	to repair organizations	12320503	398	1,951	1,634
	to service suppliers	12320504	367,850	44,852	52,494
	other advances made	12320506	317,213	64,745	85,978
	other accounts receivable	123206	1,060,224	1,083,731	2,787,154
	for penalties, fines, and forfeits on contracts	12320601	11,254	7,052	61,446
	excess payment of taxes to the federal budget	12320602	43,074	390,321	281,566
	excess payment of taxes to budgets of the subjects of the RF	12320605	4,554	4,387	9,261
	purchase of shares	12320606	—	—	—
	promissory notes	12320607	—	—	2,000
	other debtors	12320608	1,001,342	681,971	2,432,881
5.4.1.–5.4.3	Financial investments (excluding cash equivalents)	1240	4,000	20,000	—
	loans given to organizations for a term of less than 12 months	1241	—	—	—
	other short-term financial investments	1242	4,000	20,000	—
f. 4	Money funds and cash equivalents	1250	1,404,180	338,132	1,399,725
	cash	1251	152	114	127
	operating accounts	1252	1,402,090	321,148	1,311,028
	currency accounts	1253	—	—	—
	other money funds, including:	1254	1,938	16,870	88,570
	special accounts in banks	125401	1,926	16,870	88,504
	cash documents	125402	12	—	66
	transfers en route	125403	—	—	—
	Other current assets, including:	1260	102,353	170,531	189,124
	intra-organizational settlements for allocated assets	126001	—	—	—
	intra-organizational settlements for current operations	126002	—	—	—
	intra-organizational settlements for construction	126003	—	—	—
	other current assets	126004	102,353	170,531	189,124
<b>TOTAL for section II</b>		<b>1200</b>	<b>11,569,064</b>	<b>9,998,289</b>	<b>12,805,262</b>
<b>BALANCE</b>		<b>1600</b>	<b>41,848,450</b>	<b>37,970,381</b>	<b>40,981,337</b>

Explanation	Indicator	Code	As of December 31, 2011	As of December 31, 2010	As of December 31, 2009
<b>PASSIVE</b>					
<b>III. CAPITAL AND RESERVES</b>					
3.1	Charter capital (share capital, authorized fund, contributions of partners)	1310	4,981,110	4,981,110	4,981,110
	Segregated property	131003	—	—	—
3.1	Own shares bought from shareholders	1320	—	—	—
5.3.1.–5.1.1	Revaluation of fixed assets	1340	14,757,652	14,829,755	14,847,987
3.1	Additional capital (without revaluation)	1350	—	—	—
3.1	Reserve capital	1360	142,867	142,867	142,867
3.1	Undistributed profit (uncovered losses)	1370	(3,321,469)	(3,510,960)	(490,015)
	of previous years	1371	(3,438,857)	(471,783)	1,287,828
	of the accounting year	1372	117,388	(3,039,177)	(1,777,843)
<b>TOTAL for section III</b>		<b>1300</b>	<b>16,560,160</b>	<b>16,442,772</b>	<b>19,481,949</b>
<b>IV. LONG-TERM LIABILITIES</b>					
5.6.7.–5.6.8	Credits and loans	1410	14,062,900	12,766,736	11,719,958
	credits from banks due for redemption more than 12 months after the reporting date	1411	9,192,322	6,100,000	5,369,000
	loans due for redemption more than 12 months after the reporting date	1412	4,870,578	6,666,736	6,350,958
5.7.2	Deferred tax liabilities	1420	297,677	287,070	284,330
5.7.1	Estimated liabilities	1430	—	—	—
5.6.5.–5.6.6	Other liabilities, including:	1450	2,728,379	18,862	72,322
	accounts payable of suppliers and contractors	145001	4,715	18,862	72,322
	other long-term liabilities	145002	2,723,664	—	—
<b>TOTAL for section IV</b>		<b>1400</b>	<b>17,088,956</b>	<b>13,072,668</b>	<b>12,076,610</b>
<b>V. SHORT-TERM LIABILITIES</b>					
5.6.7.–5.6.8	Loans and credits	1510	2,526,220	1,400,000	1,463,900
	credits from banks due for redemption within 12 months after the reporting date	1511	2,401,801	1,400,000	1,463,900
	loans due for redemption within 12 months after the reporting date	1512	124,419	—	—
5.6.5.–5.6.6	Accounts payable	1520	5,405,949	6,751,434	7,648,327
	to suppliers and contractors, including:	1521	2,967,061	5,313,674	5,761,241
	construction firms	152101	1,441,145	1,297,270	1,596,632
	repair firms	152102	55,414	72,690	111,911
	distribution grid companies for electricity transmission services	152103	488,600	2,979,853	1,556,972
	service suppliers	152104	305,607	187,659	529,012
	suppliers of commodities and materials	152105	287,136	425,146	407,133
	suppliers of OC	152106	321,507	95,183	82,678
	other suppliers and contractors	152107	67,652	255,873	1,476,903

Explanation	Indicator	Code	As of December 31, 2011	As of December 31, 2010	As of December 31, 2009
	promissory notes payable	1522	—	—	—
	payroll liabilities	1523	188,665	144,119	202,548
	to state and extrabudgetary funds	1524	84,023	66,507	53,844
	debt for taxes and duties	1525	88,363	58,657	219,871
	Advances received, including:	1526	1,801,147	927,029	372,309
	for transporting electric power	152601	182,459	60,324	3,833
	for services of technological connections to the grid	152602	1,608,235	863,092	366,803
	other advances received	152603	10,453	3,613	1,673
	debt to participants (founders) for paying income	1527	—	1,894	12,492
	other accounts payable	1528	276,690	239,554	1,026,022
	Future periods revenues	1530	68,874	76,496	87,505
5.7.1	Estimated liabilities	1540	198,291	227,011	223,046
	Other liabilities, including:	1550	—	—	—
	intra-organizational settlements for allotted liabilities	155001	—	—	—
	intra-organizational settlements for current operations	155002	—	—	—
	intra-organizational settlements for construction	155003	—	—	—
	other short-term debts	155004	—	—	—
<b>TOTAL for section V</b>		<b>1500</b>	<b>8,199,334</b>	<b>8,454,941</b>	<b>9,422,778</b>
<b>BALANCE</b>		<b>1700</b>	<b>41,848,450</b>	<b>37,970,381</b>	<b>40,981,337</b>

## PROFIT AND LOSS STATEMENT for January-December 2011

	Form as per ARCMD	0710002
	Date (year, month, day)	2011/12/31
Company: <b>IDGC of the South, JSC</b>	as per RNNBO	80380011
Taxpayer Identification Number	TIN	6164266561
Business activity: <b>Electrical Power Transmission</b>	as per OKVED	40.10.2
Form of legal entity's incorporation/form of ownership: <b>Open joint stock company/private entity</b>	as per ARCFI/ARCFO	47/16
Unit of measurement: <b>RUR thousand</b>	as per OKEI	384
Location [address]: <b>344002, Rostov-On-Don, Bolshaya Sadovaya St., 49</b>		

Explanations	Indicator	Code	For the accounting period	For the same period of the previous year
1	2	3	4	5
	Revenue, including:	2110	24,356,303	21,976,494
	revenue from electricity transmission	2111	22,688,104	20,957,786
	revenue from technological connection	2112	1,463,940	291,825
	revenue from organizing the functioning and development of the national electricity grid as concerns the distribution electricity grid complex	2113	—	—
	revenue from resale of electric power and capacity	2114	—	—
	incomes from participation in other companies	2115	—	—
	rental revenues	2116	51,376	55,842
	revenue from sales of other products, goods, works, and services of an industrial nature	2117	122,578	637,869
	revenue from sales of other products, goods, works, and services of a non-industrial nature	2118	30,305	33,172
2.1	Cost of sales, including:	2120	(20,068,056)	(19,423,288)
	revenue from electric power transmission	2121	(19,760,114)	(18,698,651)
	costs of technological connections	2122	(181,127)	(133,847)
	costs of organizing the functioning and development of the national electricity grid as concerns the distribution electricity grid complex	2123	—	—
	costs from reselling electric power and capacity	2124	—	—
	cost of participation in other companies	2125	—	—
	cost of rental services	2126	(16,677)	(18,584)
	cost of other production, goods, works, and services of an industrial nature	2127	(82,922)	(539,832)
	cost of other production, goods, works, and services of a non-industrial nature	2128	(27,216)	(32,374)
	Gross profit (loss)	2100	4,288,247	2,553,206
2.1	Commercial expenses	2210	—	—
2.1	Management expenses	2220	(751,449)	(587,324)
	Profit (loss) from sales	2200	3,536,798	1,965,882
	Income from participation in other companies	2310	31	232
	Interest receivable	2320	13,681	7,216
	Interest payable	2330	(1,493,282)	(1,732,641)

Explanations	Indicator	Code	For the accounting period	For the same period of the previous year
1	2	3	4	5
5.11	Other incomes	2340	1,056,541	772,590
5.11	Other expenses	2350	(2,647,877)	(4,293,527)
	Profit (loss) before taxation	2300	465,892	(3,280,248)
2.3	Current profit tax	2410	(340,145)	—
2.3	including consistent tax liabilities (assets)	2421	435,181	521,475
2.3	Change in deferred tax liabilities	2430	(10,644)	(3,010)
2.3	Change in deferred tax assets	2450	(177,571)	248,102
	Other	2460	179,856	(4,021)
	<b>Net profit (loss)</b>	<b>2400</b>	<b>117,388</b>	<b>(3,039,177)</b>

Explanations	Indicator	Code	For the accounting period	For the same period of the previous year
<b>FOR REFERENCE</b>				
5.1.1.–5.3.1	Result of re-appraisal of fixed assets, not included in net profit (loss)	2510	—	—
3.2	Result of other operations, not included in net profit (loss) for the period	2520	—	—
	Total financial result of the period	2500	117,388	(3,039,177)
2.2	Gross profit (loss) pershare (RUR)	2900	0.002	0.061
2.2	Watered profit (loss) per share (RUR)	2910	0.002	0.061

## CAPITAL CHANGE REPORT for January-December 2011

	Form as per ARCMD	0710003
	Date (year, month, day)	2011/12/31
Company: <b>IDGC of the South, JSC</b>	as per RNNBO	80380011
Taxpayer Identification Number	TIN	6164266561
Business activity: <b>Electrical Power Transmission</b>	as per OKVED	40.10.2
Form of legal entity's incorporation/form of ownership: <b>Open joint stock company/private entity</b>	as per ARCFI/ARCFO	47/16
Unit of measurement: <b>RUR thousand</b>	as per OKEI	384
Location [address]: <b>344002, Rostov-On-Don, Bolshaya Sadovaya St., 49</b>		

Indicator	Code	Authorized capital	Own shares bought out from shareholders	Additional capital	Reserve capital	Undistributed profit (uncovered losses)	Total
Amount of capital as of December 31, 2009 (1)	3100	4,981,110	—	14,847,987	142,867	(490,015)	19,481,949
<b>For 2010 (2)</b>							
Change in capital — total:	3210	—	—	—	—	—	—
including: net profit	3211	×	×	×	×	—	—
re-appraisal of property	3212	×	×	—	×	—	—
revenues directly attributable to an increase in capital	3213	×	×	—	×	—	—
additional share issue	3214	—	—	—	×	×	—
increase in nominal value of shares	3215	—	×	×	×	—	×
re-organization of legal entity	3216	—	—	—	—	—	—
Reduction in capital — total:	3220	—	—	—	—	(3,039,177)	(3,039,177)
including: loss	3221	×	×	×	×	(3,039,177)	(3,039,177)
re-appraisal of property	3222	×	×	—	×	—	—
costs directly attributable to a reduction in capital	3223	×	×	—	×	—	—
decrease in the nominal value of shares	3224	—	—	×	×	—	—
decrease in quantity of shares	3225	—	—	×	×	—	—
reorganization of the legal entity	3226	—	—	—	—	—	—
dividends	3227	×	×	×	×	—	—
Change in additional capital	3230	×	×	(18,232)	×	18,232	×
Change in reserve capital	3240	×	×	×	—	—	×
Change in capital as of December 31, 2010 (2)	3200	4,981,110	—	14,829,755	142,867	(3,510,960)	16,442,772
<b>For 2011 (3)</b>							
Increase in capital, total:	3310	—	—	—	—	117,388	117,388
including: net profit	3311	×	×	×	×	117,388	117,388
re-appraisal of property	3312	×	×	—	×	—	—
revenues directly attributable to an increase in capital	3313	×	×	—	×	—	—
additional share issue	3314	—	—	—	×	×	—
increase in nominal value of shares	3315	—	×	×	×	—	×
re-organization of legal entity	3316	—	—	—	—	—	—
Reduction in capital — total:	3320	—	—	—	—	—	—
including: loss	3321	×	×	×	×	—	—

Indicator	Code	Authorized capital	Own shares bought out from shareholders	Additional capital	Reserve capital	Undistributed profit (uncovered losses)	Total
re-appraisal of property	3322	×	×	—	×	—	—
costs directly attributable to a reduction in capital	3323	×	×	—	×	—	—
decrease in the nominal value of shares	3324	—	×	×	×	—	—
decrease in quantity of shares	3325	—	—	×	×	—	—
reorganization of the legal entity	3326	—	—	—	—	—	—
dividends	3327	×	×	×	×	—	—
Change in additional capital	3330	×	×	(72,103)	×	72,103	×
Change in reserve capital	3340	×	×	×	—	—	×
Change in capital as of December 31, 2011 (3)	3300	<b>4,981,110</b>	—	<b>14,757,652</b>	<b>142,867</b>	<b>(3,321,469)</b>	<b>16,560,160</b>

### Adjustments due to change in accounting policy and correction of mistakes, RUR thousand

Indicator	Code	As of December 31, 2009	Change in capital for 2010		As of December 31, 2010
			due to profit (loss)	due to other factors	
Capital — total	3400	20,150,912	(3,589,843)	—	16,561,069
before adjustments	—				
adjustment due to: change in accounting policy	3410				
correction of mistakes	3420	(179,614)	(3,482)	—	(183,096)
after adjustments	3500	19,481,949	(3,039,177)	—	16,442,772
including: undistributed profit (uncovered loss) before adjustments	3401	178,948	(3,571,611)	—	(3,392,663)
adjustment due to: change in accounting policy	3411	(179,614)	(3,482)	—	(183,096)
correction of mistakes	3421	(489,349)	554,148	—	64,799
after adjustments	3501	(490,015)	(3,020,945)	—	(3,510,960)
other capital items for which adjustments were made: (by item) before adjustments	3402	19,971,964	(18,232)	—	19,953,732
Authorized capital		4,981,110	—	—	
Own shares bought out from shareholders		—	—	—	
Additional capital		14,847,987	(18,232)	—	
Reserve capital		142,867	—	—	
		—	—	—	—
		—	—	—	—
adjustments due to: change in accounting policy	3412	—	—	—	—
correction of mistakes	3422	—	—	—	—
after adjustments	3502	19,971,964	(18,232)	—	19,953,732

### Net assets, RUR thousand

Indicator	Code	As of December 31, 2011	As of December 31, 2010	As of December 31, 2009
Чистые активы	3600	16,629,034	16,519,268	19,569,454

## CASH FLOW STATEMENT for 2011

	Form as per ARCMD	0710001
	Date (year, month, day)	2011/12/31
Company: <b>IDGC of the South, JSC</b>	as per RNNBO	80380011
Taxpayer Identification Number	TIN	6164266561
Business activity: <b>Electrical Power Transmission</b>	as per OKVED	40.10.2
Form of legal entity's incorporation/form of ownership: <b>Open joint stock company/private entity</b>	as per ARCFI/ARCFO	47/16
Unit of measurement: <b>RUR thousand</b>	as per OKEI	384
Location [address]: <b>344002, Rostov-On-Don, Bolshaya Sadovaya St., 49</b>		

Indicator	Codes	For the reporting period	For the same period of the previous year
1	2	3	4
<b>Cash flows from current operations</b>			
<b>Revenues — total</b>	<b>4110</b>	<b>27,543,127</b>	<b>22,218,370</b>
including: from sales of products, goods, works, and services	4111	23,723,424	19,439,143
including from sales of products, goods, works, and services to parent, subsidiary, and dependent companies	411101	314,608	348,346
rental payments, license payments, royalties, commissions and other analogous payments	4112	44,476	61,365
including from rental payments, license payments, royalties, commissions, and other analogous payments from parent, subsidiary, and dependent companies	411201	6,945	8,143
from re-selling financial investments	4113	—	—
including from re-selling financial investments to parent, subsidiary, and dependent companies	411301	—	—
other revenues	4119	3,775,227	2,717,862
including other revenues from parent, subsidiary, and dependent companies	411901	—	—
<b>Payments — total</b>	<b>4120</b>	<b>(25,039,586)</b>	<b>(22,463,505)</b>
including: to suppliers (contractors) for raw materials, works, and services	4121	(13,719,961)	(11,682,173)
including to suppliers (contractors) for raw materials, works, and services of parent, subsidiary, and dependent companies	412101	(459,360)	(203,869)
due to paying salary to employees	4122	(3,577,019)	(3,829,227)
interest on debt liabilities	4123	(1,717,772)	(1,729,809)
including interest on debt liabilities to parent, subsidiary, and dependent companies	412301	—	—
profit tax of companies	4124	(81,110)	(137,157)
other payments	4129	(5,943,724)	(5,085,139)
including other payments to parent, subsidiary, and dependent companies	412901	—	(106)
<b>Net cash accruals from from current operations</b>	<b>4100</b>	<b>2,503,541</b>	<b>(245,135)</b>
<b>Investment activity cash flow</b>			
<b>Revenues — total</b>	<b>4210</b>	<b>8,695</b>	<b>660</b>
including: from the sale of fixed assets (excluding financial investments)	4211	7,907	228
including from the sale of fixed assets (excluding financial investments) to parent, subsidiary, and dependent companies	421101	—	—
from the sale of shares in other companies (participation stake)	4212	—	—
including from the sale of shares in other companies (participation stake) to parent, subsidiary, and dependent companies	421201	—	—
from returns on loans provided, from the sale of debt securities (the rights to demand money means from other parties)	4213	—	—
including returns on loans provided, from the sale of debt securities (the rights to demand money means from other parties) of parent, subsidiary, and dependent companies	421301	—	—
dividends, interest on debt financial investments and analogous incomes from participation in other companies	4214	788	232
including dividends, interest on debt financial investments and analogous incomes from participation in other companies from parent, subsidiary and dependent companies	421401	—	—
other revenues	4219	—	200
including other incomes from parent, subsidiary, and dependent companies	421901	—	—

Indicator	Codes	For the reporting period	For the same period of the previous year
1	2	3	4
<b>Payments — total</b>	<b>4220</b>	<b>(4,038,590)</b>	<b>(1,748,154)</b>
due to acquisition, creation, modernization, reconstruction, and preparation for use of non-current assets	4221	(4,019,517)	(1,744,908)
including payments to parent, subsidiary, and dependent companies due to acquisition, creation, modernization, reconstruction, and preparation for use of non-current assets	422101	—	—
due to acquisition of shares in other organizations (participation stake)	4222	(2,500)	—
including payments to parent, subsidiary, and dependent companies due to acquisition of shares in other companies (participation stake)	422201	(2,500)	—
due to acquiring debt securities (the rights to demand cash from other parties), providing loans to other parties	4223	—	—
including payments to parent, subsidiary, and dependent companies due to acquisition of debt securities (the rights to demand cash from other parties), providing loans to other parties	422301	—	—
interest on debt loans included in the value of the investment asset	4224	(16,573)	(3,246)
including interest on debt loans included in the value of the investment asset paid to parent, subsidiary, and dependent companies	422401	—	—
other payments	4229	—	—
including payments to stake in parent, subsidiary and dependent companies	422901	—	—
<b>Net cash accruals from investment activity</b>	<b>4200</b>	<b>(4,029,895)</b>	<b>(1,747,494)</b>
<b>Cash flows from financial operations</b>			
<b>Revenues — total</b>	<b>4310</b>	<b>14,362,010</b>	<b>9,200,004</b>
including: receiving credits and loans	4311	13,694,527	9,200,000
including obtaining loans from parent, subsidiary, and dependent companies	431101	—	—
cash contributions of owners (stakeholders)	4312	—	—
including cash contributions of owners (stakeholders) of the parent, subsidiary and dependent companies	431201	—	—
from issuing shares, an increase in stakes	4313	—	—
including from issue of shares, increasing the stake in parent, subsidiary and dependent companies	431301	—	—
from issuance of bonds, bills and other debt securities, etc.	4314	666,983	—
including from issuance of bonds, bills and other debt securities, etc. of parent, subsidiary, and dependent companies	431401	—	—
other revenues	4319	500	4
including other revenue from parent, subsidiary, and dependent companies	431901	—	—
<b>Payments — total</b>	<b>4320</b>	<b>(11,769,620)</b>	<b>(8,268,902)</b>
to owners (shareholders) in connection with the redemption of their shares (interest) in the company or their exit from the company shareholders	4321	—	—
including to owners (shareholders) in connection with the redemption of their shares (interest) in the company or their exit from parent, subsidiary, and dependent companies	432101	—	—
for payment of dividends and other payments on the distribution of profits to owners (shareholders)	4322	(8)	(2)
including for payment of dividends and other payments on the distribution of profits to owners (shareholders) of mother, subsidiary, and dependent companies	432201	—	—
in connection with the redemption of promissory notes and other debt securities, returning credit and repayment of loans	4323	(11,714,794)	(8,220,000)
including in connection with the redemption of promissory notes and other debt securities, returning credit and repayment of loans to parent, subsidiary, and dependent companies	432301	—	—
other payments	4329	(54,818)	(48,900)
including other payments to parent, subsidiary, and dependent companies	432901	—	—
<b>Balance of cash flows from financial transactions</b>	<b>4300</b>	<b>2,592,390</b>	<b>931,102</b>
<b>Balance of cash flows for the period</b>	<b>4400</b>	<b>1,066,036</b>	<b>(1,061,527)</b>
<b>Money means balance and cash equivalent at the beginning of the reporting period</b>	<b>4450</b>	<b>338,132</b>	<b>1,399,659</b>
<b>Money means balance and cash equivalent at the end of the reporting period</b>	<b>4500</b>	<b>1,404,168</b>	<b>338,132</b>
Amount of foreign currency translation change influence in relation to ruble	4490		



## AUDITOR'S REPORT

### ON THE FINANCIAL (ACCOUNTING) REPORTING OF THE OPEN JOINT-STOCK COMPANY INTERREGIONAL DISTRIBUTION GRID COMPANY OF THE SOUTH FOR 2011

TO SHAREHOLDERS

#### Information about the audited entity

**Full name:** Open Joint-Stock Company IDGC of the South  
(IDGC of the South, JSC)

**State registration number:** 1076164009096

**Location:** 344002, 49, Ul. Bolshaya Sadovaya, Rostov-on-Don, Russian Federation

#### Information about the auditor

**Full name:** Limited liability company FinExpertiza (FinExpertiza, LLC)

**State registration number:** 1027739127734

**Location:** 129110, 69/1, Ul. Mira, Moscow, Russian Federation

**Name of the self-regulating organization of auditors:** Non-commercial partnership "Audit Chamber of Russia" (Number record №4209 dated December 28, 2009)

**Number in the record of auditors and auditing organizations in the self-regulating organization of auditors:** 10201028038

We carried out an audit of the attached accounting (financial) statement of IDGC of the South, JSC, made up of:

- the accounting balance as of December 31, 2011
- the profit and loss statement for 2011;
- the statement of changes in equity for 2011;
- the cash flow statement for 2011;
- other appendices to the balance sheet and the profit and loss statement;
- and an explanatory note.

## Responsibility of the audited entity for its accounting statements

The management of IDGC of the South, JSC carries responsibility for the compilation and integrity of the given financial accounting statements in accordance with Russian laws for compiling financial accounting statements and for the system of internal control necessary for compiling financial accounting statements which don't contain material misstatements as a result of fraud or mistakes.

## Responsibility of the auditor

We are responsible for providing our opinion concerning the truthfulness of the company's financial statement on the basis of the auditing activities carried out. We conducted our audit in accordance with federal auditing standards. These standards call for complying to accepted ethical norms, as well as planning and holding audits in such a way so as to be as confident as possible that the financial accounting does not contain any material misstatements.

Our audit included conducting auditing procedures aimed at getting auditor's proof confirming the financial indicators in the accounting statements, and opening information within it. We choose the auditing procedures to make. This choice is based on estimating the risk of material misstatements made as a result of fraud or mistakes.

When estimating the given risk, we reviewed the system of internal control which ensures the compilation and integrity of the accounting statement, with the aim of choosing the according auditing procedures, but without the aim of making an opinion about the effectiveness of the system of internal control.

The audit also included an appraisal of the appropriateness of the accounting policies used and the justification of the estimated figures received by the management team of IDGC of the South, JSC, and an appraisal of the representation of the accounting statement as a whole.

We believe that the evidence received as part of the audit provides reasonable grounds for expressing our opinion about the reliability of the accounting statement.

## Conclusion

In our opinion the accounting (financial) statement of IDGC of the South, JSC reliably reflects the company's financial state in all material respects as of December 31, 2011, the results of the company's business and financial performance, and its cash flows for 2011 in accordance with Russian rules of compiling accounting statements.

**General Director**  
**FinExpertiza, LLC**  
**Auditor's qualification certificate № 01-000543**  
**Principal Number of Registration Entry**  
**in the Registry of Auditors: № 20001037555**

March 1, 2012



N. A. Kozlova

# Appendix 5

## OPINION OF THE AUDITING COMMITTEE

### On the results of the audit of the financial-economic activity of Interregional Distribution Grid Company of the South, Open Joint-Stock Company for 2011

---

April 5, 2012

Moscow

#### INFORMATION ABOUT THE COMPANY

---

Full name	<b>Interregional Distribution Grid Company of the South, Open Joint-Stock Company</b>
Legal address	49, Ul. Bolshaya Sadovaya, Rostov-on-Don
Mailing address	350015, 327, Ul. Severnaya, Krasnodar
Contact information	Department for Work with Securities and Shareholders. Department head: Elena Nikolaevna Pavlova. Telephone/Fax: (861) 279-85-38
State registration (OGRN, date)	1076164009096
INN	INN/KPP: 6164266561/615250001
Branches and subdivisions with separate balances	Astrakhanenergo, Volgogradenergo, Kalmenergo, Kubanenergo, Rostovenergo
Executive Body <i>(Name, position, date of commencement of all in the reporting period and events after the reporting date)</i>	General Director — Sergey Alexandrovich Arkhipov (minutes of the Board of Directors dated 08.07.2010 № 50/2010)
Head accountant <i>(Name, position, date of commencement of all in the reporting period and events after the reporting date)</i>	Grigory Grigoryevich Savin, head accountant (decree of IDGC of the South, JSC dated 02.07.2007 № 2-п)

#### INFORMATION ABOUT THE COMPILATION OF THE AUDITING COMMITTEE

---

<b>Chairwoman of the Auditing Committee</b>	Aligadzhievna Alimuradova Izumrud
<b>Secretary of the Auditing Committee</b>	Lyudmila Dmitryevna Kormushkina
<b>Members of the Auditing Committee</b>	Vladimir Nikolayevich Arkhipov Igor Yuryevich Bogachov Irina Alexandrovna Filippova

## INFORMATION ABOUT THE AUDITOR

Full name of the organization	<b>FinExpertiza Limited Liability Company</b>
Legal address (location)	129110, Moscow, Prospect Mira, 69
Mailing address	129110, Moscow, Prospect Mira, 69
State registration (OGRN, date)	№ 1027739127734
Membership in a self-regulating organization, date of entrance, name of SRO	Non-Commercial Partnership Auditor Chamber of Russia, № 10201028038
Minutes of the annual shareholders' meeting <i>(confirming the auditor, confirming the accounting (financial) reporting)</i>	Minutes dated 17.06.2011 № 5
Auditor's opinion	Unmodified
Persons signing the auditor's report <i>(Name, auditor's attestation, membership in a self-regulating organization)</i>	General Director of FinExpertiza LLC N. A. Kozlova (qualified attestation № 01-000543, Principal Number of Registration Entry in the Register of Auditors № 20001037555)

## I. ANALYTICAL SECTION

The audit was done in accordance with:  
Federal Law "On shareholders companies";  
The Company Charter;  
Resolution on the Auditing Committee;  
Resolution of the General Shareholders' Meeting on electing the Auditing Committee (minutes dated 17.06.2011 № 5);  
Resolution of the Auditing Committee of the Company on conducting an audit of the Company's financial-economic activity for 2011 (Minutes dated 01.03.2012 № 3);  
Other normative documents and resolutions of authorized bodies of the Company.

**Goal of the audit:** to confirm the reliability of the data in the accounting (financial) reporting and the annual report of IDGC of the South, JSC for 2011, hereinafter "Reporting". Reliability is understood in all significant relations to be the level of accuracy of data in the Reporting, which makes it possible for users of this reporting to make correct conclusions on the results of the Company's business activity, its financial and property status, and to take decisions based on these conclusions.

**Object:** financial (accounting) reporting, annual report, compliance of the financial-economic activity of the Company to the acting legislation and internal local normative acts.

This Opinion is an official document open for publication, and is meant for shareholders, investors, and other interested parties.

**We conducted the audit in accordance with:**

- Federal law dated 21.11.1996 № 129-ФЗ "On accounting";
- Decree of the Ministry of Finance of the Russian Federation dated 29.07.1998 № 34H "On approving the Regulations for conducting accounting in the Russian Federation";
- Provisions (standards) of financial accounting;
- Decree of the Ministry of Finance of the Russian Federation dated 02.07.2010 № 66H "On forms of accounting reporting of organizations";
- Other legislation and internal normative acts.

Responsibility for complying to the legislation of the Russian Federation when conducting financial-economic operations is held by the executive body of the Company.

We planned and conducted the audit in such a way so as to have reasonable confidence that the annual report and financial (accounting) reporting for 2011 doesn't contain significant distortions.

The audit was conducted on a sample basis and included a study on the basis of testing proof confirming the value and disclosure in the Reporting of information about the Company's financial-economic activity, an estimate of the principles and methods of accounting, the rules for preparing the Reporting, and determination of significant appraisal values.

When performing the Audit we examined the Company's compliance to the legislation of the Russian Federation. We examined the compliance of a series of financial-economic operations conducted by the Company to the legislation solely so as to receive reasonable and sufficient confidence that the Reporting does not contain significant distortions.

When making our Audit we determined the level of significance (the level of the composite threshold error). By significance we understand the quality of information disclosed in the annual reporting and the annual report that influences the decision-taking of the users of this Reporting. The level of composite threshold error is for us the criteria for confirming the reliability of the Company Reporting.

We determined the level of significance to be RUR 925 mln.

#### Audited period:

We made an Audit of Reporting, attached to this Opinion, for the period:

1) reporting:

from 01.01.2011 to 31.12.2011 as concerns the Company's financial-economic activity in 2011;

2) events after the report date:

from 01.01.2012 to 01.03.2012.

This Opinion is dated by us with the date of the last day of the Audit check.

The Reporting is compiled in accordance with the legislation and normative acts of the Russian Federation (Russian Accounting Standards) and the internal normative local acts of the Company.

#### Composition of the Company Reporting approved by the Auditing Committee:

№	№ form	Name of the reporting form	Date approved by management	Number of pages in the document
1	№ 1	Balance Sheet (consolidated for all isolated subdivisions of the Company)	01.03.2012	2
2	№ 2	Profit and Loss Statement (consolidated for all isolated subdivisions of the Company)	01.03.2012	1
3	№ 3	Statement of Changes in Equity	01.03.2012	2
4	№ 4	Cash Flow Statement	01.03.2012	2
5	—	Other appendices (explanatory notes) to the Balance Sheet and Profit and Loss Statement	01.03.2012	In the composition
6	—	Explanatory note (consolidated for all isolated subdivisions of the Company)	01.03.2012	102
7	—	Auditor's Report on the financial (accounting) reporting of IDGC of the South, JSC for 2011	01.03.2012	3
8	—	Annual report (consolidated for all isolated subdivisions of the Company with information on subsidiary and dependent companies)	—	197

We believe that the Audit conducted provides sufficient grounds for expressing our opinion on the reliability of the Company Reporting.

## II. CONCLUSION

In our opinion, the Company Report for 2011 accurately reflects, in all significant aspects, the financial position and the results of financial-economic activity of the IDGC of the South as of 31.12.2011, and the results of its financial-economic activity and cash flows for 2011 in accordance with the requirements of the legislation of the Russian Federation as concerns preparing financial reporting and internal local acts as concerns compiling the annual report of the Company.

#### Individual opinion

The members of the Auditing Committee do not have an individual opinion differing from that expressed in the conclusion of this Opinion.

Approved by the Minutes of the Auditing Committee dated 05.04.2012 № 4.

Chairwoman of the Auditing Committee

I. A. Alimuradova

# Appendix 6

## REPORT ON COMPLIANCE BY IDGC OF THE SOUTH, JSC TO THE CORPORATE GOVERNANCE CODE FOR 2011

(prepared in accordance with the Order of the Federal Commission for Securities Market № 03-849/p dated 30.04.2003 "On methodological recommendations for the contents and form of presentation of information on complying to the Corporate Governance Code in annual reports of joint-stock companies")

№	Provision of the Corporate Conduct Code	Compliant or Not compliant	Notes
1	2	3	4
<b>General Shareholders' Meeting</b>			
1	Notification of shareholders on carrying out of the general shareholders' meeting at least 30 days prior to the meeting date irrespective of the items included in its agenda, unless a greater term is stipulated by the legislation	Compliant	Provided for in item 11.5 of Article 11 of the Charter
2	Shareholders' opportunity to examine the list of the persons authorized to participate in the general meeting of shareholders starting from the day of notification on the general meeting of shareholders through to closing the internal general meeting of shareholders, and in case of the in-absentia general meeting of shareholders till the date of termination of accepting voting bulletins	Compliant	Provided for by subitem 3, item 6.2 of the Charter. The process of familiarization takes place in accordance with item 4 of Article 51 of the Federal Law dd. 26 December, 1995 № 208-ФЗ "On Joint-Stock Companies"
3	Shareholders' opportunity to examine the information (data) which is subject to submission during preparation of the general meeting of shareholders, via electronic communication, including the Internet	Compliant	Provided for in item 4.1 of the Regulations for the Procedure of Preparation and Carrying out of the General Shareholders Meeting, item 1 of Chapter IV, Corporate Governance Code
4	Shareholder's opportunity to submit an item to the agenda of the general meeting of shareholders or to demand a general meeting of shareholders without giving an extract from the register of shareholders if their rights to shares are registered in the shareholders registry and in case their rights to shares are registered on the account of deposit, — the sufficiency of an extract from the account of deposit for execution of the abovementioned rights	Partially compliant	Done in practice. The Charter and internal documents don't provide the shareholder the opportunity to not give an extract from the register of shareholders if their rights to shares are registered in the shareholders registry and in case their rights to shares are registered on the account of deposit. Shareholders' rights to submit an item to the agenda of the general meeting of shareholders are provided for by subitem 2 of item 6.2 of Article 6, item 13.1 of Article 13, calling the General Shareholders Meeting — item 14.3 of Article 14 of the Charter
5	Provision in the Charter or internal documents of the joint-stock company of a requirement of obligatory presence of the General Director, members of the Management Board, members of the Board of Directors, members of the Auditing Committee and the auditor of the joint-stock company at the general meeting of shareholders	Partially compliant	The Code of Corporate Governance contains provisions about the Company's efforts to ensure the presence of the members of the bodies of management and control at the General Shareholders' Meeting, as well as the Company auditor. Subitem 4 of item 4.5. of Article 4 of the Provision on the Auditing Committee of IDGC of the South, JSC ensures the responsibility of members of the Auditing Committee to inform the General Shareholders' Meeting of IDGC of the South, JSC about the results of audits of the Company's financial-economic activity. The Company sends invitations to members of the Board of Directors and the auditor to take part in the General Shareholders' Meeting. Furthermore, in the future the Company plans to include the question of including the according additions in the Regulations on preparation for and carrying out the General Shareholders' Meeting of IDGC of the South, JSC

№	Provision of the Corporate Conduct Code	Compliant or Not compliant	Notes
1	2	3	4
6	Candidates' obligatory presence during a consideration of items on election of members of the Board of Directors, the General Director, members of the Management Board, members of the Auditing Committee, as well as the item on approval of the auditor of the joint-stock company at the general meeting of shareholders	Partially compliant	Russian Legislation does not require obligatory presence of the given candidates at the general shareholders' meeting. Such requirements are not stipulated by the Charter and internal documents. The Company aspires to ensure the presence at the GSM of candidates for the Company Board of Directors and the Company auditor. The Company sends invitations to members of the Board of Directors and to the auditor to participate in the general meeting of shareholders
7	Registration procedure of participants of the general meeting of shareholders in internal documents of the joint-stock company	Compliant	Item 5.1 of the Regulations for the Procedure of Preparation and Carrying out the General Shareholders Meeting of IDGC of the South, JSC
<b>Board of Directors</b>			
8	Provision in the Charter of the joint-stock company for the Board of Directors' authority for annual approval of the financial and economic plan of the joint-stock company	Compliant	According to subitem 19 of item 15.1 in Article 15 of the Charter the competency of the Board of Directors includes approving the business plan (corrected business plan), including the investment program and quarterly report on the results of their fulfillment, as well as approval (correction) of control figures for cash flows in the Company
9	Procedure of risk management approved by the Board of Directors in the joint-stock company	Compliant	The following internal documents are valid in the company: 1. Provisions on procedures of internal control (as concerns financial activity) approved by decision of the Board of Directors (Minutes dated 11.02.2009 №22/2009); 2. Policy of risk management of IDGC of the South, JSC, approved by decision of the Board of Directors (Minutes dated 11.06.2010 №47/2010); 3. Policy for internal control of IDGC of the South, JSC, approved by decision of the Board of Directors (Minutes dated 11.06.2010 №47/2010); 4. Regulation on the control environment and the risks of business processes "Metering and implementation services for power transmission", "Management of purchases", "Implementation of technological connection services", "Operating Activities" approved by decision of the Board of Directors (Minutes dated 08.06.2011 №66/2011)
10	Provision in the Charter of the joint-stock company of the right of the Board of Directors to make a decision on termination of the General Director's powers appointed by the general meeting of shareholders	Compliant	According to subitem 12 of item 15.1 of Article 15 of the Charter, the competency of the Board of Directors includes powers for choosing a General Director of the Company and terminating his powers, including taking the decision to cancel the work contract with him before scheduled
11	Provision in the Charter of the joint-stock company of the right of the Board of Directors to establish requirements to professional skills and rate of remuneration of the General Director, members of the Management Board, heads of the main structural divisions of the joint-stock company	Compliant	In conformity with items 21.6, 21.7 of Article 21 of the Company Charter, the terms of labor contracts with the general director, members of the Management Board are determined by the Company Board of Directors or the person authorized by the Company Board of Directors to sign labor contracts. According to the conditions of the labor contract signed with the General Director, material remuneration of the General Director is done in accordance with the Regulations for Material Stimulation of the General Director of IDGC of the South approved by the Board of Directors (minutes dated 16.06.2011 №67/2011). The members of the Management Board of IDGC of the South, JSC are top managers whose remuneration is conducted in accordance with the Regulations for Material Stimulation of the top managers of IDGC of the South, JSC approved by resolution of the Board of Directors (minutes dated 16.06.2011 №67/2011)

<b>№</b>	<b>Provision of the Corporate Conduct Code</b>	<b>Compliant or Not compliant</b>	<b>Notes</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
12	Provision in the Charter of the joint-stock company of the right of the Board of Directors to approve terms of contracts with the General Director and members of the Management Board	Compliant	In conformity with items 21.6, 21.7 of Article 21 of the Company Charter, the terms of labor contracts with the general director, members of the Management Board are determined by the Company Board of Directors or the person authorized by the Company Board of Directors to sign labor contracts
13	Provision in the Charter or internal documents of the joint-stock company of the requirements concerning the fact that votes of members of the Board of Directors who are either the General Director or members of Management Board, are not taken into account of votes during approval of contract terms with the General Director (a managing organization, a managing director) and members of the Management Board	Not compliant	Not provided for by the Charter and internal documents, factually the requirement is complied with
14	Presence in the Board of Directors of the joint-stock company of at least 3 independent directors who suit the requirements of the Corporate Governance Code	Compliant	The structure of the Board of Directors has at least three independent directors
15	Absence in the structure of the Board of Directors of the joint-stock company of persons who were accused of crimes in the area of economic activities or crimes against the government, interests of public service and service in institutions of local government or who experienced administrative punishments for a violation of law in the area of the enterprise activity or in the area of finance, tax and tax collections and the securities market	Compliant	There are no such persons in the Board of Directors of the Company
16	Absence in structure of the Board of Directors of the joint-stock company of persons, being participants, the General Director (managing director), member of a managing body or employee of a legal entity competing with the joint-stock company	Compliant	There are no such persons in the Board of Directors of the Company
17	Requirement in the Charter of the joint-stock company on election of the Board of Directors through cumulative voting	Compliant	Provided for by item 10.8 of Article 10, item 16.2 of Article 16 of the Company Charter
18	Provision in internal documents of the joint-stock company of an obligation of members of the Board of Directors to withdraw from actions leading or potentially leading to a conflict between their interests and the interests of the joint-stock company; obligation of disclosing the information on this conflict to the Board of Directors in case of its occurrence	Compliant	Provided for in Chapter V item 1 of the Corporate Governance Code, item 4.1. Regulations for Insider Information, Appendix № 5 to the Regulations for Insider Information "Rules for insider transactions in securities of the Company" as concerns abstinence from making transactions in shares of the Company
19	Provision in internal documents of the joint-stock company of the Board of Directors members' duty to notify the Board of Directors in writing on their intention to make transactions with securities of the joint-stock company, if they are members of the Board of Directors of this joint-stock company or its subsidiaries (dependent) companies, as well as disclose the information on the transactions with such securities made by them	Compliant	Provided for in item 4.1 of the Regulations for Insider Information, Appendix № 5 to the Regulations for Insider Information, "Rules for insider transactions in securities of the Company", and Chapter V, item 1 of the Corporate Governance Code
20	Provision in the internal documents of the joint-stock company of the requirement to hold meetings of the Board of Directors at least as often as once every six weeks	Compliant	Chapter V item 1 of the Corporate Governance Code, item 18.2 of Article 18 of the Charter. Factually in the reporting year these meetings were held no less than twice per six weeks (20 meetings)
21	Meetings of the Board of Directors of the joint-stock company during the year which is the subject of the annual report of the joint-stock company are carried out at least as often as once every six weeks	Compliant	In the reporting year meetings of the Board of Directors were held no less than twice per six weeks (20 meetings)
22	Provision in the internal documents of the joint-stock company of the procedure of holding the meetings of the Board of Directors	Compliant	Provided for by Article 18 of the Charter, Provisions for calling and conducting meetings of the Board of Directors of IDGC of the South, JSC
23	Provision in internal documents of the joint-stock company of regulations on necessity of approval by the joint-stock company's Board of Directors of transactions for the amount of 10 and more percent of the cost of the Company assets, except for the transactions made as a part of the company's every day economic activity	Partially compliant	Provided for in subitem 38 of item 15.1 of Article 15 of the Charter, while the internal documents don't have such provisions
24	Provision in internal documents of the joint-stock company of the right of members of the Board of Directors to receive from executive bodies and heads of the main structural divisions of the joint-stock company the information required to perform their functions, as well as responsibility for failure to provide such information	Compliant	Provided for in the Provisions for calling and conducting meetings of the Board of Directors of IDGC of the South, JSC (item 3.1–3.3, item 4.4–4.6)

<b>№</b>	<b>Provision of the Corporate Conduct Code</b>	<b>Compliant or Not compliant</b>	<b>Notes</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
25	Presence in the Board of Directors of a Committee for Strategic Planning or transferring the functions of the given committee to a different committee (besides the Auditing Committee and the Committee for Staff and Remuneration)	Compliant	The Company has established a Committee for Strategy, Development, Investments and Reform of the Board of Directors of IDGC of the South, JSC
26	Provision of the Committee under the Board of Directors (the Auditing Committee) which recommends the auditor to the Board of Directors of the joint-stock company and cooperates with the auditor and the Auditing Committee of the joint-stock company	Compliant	The Company has an Auditing Committee of the Board of Directors of IDGC of the South, JSC, whose competency is given in item 3 of the Provisions of the Auditing Committee of IDGC of the South, JSC
27	Presence of only independent and non-executive directors in the Auditing Committee	Compliant	The Auditing Committee has both independent and non-executive directors
28	The Auditing Committee is managed by an independent director	Compliant	The Auditing Committee was managed by independent directors in the reporting period, which satisfies the independency requirements of the Corporate Governance Code
29	Provision in internal documents of the joint-stock company of access right for all members of the Auditing Committee to any document and information of the joint-stock company under the condition of nondisclosure of confidential information	Compliant	Items 4–5 of the Provisions for the Auditing Committee of the Board of Directors of IDGC of the South, JSC
30	Establishment of a Committee under the Board of Directors (the Personnel and Remuneration Committee), whose function is to define criteria of candidates to the positions of members of the Board of Directors and develop the joint-stock company's policy in the area of remuneration	Compliant	A Personnel and Remuneration Committee of the Board of Directors of IDGC of the South, JSC has been established
31	The Personnel and Remuneration Committee is managed by an independent director	Not compliant	The Personnel and Remuneration Committee was not managed by independent directors
32	Absence of officials of the joint-stock company in the structure of the Personnel and Remuneration Committee	Compliant	There are no Company officials in the Personnel and Remuneration Committee
33	Establishment of the Risks Committee under the Board of Directors or assigning such functions to another committee (except for the Auditing Committee and the Personnel and Remuneration Committee)	Not compliant	Such a Committee of the Board of Directors has not yet been established
34	Establishment of a Corporate Conflicts Settlement Committee under the Board of Directors or assigning such functions to another committee (except for the Committee for Audit and the Personnel and Remuneration Committee)	Not compliant	Such a Committee of the Board of Directors has not yet been established
35	Absence of the joint-stock company officials in the structure of the Corporate Conflicts Settlement Committee	Not compliant	The Corporate Conflicts Settlement Committee of the Board of Directors has not yet been established
36	The Corporate Conflicts Settlement Committee is managed by an independent director	Not compliant	The Corporate Conflicts Settlement Committee of the Board of Directors has not yet been established

№	Provision of the Corporate Conduct Code	Compliant or Not compliant	Notes
1	2	3	4
37	Provision in internal documents of the joint-stock company of the process of establishment and operation of the Board of Directors committees approved by Board of Directors	Compliant	<p>Article 19 of the Charter stipulates that the Committees are established under the decision of the Board of Directors; their procedure of formation and work is fixed in separate decisions of the Board of Directors. In addition, these provisions are contained in the provisions of the committees of the Board of Directors:</p> <ul style="list-style-type: none"> <li>• Regulations on the Committee for technological connection to electric networks of the Board of Directors of IDGC of the South, JSC (adopted by decision of the Board of Directors, minutes dated 11.02.2009 №22/2009);</li> <li>• Regulations on the Auditing Committee of the Board of Directors of IDGC of the South, JSC, in its new edition (adopted by decision of the Board of Directors, minutes dated 06.08.2010 №52/2010);</li> <li>• Regulations on the Personnel and Remuneration Committee of the Board of Directors of IDGC of the South, JSC, in its new edition (adopted by decision of the Board of Directors, minutes dated 08.04.2011 №61/2011);</li> <li>• Regulations on the Committee for Strategy, Development, Investments and Reform of the Board of Directors of IDGC of the South, JSC (adopted by decision of the Board of Directors, minutes dated 04.12.2009 №37/2009);</li> <li>• Regulations on the Reliability Committee of the Board of Directors of IDGC of the South, JSC (adopted by decision of the Board of Directors, minutes dated 04.12.2009 №37/2009)</li> </ul>
38	Provision in the Charter of the joint-stock company of the process of definition of quorum of the Board of Directors allowing to provide for the obligatory participation of independent directors in the meetings of Board of Directors	Not compliant	No requirements of the process of defining quorum of the Board of Directors allowing to provide for the obligatory participation of independent directors in the meetings of the Board of Directors are included in the Company Charter. Item 18.12 of Article 18 of the Company Charter determines that quorum for holding meetings of the Board of Directors is made up of no less than half of the number of elected members of the Company's Board of Directors
<b>Executive bodies</b>			
39	Provision of the collegial executive body (Management Board) of the joint-stock company	Compliant	This norm is stipulated in Articles 21, 22 of the Charter of the Company
40	Provision in the Charter or internal documents of the joint-stock company of the regulations on necessity of approval by the Management Board for transactions with the real estate, joint-stock company's obtaining credits if the specified transactions are not referred to large transactions an their fulfillment is not referred to ordinary economic activities of the joint-stock company	Compliant	This norm is stipulated in subitem 7 of item 22.2 of Article 22 of the Charter of the Company
41	Provision in the internal documents of the joint-stock company of the procedure of coordination of operations beyond the financial and economic plan of the joint-stock company	Partially compliant	This norm is stipulated in subitem 2 of item 22.2 of Article 22 of the Charter, while the internal documents don't have such provisions
42	Absence in the structure of executive bodies of a person being either a participant, general director (managing director), member of managing body or employee of a legal entity competing with the joint-stock company	Compliant	There are no such persons in the executive bodies of the Company

№	Provision of the Corporate Conduct Code	Compliant or Not compliant	Notes
1	2	3	4
43	Absence of persons in the structure of executive bodies of the joint-stock company who were found guilty of fulfilling crimes in the sphere of economic activities or crimes against the government, interests of public service and service in institutions of local government, or who experienced administrative punishments for violations in the area of enterprise activity or in the area of finance, tax, tax collections, and the securities market. If functions of the sole executive body are carried out by a managing organization or a managing director, the General Director and members of the management board of the managing organization or managing director must meet the requirements to the General Director and members of the Management Board of the joint-stock company	Compliant	There are no such persons in the executive bodies of the Company
44	Provision in the Charter or internal documents of the joint-stock company of the prohibition for the managing organization (managing director) to carry out similar functions in a competing company, as well as to be in any other material relations with the joint-stock company besides rendering services to the managing organization (managing director)	Compliant	Provided for in Chapter V of the Corporate Governance Code
45	Provision in internal documents of the joint-stock company of executive bodies' duties to withdraw from actions leading or potentially leading to a conflict between their interests and the interests of the joint-stock company, and duties to inform the Board of Directors if such conflict occurs	Compliant	Article 3 of the Regulations for the Management Board stipulates declaring by members of the Management Board of affiliation (which can lead to the conflict of interests), item 4.1. of the Regulations for Insider Information, Appendix № 5 to the Regulations for Insider Information, "Rules for insider transactions in securities of the Company" call for abstinence from making transactions in shares of the Company. Furthermore, the given provisions are given in item 2, chapter V of the Corporate Governance Code
46	Provision in the Charter or internal documents of the joint-stock company of criteria for election of the managing organization (managing director)	Compliant	Provided for in item 2, Chapter V of the Corporate Governance Code
47	Presentation by the joint-stock company executive bodies of monthly performance reports to the Board of Directors	Partially compliant	The need for executive bodies to give reports about their work to the Board of Directors is provided for in subitem 34 of item 15.1, item 22.2 of the Charter. The General Director — Head of the Management Board provides quarterly reports about the Company's work, about implementation of the decisions of the Board of Directors, about complying to the Provisions on information policy, on the results of fulfilling the business plan, about fulfilling DPN control indicators, about credit policy, on fulfilling the investment program, on extraordinary purchasing, and others. Furthermore, with different periodicity (set by the Company's internal documents) reports on complying with the Corporate Governance Code and about fulfilling the yearly integrated purchasing program, etc.
48	Determining the responsibility for infringements of provisions on the use of confidential and service information stated in the contracts concluded by the joint-stock company with the General Director (managing organization, managing director) and members of the Managing Board	Compliant	The contracts have such terms

№	Provision of the Corporate Conduct Code	Compliant or Not compliant	Notes
1	2	3	4
<b>Company secretary</b>			
49	Presence in the joint-stock company of a special official (secretary of the Company) whose task is to maintain supervision by bodies and officials of the joint-stock company over procedural requirements guaranteeing execution of the rights and legitimate interests of shareholders of the Company	Partially compliant	Provided for by Article 20 of the Charter, Provisions on a corporate secretary of IDGC of the South, JSC
50	The process of appointment (election) of the secretary of the Company and duties of the secretary of the Company stipulated by the Charter or internal documents of the joint-stock company	Compliant	Provided for in Article 20 of the Charter and item 3.6 of the Provisions on a corporate secretary of IDGC of the South, JSC
51	Provision of the Requirements to the candidate of the Secretary of the Company in the Charter of the joint-stock company	Not compliant	There are no such requirements in the Company Charter
<b>Significant corporate actions</b>			
52	Requirement in the charter or internal documents of the joint-stock company to approve a large transaction before its fulfillment	Compliant	Subitem 17 of item 10.2 of Article 10, item 24 of item 15.1 of Article 15 of the Charter
53	Obligatory involvement of an independent appraiser for estimation of the market cost of the property which is a subject of a large transaction	Compliant	Fulfilled in practice in accordance with the requirements of the Federal Law "On shareholder companies"
54	Presence in the Charter of the joint-stock company of the interdiction for taking any action while acquiring (taking over) a large stake of shares of the joint-stock company (takeover) aimed to protect interests of executive bodies (members of these bodies) and members of the Board of Directors of the joint-stock company, as well as actions worsening shareholders' position in comparison with the existing position (in particular, the interdiction for taking actions by the Board of Directors before termination of prospective term of making the decision on the issue of additional shares, issue of securities convertible into shares, or securities enabling a person to purchase shares of the Company even if the right of such decision-making is provided to by the Charter)	Not compliant	The Company's Charter does not have such a provision. At the same time item 21.14 of Article 21 of the Charter stipulates that the general director and members of the Management Board should act in the interests of the Company when fulfilling their rights and executing their responsibilities, and should fulfill their rights and execute their responsibilities in relation to the Company conscientiously and reasonably
55	Requirement in the Charter of the joint-stock company on obligatory involvement of an independent appraiser to estimate the current market share price and possible changes in the share price as a result of a takeover	Partially compliant	The Company's Charter doesn't have such a requirement. Fulfilled in practice in accordance with the requirements of the Federal Law "On shareholder companies"
56	Absence in the Charter of the joint-stock company of a release of the purchaser's duty to propose shareholders to sell ordinary shares of the Company belonging to them (the issue securities convertible into ordinary shares) during a takeover	Compliant	The Company's Charter doesn't have such a requirement
57	Presence in the Charter or internal documents of the joint-stock company of the requirement on an obligatory involvement of an independent appraiser in order to define the share conversion ratio during reorganization	Partially compliant	No such requirement is present in the Company Charter and internal documents. Factually it is implemented by the Company in accordance with the Federal Law "On shareholders companies"
<b>Disclosure of information</b>			
58	Presence of the internal document approved by the Board of Directors which defines the rules and approaches of the joint-stock company to information disclosure (Regulations on information policy)	Compliant	The Company Board of Directors has approved the Regulations on information policy (minutes dated 03.09.2007 № 2/2007)
59	Presence in internal documents of the joint-stock company of the requirement on the information disclosure on the purpose of the shares issue, on persons intending to purchase the shares to be issued, including a large share holding, and on the fact whether or not the top officials of the joint-stock company will participate in the purchase of the Company's shares to be issued	Partially compliant	Disclosure of information is done in accordance with the acquirements of the acting legislation of the Russian Federation and the Regulations on information policy of the Company

<b>№</b>	<b>Provision of the Corporate Conduct Code</b>	<b>Compliant or Not compliant</b>	<b>Notes</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
60	Presence of the list of the information, documents and data in internal documents of the joint-stock company which should be given to shareholders for decision-making on the items submitted to the general meeting of shareholders	Compliant	Provided for in item 1 of Chapter IV of the Corporate Governance Code, item 4.1 of Regulations on the method of preparation and conduct of the General Shareholders' Meeting of IDGC of the South, JSC
61	Presence of the joint-stock company website in the Internet and regular disclosure of information on the joint-stock company on the Company website	Compliant	Provided for by the Regulations on information policy of IDGC of the South, JSC. The address of the Company's corporate web-site is: <a href="http://www.mrsk-yuga.ru">www.mrsk-yuga.ru</a>
62	Presence in internal documents of the joint-stock company of the requirement on the information disclosure on transactions of the joint-stock company made with the persons referred, according to the Charter, to the top officials of the joint-stock company, as well as on the transactions of the joint-stock company made with the organizations in which the top officials of the joint stock company directly or indirectly own 20 and more percent of the authorized capital of the joint-stock company or which can be essentially influenced by such persons	Compliant	Disclosing of information is done in accordance with the requirements of Russian legislation and item 5.2.10.2 of the Regulations on information policy
63	Presence in internal documents of the joint-stock company of the requirement to disclose the information on all transactions which can influence the market price of the joint-stock company's shares	Compliant	Information is disclosed in accordance with the requirements of Russian legislation and item 12.2 of the Regulations on information policy
64	Presence of an internal document approved by the Board of Directors on the use of the essential information on activity of the joint-stock company, shares and other securities of the company and transactions with them which is not available to everybody and the disclosure of which can essentially influence the market value of shares and other securities of the joint-stock company	Compliant	The Board of Directors of the Company resolved to approve the Provisions on insider information of IDGC of the South, JSC (minutes dated 29.12.2011 № 78/2011)
<b>Control over financial and economic activities</b>			
65	Presence of the procedures of the internal control over financial and economic activity of the joint-stock company approved by the Board of Directors	Compliant	Regulations on procedures of internal control, approved by decision of the Board of Director (minutes dated 11.02.2009 № 22/2009)
66	Presence of a special division of the joint-stock company providing for an execution of procedures of internal control (of the Control and Auditing Service)	Compliant	Department of internal audit and risk management
67	Requirement to define the structure and membership of the Control and Auditing Service of the joint-stock company by the Board of Directors stipulated in internal documents of the joint-stock company	Not compliant	This requirement is not fixed by internal documents of the Company
68	Absence in the structure of the Control and Inspection Service of persons who were found guilty in committing crimes in the sphere of economic activity or crimes against the government, interests of public service and service in institutions of local government, or who experienced administrative punishments for infringements in the area of enterprise activity or in the field of the finance, tax, tax collections, and the securities market	Compliant	There are no such persons in the Control and Inspection Service
69	Absence in the structure of the Control and Auditing Service of persons being a part of any executive body of the joint-stock company, and persons being participants, general director (managing director), members of managing bodies or employees of a legal entity competing with the joint-stock company	Compliant	There are no such persons in the Control and Inspection Service

<b>№</b>	<b>Provision of the Corporate Conduct Code</b>	<b>Compliant or Not compliant</b>	<b>Notes</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
70	Presence in internal documents of the joint-stock company of the term of presentation of documents and data to the Control and Auditing Service for estimation of the financial and economic operation held, and responsibility of officials and employees of the joint-stock company for their failure to present the documents and data in the specified term	Partially compliant	Item 6.1.2 of the Regulations on procedures of internal control
71	Presence in the internal documents of the joint-stock company of the Control and Inspection Service's duty to inform the Committee for Audit of the revealed infringements, and in case of the latter's absence, presence of the duty to inform the Board of Directors of the joint-stock company of such infringements	Compliant	Item 6.1.4 of the Regulations on procedures of internal control
72	Presence in the Charter of the joint-stock company of the requirement on preliminary estimation by the Control and Auditing Service of expediency of fulfillment of the operations not stipulated by the financial and economic plan of the joint-stock company (non-standard operations)	Not compliant	No such order in the Company Charter is called for
73	Presence of the internal document of the joint-stock company describing the method of agreeing on non-standard operations with the Board of Directors	Compliant	Authority for approving the business-plan and corrections to it are part of the competencies of the Board of Directors (subitem 19 of item 15.1 of Article 15 of the Charter). Furthermore, subitems 30, 38 of Article 15.1 of the Charter determines the list of transactions which must be first approved by the Board of Directors
74	Presence of an internal document approved by the board of directors which determines the method for holding checks of the company's financial and economic activity by the auditing committee	Compliant	This order is called for by the Regulations of the auditing committee, approved by resolution of the General Shareholders Committee of IDGC of the South, JSC (minutes of the Management Board of RAO UES of Russia, JSC dated 05.10.2007 № 1751np/4)
75	Execution by the Auditing Committee of an evaluation of the Auditor's Report before it is presented to shareholders at the general meeting of shareholders	Compliant	Called for by p. 3.2 of the Regulations of the Auditing Committee of the Board of Directors of IDGC of the South, JSC
<b>Dividends</b>			
76	Presence of an internal document approved by the Board of Directors and used by the Board of Directors as guidelines while approving recommendations on the amount of dividends (Regulations on Dividend Policy)	Compliant	The Board of Directors of the Company approved the Regulations on Dividend Policy of IDGC of the South, JSC (minutes dated 01.09.2010 № 53/2010)
77	Presence in the Regulation on Dividend Policy of the rules of a definition of the minimum net profit share of the joint-stock company dividends payment and conditions of non-payment or incomplete payment of dividends per preferred share, the amount of dividends per which is defined in the Charter of the joint-stock company	Not compliant	The Company didn't issue preferred shares
78	Publication of data on the dividend policy of the joint-stock company and changes to it in periodicals stipulated by the Charter of the joint-stock company for publication of Notes on general meetings of shareholders, and publication of the specified data on the joint-stock company's web-site in the Internet	Partially compliant	Information about the Company's dividend policy and the changes made to it is given on the Company's website in the Internet in accordance with the Regulations on Information Policy of the Company

# Appendix 7

## INFORMATION ABOUT THE PARTICIPATION OF IDGC OF THE SOUTH, JSC IN NON-CORE BUSINESS AREAS

### Participation of IDGC of the South, JSC in commercial organizations which are 100% subsidiary and dependent companies (SDC)

Name of the JSC, CJSC, or LLC and its location	Date of company registration	Core business	Income of the SDC (RUR thou.)	Financial result of the SDC (RUR thou.)
1. Astrakhanelectrosetremont, open joint-stock company 204, Kramatorskaya St, Astrakhan, Russian Federation	16.03.2004	Overhaul and current repair of equipment, transmission equipment, buildings and structures, re-equipment and reconstruction, and operation and maintenance of electricity networks	9,789	3,609
2. Volgogradsetremont, open joint-stock company 1A, Granovitaya St., Volgograd, Russian Federation	01.04.2004	Operation of electricity networks and capital and current repair of equipment, transmission equipment, buildings and structures, re-equipment and reconstruction	5,786	-1,245
3. Agricultural Enterprise in the name of A. Grechko, open joint-stock company 21, Teatralnaya St., Kuibyshevo District, Kuibyshevo Village, Rostov Region, Russian Federation	17.11.2003	Production, processing and sales of agricultural products made by the company	16,892	-33,945
4. Sokolovskoye Agricultural Enterprise, open joint-stock company 32, Kurskaya St, Sokolovo-Kondryuchensky Village, Novoshakhtinsk, Russian Federation	13.11.2003	Production, processing and sales of agricultural products made by the company	38,588	156
5. Energetik Recreation Camp, open joint-stock company 3, Shkolnaya St., Shepsi Village, Tuapse District, Krasnodar Territory, Russian Federation	10.11.2003	Medical and spa facilities for treatment and recovery (rest) of adults, parents with children (at least 5 years of age), and organized groups of school-age children. Provision of services for sightseeing and tourism, and cultural and recreational services	25,540	-19,818

## Participation of IDGC of the South, JSC in other commercial organizations

Name of the JSC, CJSC, or LLC and its location	Date of company registration	Core business area	Stake of the company's voting shares owned by IDGC of South, JSC
1. Volgogradenergosbyt, open joint-stock Company 14, Kozlovskaya St, Volgograd, 400001, Russian Federation	01.01.2005	Purchase and sales of electric energy	0.5610%
2. Federal Grid Company of the United Energy System, open joint-stock company 5A, Akademik Chelomeya St, Moscow, 117630, Russian Federation	20.08.2002	Transmission and distribution of electricity, services for connection to electricity grids	0.0008%
3. Rostov Football Club, open joint-stock company 31/6A, Sholokhov Prospect, Rostov-on-Don, 344000, Russian Federation	19.11.1997	Preparation and organization of football teams, conducting football matches	0.49%
4. ENERGOGARANT Insurance joint-stock company, open joint-stock company 23, Sadovnicheskaya Embarkment, Moscow, 115035, Russian Federation	14.08.2002	Insurance	0.022%
5. CHAGANSKOE closed joint-stock company 1 Lenina St, Chagan Village, Kazymyaksky District, Astrakhan Region	30.06.1999	Agricultural activities	2.8810%

## Participation of IDGC of the South, JSC in non-profit organizations

Name of the non-profit organization and its location	Date of entrance into the non-profit organization	Major activities of the non-profit organization
<b>Unions and associations of legal entities</b>		
1. Russian National Industrial Association of Electric Industry Employers C-109, 101/3, Vernadsky Avenue, Moscow, 119526, Russian Federation	17.11.2008	Representation and defense of electric industry employers' interests in their relations with trade unions and other representatives of employees' interests, and with state and local authorities
<b>Non-profit partnerships</b>		
2. Science and Engineering Council of the Uniform Energy System non-profit partnership 119/55, Mira Square, Moscow, 129344, Russian Federation	16.02.2009	Activities of professional organizations, scientific research and developments in natural and technical sciences
3. Rostov Study Centre of the Uniform Energy System non-profit partnership Bldg P, 13, Krasnokazarmennaya St, Moscow, 111250, Russian Federation	05.02.2009	Providing services for preparation, advanced education and qualification to personnel
4. Non-profit partnership Union of organizations performing construction, reconstruction and capital repairs of energy objects, grids, and sub-stations ENERGOSTROY 26, Str. 1, Ulansky Per., Moscow, 107996, Russian Federation	07.12.2009	The main goals of the establishment and functioning of the partnership are: Preventing harm to the lives and health of individuals, the property of individuals or legal entities, state or municipal property, the environment, the life or health of animals and plants, cultural heritage objects (including monuments of history and culture) and the peoples of the Russian Federation as a result of unsatisfactory work which has an influence on the safety of Objects of capital reconstruction, and which are fulfilled by the members of the Partnership.
5. Non-profit partnership Union of organizations performing preparation of project documentation of energy objects, grids, and substations ENERGOPROEKT 7A, building 6, Stroitelny Proezd, Moscow, 125362, Russian Federation	14.04.2010	Preventing harm to the life or health of individuals and to private property as a result of shortcomings in works on project documentation which have an effect on the safety of capital construction of buildings and which are fulfilled by members of the Partnership, as well as improving the quality of architectural-construction design
6. Non-profit partnership Union of Energy Auditors and Energy-Maintenance Companies 8, building 2, space XXXVI, Leningradskoe Shosse, Moscow 125171, Russian Federation	23.12.2010	The goal of the partnership is to provide assistance to the members of the Partnership at improving the quality of the works they fulfill in the energy audit field and when providing energy maintenance services
<b>Institutions</b>		
7. Energetik Study Centre private educational institution 147, Second Krasnodarskaya St, Rostov-on-Don, 344091, Russian Federation	31.03.2008	Education and advanced education of workers and specialists of IDGC of South, JSC and other enterprises and organizations, unoccupied and unemployed people
8. Astrakhan Study Centre private educational institution Territory of Astrakhan Thermal Power Generation Plant №2, Kulakovka Village, Privolzhsky District, Astrakhan Region, 416474, Russian Federation	31.03.2008	Education and secondary (advanced) education of workers and specialists of IDGC of South, JSC and other enterprises and organizations
<b>Funds</b>		
9. Private Pension Fund of Electric Industry Bldg 5, 16, Bersenevskaya Embankment, Moscow, 119072, Russian Federation	31.03.2008	Private pension support of the fund participants; obligatory pension insurance and professional pension insurance

# Appendix 8

## INFORMATION ON INTERESTED PARTY-TRANSACTIONS CONDUCTED BY IDGC OF THE SOUTH, JSC IN 2011

All interested-party transactions conducted by IDGC of the South, JSC in 2011 were done under market conditions.

№	Transaction type	Significant conditions of the transaction	Name of the management body which approved the transaction	Interested parties
1	2	3	4	5
1	Contract №2 dated 11.02.2011	<p><b>Contract parties:</b> Lessor — IDGC of the South, JSC, Tenant — Energoservice of the South, JSC.</p> <p><b>Contract subject:</b> The Lessor is required to give the Tenant commercial real estate building №36a, with a total area of 16.9 sq. m, located on the 4<sup>th</sup> floor of the administrative building at the address Rostov-On-Don, Ul. Bolshaya Sadovaya, 49 for temporary possession and use.</p> <p><b>Contract price:</b> The Tenant pays the Lessor monthly payment for the possession and use of the building. The rental payment amount is 10,985 (Ten thousand nine hundred eighty-five) rubles and 00 kopecks, including VAT of 18% — 1,675 (One thousand six hundred seventy-five) rubles and 68 kopecks</p>	Board of Directors of IDGC of the South, JSC (minutes dated 09.03.2010 №60/2011)	Company shareholder that owns more than 20% of the shares in IDGC of the South, JSC: Holding IDGC, JSC
2	Agreement № SDU-2/2010/49 dated 01.02.2011	<p><b>Parties of the Agreement:</b> IDGC of the South, JSC and SO UES, JSC</p> <p><b>Agreement subject:</b> Conducting centralized operating-dispatcher management as part of the United Energy System of Russia with the aim of ensuring the reliability of functioning of the UES of Russia</p>	Board of Directors of IDGC of the South, JSC (minutes dated 24.12.2010 №57/2010)	Company shareholder that owns more than 20% of the shares in IDGC of the South, JSC: Holding IDGC, JSC
3	Contract № 0037-2011 dated 28.02.2011	<p><b>Contract parties:</b> Lessor — IDGC of the South, JSC, Tenant — SO UES, JSC</p> <p><b>Contract subject:</b> The Lessor is required to give the Tenant, and the Tenant is required to accept for temporary use and possession of commercial real estate with an area of 9 sq. m, located at the address 358007, Republic of Kalmykia, Elista, Northern Industrial Zone, in the administrative building of the branch of IDGC of the South, JSC — Kalmenergo, 5<sup>th</sup> floor, for use in accordance with the Contract conditions.</p> <p><b>Contract price:</b> The rental payment amount for the use and possession of the "Object" per month is 3,142 (three thousand one hundred forty-two) rubles and 93 kopecks, including VAT of 18% — 479 (four hundred seventy-nine) rubles and 43 kopecks</p>	Board of Directors of IDGC of the South, JSC (minutes dated 24.12.2010 №57/2010)	Company shareholder that owns more than 20% of the shares in IDGC of the South, JSC: Holding IDGC, JSC

№	Transaction type	Significant conditions of the transaction	Name of the management body which approved the transaction	Interested parties
1	2	3	4	5
4	Contract №3470110063 dated 21.01.2011	<p><b>Contract parties:</b> Lessor — IDGC of the South, JSC; Tenant — SO UES, JSC.</p> <p><b>Contract subject:</b> The Lessor is required to give the Tenant moveable property for temporary use and possessions per the List of Moveable Property given for rental, and the Tenant to pay rental payment in an amount and under the conditions provided for in the Contract.</p> <p><b>Contract price:</b> The total sum of rental payment is 75,855 (Seventy-five thousand eight hundred fifty-five) rubles and 12 kopecks, including VAT of 18% — 11,571 (Eleven thousand five hundred seventy-one) rubles and 12 kopecks. Rental payment for the real estate used is 6,895 (Six thousand eight hundred ninety-five) rubles and 92 kopecks per month, including VAT 18% — 1,051 (One thousand and fifty-one) rubles and 92 kopecks</p>	Board of Directors of IDGC of the South, JSC (minutes dated 31.08.2010 №53/2010)	Company shareholder that owns more than 20% of the shares in IDGC of the South, JSC: Holding IDGC, JSC
5	Contract №100 dated 16.03.2011	<p><b>Contract parties:</b> Consumer — IDGC of the South, JSC; Guaranteed provider — Kubanenergosbyt, JSC.</p> <p><b>Contract subject:</b> The subject of the Contract is the sale by the Guaranteed Provider of electric power (capacity) and payment by the Consumer under conditions and in a quantity as determined by the Contract.</p> <p><b>Contract price:</b> Not more than 2% of the book value of assets of the Company</p>	Board of Directors of IDGC of the South, JSC (minutes dated 29.11.2010 №56/2010)	Company shareholder that owns more than 20% of the shares in IDGC of the South, JSC: Holding IDGC, JSC
6	Agreement №86 dated 16.03.2011	<p><b>Agreement parties:</b> Party 1: Astrakhanelektrosetremont, JSC; Party 2: IDGC of the South, JSC.</p> <p><b>Agreement subject:</b> Party 2 is required to compensate Party 1 all costs incurred as a result of the costs of Party 1 for land rental:</p> <ul style="list-style-type: none"> <li>Under the rental contract dated 28.07.2005 № 479 of the land plot located in the Territory of the city of Astrakhan, Leninsky District, Ul. Kramatorskaya, 204, including a land plot of 868.7 sq. m., with real estate property "Building for Personnel of District Electric Grids, L. 10, and in the part of the land plot of 199.9 sq. m., with real estate property "Commercial Building Shop for Equipment Repair" L. 11,</li> <li>Under the rental contract dated December 30, 2004, №628, of the land plot located in the Territory of the city of Kharabali, Astrakhan Oblast, Ul. Lenina, 143, with an area of 2,696.08 sq. m. under commercial buildings for placing the personnel of the central section of distribution grids.</li> </ul> <p><b>Agreement price:</b> The value of the costs compensated by Party 2 to Part 1 is 167,179 (one hundred and sixty-seven thousand one hundred seventy-nine) rubles and 59 kopecks. The period of compensation for the costs incurred by Party 1 is set from 26.06.2007 (the moment that the real estate was transferred) until 30.06.2010</p>	Board of Directors of IDGC of the South, JSC (minutes dated 24.12.2010 №57/2010)	Company shareholder that owns more than 20% of the shares in IDGC of the South, JSC: Holding IDGC, JSC

№	Transaction type	Significant conditions of the transaction	Name of the management body which approved the transaction	Interested parties
1	2	3	4	5
7	Contract № 136 dated 10.03.2011	<p><b>Contract parties:</b> IDGC Holding, JSC, named hereinafter — IDGC Holding; IDGC of the South, JSC, named hereinafter — the Company.</p> <p><b>Contract subject:</b> IDGC Holding is required to perform services to the Company for organizing the functioning and development of the electricity distribution complex in accordance with the contract conditions, and the Company is required to accept and pay for these services in accordance with the contract conditions.</p> <p><b>Contract price:</b> The cost of the services of IDGC Holding under the contract for one payment period is 13,240,320,00 (Thirteen million two hundred forty thousand three hundred twenty) rubles and 00 kopecks, including VAT (18%) 2,383,257.60 (Two million three hundred and eighty-three thousand two hundred fifty-seven) rubles and 60 kopecks. The payment period is one calendar month of services provided</p>	Board of Directors of IDGC of the South, JSC (minutes dated 09.03.2010 № 60/2011)	Company shareholder that owns more than 20% of the shares in IDGC of the South, JSC: Holding IDGC, JSC, Member of the Board of Directors of the Company N. N. Shvets
8	Contract № 141 dated 28.03.2011	<p><b>Contract parties:</b> IDGC of the Center and Volga — Customer; IDGC of the South, JSC — Contractor.</p> <p><b>Contract subject:</b> The Contractor is required under the Technical Specifications of the Customer to conduct emergency recovery work for accident recovery at buildings of Nizhnovenergo JSC IDGC of the Center and Volga caused by equipment damage as a result of disasters, and to transfer the results to the Customer.</p> <p><b>Contract price:</b> The cost of work performed by the Contractor is 2,065,226 (Two million sixty-five thousand two hundred twenty-six) rubles and 04 kopecks, including VAT of 18% — 315,034 (Three hundred and fifteen thousand and thirty-four) rubles and 48 kopecks</p>	Board of Directors of IDGC of the South, JSC (minutes dated 09.03.2011 № 60/2011)	Company shareholder that owns more than 20% of the shares in IDGC of the South, JSC: Holding IDGC, JSC, Member of the Board of Directors of the Company P. I. Oakley
9	Contract for property rental № 244 dated 05.04.2011	<p><b>Contract parties:</b> Lessor — IDGC of the South, JSC; Tenant — Kubanenergo, JSC.</p> <p><b>Contract subject:</b> Under the Contract the Lessor transfers, and the Tenant accepts for temporary possession and use moveable and real estate property located at the address Belorechensk, Ul. Krasnaya, 1a.</p> <p><b>Contract price:</b> The amount of monthly rent for the use of Property is 74,167 (seventy-four thousand one hundred sixty-seven) rubles, including VAT 18% — 11,313 (eleven thousand three hundred thirteen) rubles and 61 kopecks.</p> <p><b>Term of contract:</b> The Tenant takes over and uses the property from the moment of signing the acceptance and transfer certificate for the course of 5 (five) years</p>	Board of Directors of IDGC of the South, JSC (minutes dated 11.02.2011 № 59/2011)	Company shareholder that owns more than 20% of the shares in IDGC of the South, JSC: Holding IDGC, JSC, Member of the Board of Directors of the Company N. N. Shvets

№	Transaction type	Significant conditions of the transaction	Name of the management body which approved the transaction	Interested parties
1	2	3	4	5
10	Contract for fulfilling design and survey works №321 dated 10.05.2011	<p><b>Contract parties:</b> Customer: IDGC of the South, JSC; Contractor: Southern Electric Power Engineering Center, JSC.</p> <p><b>Contract subject:</b> Under the Contract the Contractor is required as per the Customer's assignment to conduct design and survey works for the property: "Reconstruction of substation 110/35/10 kV Chaltyr with replacement of transformers" and to deliver the results to the Customer, and the Customer agrees to accept the result of work and pay for it in the manner prescribed by the Contract.</p> <p><b>Contract price:</b> 3,490,000 (three million, four hundred ninety thousand) rubles and 00 kopecks, as well as VAT (18%) of 628,200 (six hundred and twenty-eight thousand two hundred) rubles and 00 kopecks</p>	Board of Directors of IDGC of the South, JSC (minutes dated 08.04.2011 №61/2011)	Company shareholder that owns more than 20% of the shares in IDGC of the South, JSC: Holding IDGC, JSC
11	Contract №362 for purchase and sale of travel tours dated 28.04.11	<p><b>Contract parties:</b> Buyer — IDGC of the South, JSC; Seller — Energetik Recreation Camp, JSC.</p> <p><b>Contract subject:</b> The Seller sells, and the Buyer buys tours to Energetik Recreation Camp, JSC in the number and names mentioned in the Schedule of Arrivals of employees of the branches of IDGC of the South, JSC.</p> <p><b>Contract price:</b> The cost of the tours under the Contract is 4,635,410 (four million six hundred and thirty-five thousand four hundred ten) rubles and 00 kopecks, with no VAT.</p> <p><b>Term of contract:</b> The Contract enters into force upon signature by the parties and shall continue until December 31, 2011</p>	Board of Directors of IDGC of the South, JSC (minutes dated 08.04.2011 №61/2011)	Company shareholder that owns more than 20% of the shares in IDGC of the South, JSC: Holding IDGC, JSC, Member of the Management Board V. N. Kopanev
12	Contract for fulfilling design and survey works №7613/318 dated 28.04.2011	<p><b>Contract parties:</b> Customer — IDGC of the South, JSC; Contractor — Southern Electric Power Engineering Center, JSC.</p> <p><b>Contract subject:</b> The Contractor undertakes to perform on the assignment given by the Customer the design specifications and estimates for the real estate object: "Reconstruction of substation 110/10 kV R-29 for power supplies of MU "Management of the Water Supply and Sanitation Sector of the City of Rostov-on-Don", and the Customer agrees to accept the results of work performed and pay for them.</p> <p><b>Contract price:</b> The Contract price is 2,982,000 (two million nine hundred and eighty-two thousand) rubles and 00 kopecks, as well as VAT of 18% — 536,760 (five hundred thirty-six thousand seven hundred sixty) rubles and 00 kopecks. Total: 3,518,760 (three million five hundred and eighteen thousand seven hundred sixty) rubles and 00 kopecks</p>	Board of Directors of IDGC of the South, JSC (minutes dated 24.12.2010 №57/2010)	Company shareholder that owns more than 20% of the shares in IDGC of the South, JSC: Holding IDGC, JSC
13	Agreement on interaction for preventing and liquidating the consequences of accidents at energy infrastructure objects №7700/00052/11/494 dated 01.06.2011	<p><b>Agreement parties:</b> IDGC of the South, JSC; IDGC of the Center, JSC.</p> <p><b>Agreement subject:</b> The subject of the Agreement are the relations between the Parties at the prevention and mitigation of accidents at the facilities of electric power caused by damage to the equipment (including natural disasters), and the need to disconnect the power supply to eliminate the threat to human life and health, and other causes in the area of responsibility of the Parties</p>	Board of Directors of IDGC of the South, JSC (minutes dated 01.06.2011 №65/2011)	Company shareholder that owns more than 20% of the shares in IDGC of the South, JSC: Holding IDGC, JSC, Member of the Board of Directors: N. N. Shvets

№	Transaction type	Significant conditions of the transaction	Name of the management body which approved the transaction	Interested parties
1	2	3	4	5
14	Agreement on interaction for preventing and liquidating the consequences of accidents at energy infrastructure objects № 495 dated 01.03.2011	<p><b>Agreement parties:</b> IDGC of the South, JSC; IDGC of the Volga, JSC.</p> <p><b>Agreement subject:</b> The subject of the Agreement are the relations between the Parties at the prevention and mitigation of accidents at the facilities of electric power caused by damage to the equipment (including natural disasters), and the need to disconnect the power supply to eliminate the threat to human life and health, and other causes in the area of responsibility of the Parties</p>	Board of Directors of IDGC of the South, JSC (minutes dated 01.06.2011 № 65/2011)	Company shareholder that owns more than 20% of the shares in IDGC of the South, JSC: Holding IDGC, JSC, Members of the Board of Directors of the Company G. F. Binko and P. I. Oakley
15	Agreement on interaction for preventing and liquidating the consequences of accidents at energy infrastructure objects № 550 dated 30.06.2011	<p><b>Agreement parties:</b> IDGC of the South, JSC; IDGC of the Center and Volga, JSC.</p> <p><b>Agreement subject:</b> The subject of the Agreement are the relations between the Parties at the prevention and mitigation of accidents at the facilities of electric power caused by damage to the equipment (including natural disasters), and the need to disconnect the power supply to eliminate the threat to human life and health, and other causes in the area of responsibility of the Parties</p>	Board of Directors of IDGC of the South, JSC (minutes dated 01.06.2011 № 65/2011)	Company shareholder that owns more than 20% of the shares in IDGC of the South, JSC: Holding IDGC, JSC, Member of the Board of Directors of the Company P. I. Oakley
16	Contract for fulfilling design and survey works № 502 dated 16.06.2011	<p><b>Contract parties:</b> Customer — IDGC of the South, JSC; Contractor — Southern Electric Power Engineering Center, JSC.</p> <p><b>Contract subject:</b> The Contractor undertakes to perform on the assignment given by the Customer the design specifications and estimates for the real estate object: "Reconstruction of substation 110/10 kV "R-27" for power supplies of MU "Management of the Water Supply and Sanitation Sector of the City of Rostov-on-Don", and the Customer agrees to accept the results of work performed and pay for them.</p> <p><b>Contract price:</b> The Contract price is 2,790,680 (two million seven hundred ninety thousand six hundred eighty) rubles and 00 kopecks</p>	Board of Directors of IDGC of the South, JSC (minutes dated 01.06.2011 № 65/2011)	Company shareholder that owns more than 20% of the shares in IDGC of the South, JSC: Holding IDGC, JSC
17	Contract № 05-80-272/2011 dated 26.05.2011	<p><b>Contract parties:</b> IDGC of the South, JSC; Astrakhanelektrosetremont, JSC.</p> <p><b>Contract subject:</b> The Lessor provides the Tenant with payment for temporary possession and use of vehicles belonging to the Lessor, hereinafter referred to as "Cars".</p> <p><b>Contract price:</b> The rental payment for the use of Cars under the Contract per month is 15,934 (fifteen thousand nine hundred thirty-four) rubles and 72 kopecks, including VAT of 18% — 2,430 (two thousand four hundred thirty) rubles and 72 kopecks</p>	Board of Directors of IDGC of the South, JSC (minutes dated 08.04.2011 № 61/2011)	Company shareholder that owns more than 20% of the shares in IDGC of the South, JSC: Holding IDGC, JSC, Member of the Management Board V. V. Ivanov

№	Transaction type	Significant conditions of the transaction	Name of the management body which approved the transaction	Interested parties
1	2	3	4	5
<b>Quarter 3, 2011</b>				
18	Contract for providing services №270/11/564 dated 06.07.2011	<p><b>Contract parties:</b> Party 1 — IDGC of the South, JSC; Party 2 — IDGC of the North-West, JSC.</p> <p><b>Contract subject:</b> Party 2 is obliged to provide services for organizing and conducting the All-Russia Competition of Professional skill of Operational and Maintenance Personnel Distribution Networks of IDGC Holding, JSC among teams of operational and maintenance personnel of IDGC Holding, JSC based on the training polygon ChOU UTs Energetik, while Party 2 pays for services in accordance with the terms of the Agreement, and ensures participation of the team of operational maintenance personnel in the Event.</p> <p><b>Contract price:</b> The cost of the services is 937,900 (nine hundred and thirty-seven thousand nine hundred rubles) 00 kopecks including VAT of 18% — 143,069 (one hundred and forty-three thousand and sixty-nine rubles) and 49 kopecks</p>	Board of Directors of IDGC of the South, JSC (minutes dated 15.04.2011 №62/2011)	Company shareholder that owns more than 20% of the shares in IDGC of the South, JSC: Holding IDGC, JSC, Member of the Board of Directors of the Company S. E. Yurchuk
19	Contracting №01-07/11/601 dated 21.07.2011	<p><b>Contract parties:</b> Customer – MOESK, JSC; Contractor — IDGC of the South, JSC.</p> <p><b>Contract subject:</b> The Contractor undertakes to carry out emergency repair and maintenance work in the aftermath of accidents at OL 0.4–220 kV, caused by damage to the Customer's property as a result of natural disasters and/or external influence, and/or falling trees, and/or buildup of snow and/or icing, and/or glaze effects, and transfer the result of the work to the Customer.</p> <p><b>Cost of works performed:</b> The Contract price is 421,260 (four hundred and twenty-one thousand two hundred sixty) rubles and 00 kopecks, including VAT of (18%) — 64,260 (sixty-four thousand two hundred sixty) rubles 00 kopecks</p>	Board of Directors of IDGC of the South, JSC (minutes dated 09.03.2011 №60/2011)	Company shareholder that owns more than 20% of the shares in IDGC of the South, JSC: Holding IDGC, JSC, Members of the Board of Directors of the Company N. N. Shvets and S. E. Yurchuk
20	Agreement on interaction for preventing and liquidating the consequences of accidents at energy infrastructure objects №695 dated 22.06.2011	<p><b>Agreement parties:</b> IDGC of the South, JSC; Yantarenergo, JSC.</p> <p><b>Agreement subject:</b> The subject of the Agreement are the relations between the Parties at the prevention and mitigation of accidents at the facilities of electric power caused by damage to the equipment (including natural disasters), and the need to disconnect the power supply to eliminate the threat to human life and health, and other causes in the area of responsibility of the Parties</p>	Board of Directors of IDGC of the South, JSC (minutes dated 01.06.2011 №65/2011)	Company shareholder that owns more than 20% of the shares in IDGC of the South, JSC: Holding IDGC, JSC, Member of the Board of Directors of the Company N. N. Shvets
21	Agreement on interaction for preventing and liquidating the consequences of accidents at energy infrastructure objects №11-7690/715 dated 24.06.2011	<p><b>Agreement parties:</b> IDGC of the South, JSC; JSC Lenenergo.</p> <p><b>Agreement subject:</b> The subject of the Agreement are the relations between the Parties at the prevention and mitigation of accidents at the facilities of electric power caused by damage to the equipment (including natural disasters), and the need to disconnect the power supply to eliminate the threat to human life and health, and other causes in the area of responsibility of the Parties</p>	Board of Directors of IDGC of the South, JSC (minutes dated 01.06.2011 №65/2011)	Company shareholder that owns more than 20% of the shares in IDGC of the South, JSC: Holding IDGC, JSC, Members of the Board of Directors of the Company N. N. Shvets and S. E. Yurchuk

№	Transaction type	Significant conditions of the transaction	Name of the management body which approved the transaction	Interested parties
1	2	3	4	5
22	Contract № 78.1105.11/598 dated 04.07.2011	<p><b>Contract parties:</b> Customer — IDGC of the South, JSC; Contractor — Urals Electric Power Engineering Center, JSC.</p> <p><b>Contract subject:</b> The Customer directs and pays, and the Contractor accepts the holding of works/services for the accreditation of the basic organization of the metrological service of IDGC of the South, JSC — Volgogradenergo for the right to perform calibration activities.</p> <p><b>Contract price:</b> The Customer pays the Contractor 140,863,00 (one hundred and forty thousand eight hundred sixty-three) rubles and 00 kopecks for the execution of works. VAT of 18% is 25,355.34 (twenty-five thousand three hundred fifty-five) rubles and 34 kopecks. TOTAL 166,218.34 (one hundred sixty-six thousand two hundred eighteen) rubles and 34 kopecks</p>	Board of Directors of IDGC of the South, JSC (minutes dated 16.06.2011 №67/2011)	Company shareholder that owns more than 20% of the shares in IDGC of the South, JSC: Holding IDGC, JSC
23	Contract № Вж257/11/674 dated 11.07.2011	<p><b>Contract parties:</b> Customer: — RusHydro, JSC; Contractor: — IDGC of the South, JSC.</p> <p><b>Contract subject:</b> Under the Contract the Contractor shall provide services for accreditation of the branch of RusHydro, JSC — Volzhskaya HPP for the right to calibration of measuring instruments, and give the result of services rendered to the Customer, and the Customer is obliged to pay for services rendered in the terms and conditions set forth in the Contract.</p> <p><b>Contract price:</b> The cost of services is 52,247.57 (fifty-two thousand two hundred forty-seven) rubles and 57 kopecks, including VAT of 7,969.97 rubles (seven thousand nine hundred sixty-nine) rubles and 97 kopecks</p>	Board of Directors of IDGC of the South, JSC (minutes dated 16.06.2011 №67/2011)	Company shareholder that owns more than 20% of the shares in IDGC of the South, JSC: Holding IDGC, JSC its affiliated persons S.I. Shmatko, E. V. Dod, and V. V. Kudryavy
24	Contract № Вж257/11/675 dated 11.07.2011	<p><b>Contract parties:</b> Customer — RusHydro, JSC; Contractor — IDGC of the South, JSC.</p> <p><b>Contract subject:</b> Under the Contract the Contractor shall provide services on metrological servicing of measuring instruments specified in the calculation of the cost of services on metrological servicing of measuring of the branch of RusHydro, JSC — Volzhskaya HPP and transfer the result of services rendered to the Customer, while the Customer is obliged to pay for services rendered upon receipt of the measurements at: 400011 Volgograd, Ul. Elektrosovskaya, 66 (transportation of measuring instruments, as well as their loading and unloading is performed by the Customer at its own cost).</p> <p><b>Contract price:</b> The cost of services is 259,354 (two hundred and fifty-nine thousand three hundred fifty-four) rubles and 56 kopecks, including VAT of 18% 39,562 (thirty-nine thousand five hundred sixty-two) rubles and 56 kopecks</p>	Board of Directors of IDGC of the South, JSC (minutes dated 16.06.2011 №67/2011)	Company shareholder that owns more than 20% of the shares in IDGC of the South, JSC: Holding IDGC, JSC, its affiliated persons S.I. Shmatko, E. V. Dod, and V. V. Kudryavy
25	Agreement on interaction for preventing and liquidating the consequences of accidents at energy infrastructure objects № 1/615 dated 12.07.2011	<p><b>Agreement parties:</b> IDGC of the South, JSC; MOESK, JSC.</p> <p><b>Agreement subject:</b> The subject of the Agreement are the relations between the Parties at the prevention and mitigation of accidents at the facilities of electric power caused by damage to the equipment (including natural disasters), and the need to disconnect the power supply to eliminate the threat to human life and health, and other causes in the area of responsibility of the Parties</p>	Board of Directors of IDGC of the South, JSC (minutes dated 01.06.2011 №65/2011)	Company shareholder that owns more than 20% of the shares in IDGC of the South, JSC: Holding IDGC, JSC, Members of the Board of Directors of the Company G. F. Binko and P. I. Oakley

№	Transaction type	Significant conditions of the transaction	Name of the management body which approved the transaction	Interested parties
1	2	3	4	5
26	Agreement on interaction for preventing and liquidating the consequences of accidents at energy infrastructure objects № 696 dated 28.07.2011	<p><b>Agreement parties:</b> IDGC of the South, JSC; IDGC of the Northern Caucasuses, JSC.</p> <p><b>Agreement subject:</b> The subject of the Agreement are the relations between the Parties at the prevention and mitigation of accidents at the facilities of electric power caused by damage to the equipment (including natural disasters), and the need to disconnect the power supply to eliminate the threat to human life and health, and other causes in the area of responsibility of the Parties</p>	Board of Directors of IDGC of the South, JSC (minutes dated 01.06.2011 № 65/2011)	Company shareholder that owns more than 20% of the shares in IDGC of the South, JSC: Holding IDGC, JSC, Member of the Board of Directors of the Company G. F. Binko
27	Agreement № 637 dated 29.07.2011	<p><b>Agreement parties:</b> IDGC of the South, JSC; IDGC of the Urals, JSC.</p> <p><b>Agreement subject:</b> The subject of the Agreement are the relations between the Parties at the prevention and mitigation of accidents at the facilities of electric power caused by damage to the equipment (including natural disasters), and the need to disconnect the power supply to eliminate the threat to human life and health, and other causes in the area of responsibility of the Parties</p>	Board of Directors of IDGC of the South, JSC (minutes dated 01.06.2011 № 65/2011)	Company shareholder that owns more than 20% of the shares in IDGC of the South, JSC: Holding IDGC, JSC, Members of the Board of Directors of the Company G. F. Binko and P. I. Oakley
28	Contract for property rental № 640 dated 01.08.2011	<p><b>Contract parties:</b> Lessor — IDGC of the South, JSC; Tenant — Kubanenergo, JSC.</p> <p><b>Contract subject:</b> The Lessor transfers, and the Tenant take temporary possession and use of objects of movable and real estate property located at: Krasnodar, Karasunsky District, Ul. Novorossiyskaya, 47.</p> <p><b>Contract price:</b> The amount of monthly rent for the use of the property, determined by the independent appraisal company Discount, LLC, is 1,094,139 (one million ninety-four thousand one hundred thirty-nine) rubles and 00 kopecks, including VAT 18% — 166,902 (one hundred and sixty-six thousand nine hundred and two) rubles and 56 kopecks.</p> <p>Total payments under the Agreement can not be two or more percent of the book value of assets of IDGC of the South, JSC according to its financial statements for the last reporting date. The total Contract sum for five years of rent is 65,648,340 rubles including VAT</p>	Board of Directors of IDGC of the South, JSC (minutes dated 01.06.2011 № 65/2011)	Company shareholder that owns more than 20% of the shares in IDGC of the South, JSC: Holding IDGC, JSC, Member of the Board of Directors of the Company N. N. Shvets, Member of the Management Board of the Company: V. V. Brizhan
29	Additional agreement № 1/C/626 dated 05.08. 2011 to the electricity supply contract № 1161803/100 dated 30.12.2011	<p><b>Agreement parties:</b> IDGC of the South, JSC; Kubanenergosbyt, JSC.</p> <p><b>Agreement subject:</b> The subject of the Agreement are the relations between the Parties for the sale of electricity (capacity) by the guaranteed provider.</p> <p><b>Agreement price:</b> The price of the supplementary agreement can not be two or more percent of the book value of assets of IDGC of the South, JSC according to its financial statements for the last reporting date</p>	Board of Directors of IDGC of the South, JSC (minutes dated 09.06.2011 № 66/2011)	Company shareholder that owns more than 20% of the shares in IDGC of the South, JSC: Holding IDGC, JSC, Member of the Board of Directors of the Company V. M. Kravchenko

№	Transaction type	Significant conditions of the transaction	Name of the management body which approved the transaction	Interested parties
1	2	3	4	5
30	Rental contract №431/643 dated 10.08.2011	<p><b>Contract parties:</b> Tenant — IDGC of the South, JSC; Lessor — FGC UES, JSC.</p> <p><b>Contract subject:</b> The Lessor provides, and the Tenant take temporary possession and use of compensatory property for transmission facilities of the Federal Grid Company.</p> <p><b>Contract price:</b> FGC UES, JSC 3,327,824 rubles and 16 kopecks (three million three hundred and twenty-seven thousand eight hundred twenty-four rubles and 16 kopecks), including VAT of 18% 507,634 rubles and 20 kopecks (five hundred and seven thousand six hundred thirty-four rubles and 20 kopecks), or monthly for a sum of 277,318 rubles and 68 kopecks (two hundred and seventy-seven thousand three hundred and eighteen rubles and 68 kopecks), including VAT of 18% — 42,302 rubles and 85 kopecks (forty-two thousand three hundred and two rubles and 85 kopecks)</p>	Board of Directors of IDGC of the South, JSC (minutes dated 08.07.2011 №68/2011)	Company shareholder that owns more than 20% of the shares in IDGC of the South, JSC: Holding IDGC, JSC, affiliated persons D.V. Fyodorov and I.V. Khvalin
31	Contract № 635 dated 12.08.2011	<p><b>Contract parties:</b> Customer — IDGC of the South, JSC; Contractor — Energoservice of the South, JSC.</p> <p><b>Contract subject:</b> The Contractor on behalf of the Customer undertakes to study energy distribution of the complex network of equipment, administrative and industrial buildings and structures, and generate a list of recommendations for energy conservation and efficiency in accordance with the Technical Specifications.</p> <p><b>Contract price:</b> The cost of the Contract set by the contract price is 3,011,634 (three million eleven thousand six hundred thirty-four) rubles and 74 kopecks, including VAT of 18% — 459,401 (four hundred and fifty-nine thousand four hundred and one) ruble and 91 kopecks</p>	Board of Directors of IDGC of the South, JSC (minutes dated 16.06.2011 №67/2011)	Company shareholder that owns more than 20% of the shares in IDGC of the South, JSC: Holding IDGC, JSC
32	Contract for fulfilling design and survey works №7620/680 dated 22.08.2011	<p><b>Contract parties:</b> Customer — IDGC of the South, JSC; Contractor — Yuzhny ITsE, JSC.</p> <p><b>Contract subject:</b> The Contractor is required by the Customer's assignment to conduct design and survey works for the objects: Construction of SS 110/10 kV Druzhba (A-27) with a 2×25 MVA transformer; Construction of HV lines 110 kV A20-Glass Factory (AGC Flat Glass Azov) with connection to SS 110/10 kV Druzhba (A-27) for the needs of the branch IDGC of the South, JSC — Rostovenergo and to give the result to the Customer, and the Customer is required to accept the result and pay as per the Contract.</p> <p><b>Contract price:</b> The contract price is 18,008,474 (eighteen million eight thousand four hundred seventy-four) rubles and 58 kopecks, as well as VAT of 3,241,525 (three million two hundred and forty-one thousand five hundred twenty-five) rubles and 42 kopecks. Altogether with VAT the contract price is 21 250 000 (twenty-one million two hundred fifty thousand) rubles and 00 kopecks</p>	Board of Directors of IDGC of the South, JSC (minutes dated 30.08.2011 №71/2011)	Company shareholder that owns more than 20% of the shares in IDGC of the South, JSC: Holding IDGC, JSC

№	Transaction type	Significant conditions of the transaction	Name of the management body which approved the transaction	Interested parties
1	2	3	4	5
33	Contract for fulfilling design and survey works № 684 dated 22.08.2011	<p><b>Contract parties:</b> Customer — IDGC of the South, JSC; Contractor — Yuzhny ITsE, JSC.</p> <p><b>Contract subject:</b> The Contractor is required by the Customer's task to conduct design and survey works for "Reconstruction of distribution grids 110 V adjacent to GTU TeTS in the city of Znamensk, located at the address: Astrakhan Region, Akhtubinsky District, city of Znamensk, and to give the result to the Customer, and the Customer is required to accept the result and pay as per the Contract.</p> <p><b>Contract price:</b> The contract price is determined by the consolidated statement of operations and the cost is 6,991,525 (Six million nine hundred and ninety-one thousand five hundred and twenty-five) rubles and 42 kopecks, as well as VAT of 1,258,474 (One million two hundred and fifty-eight thousand four hundred and seventy-four) rubles and 58 kopecks. Altogether with VAT the contract price is 8,250,000 (eight million two hundred and fifty thousand) rubles and 00 kopecks</p>	Board of Directors of IDGC of the South, JSC (minutes dated 19.09.2011 № 72/2011)	Company shareholder that owns more than 20% of the shares in IDGC of the South, JSC: Holding IDGC, JSC
34	Contract for fulfilling design and survey works № 7622/681 dated 26.08.2011	<p><b>Contract parties:</b> Customer — IDGC of the South, JSC; Contractor — Yuzhny ITsE, JSC.</p> <p><b>Contract subject:</b> The Contractor is required by the Customer's task to conduct design and survey work for reconstruction of distribution grids of Rostovenergo for the needs of IDGC of the South, JSC, and to give the result to the Customer, and the Customer is required to accept the result and pay as per the Contract.</p> <p><b>Contract price:</b> The contract price is 11,491,525.42 rubles (eleven million four hundred and ninety one thousand five-hundred and twenty-five) rubles and 42 kopecks, plus VAT of 2,068,474.58 rubles (two million sixty-eight thousand four hundred and seventy-four) rubles and 58 kopecks. Altogether with VAT the contract price is 13,560,000 rubles (thirteen million five hundred and sixty thousand) rubles and 00 kopecks</p>	Board of Directors of IDGC of the South, JSC (minutes dated 19.09.2011 № 72/2011)	Company shareholder that owns more than 20% of the shares in IDGC of the South, JSC: Holding IDGC, JSC
35	Agreement on interaction for preventing and liquidating the consequences of accidents at energy infrastructure objects № 391/11/729 dated 25.08.2011	<p><b>Agreement parties:</b> IDGC of the South, JSC; IDGC of the North-West, JSC.</p> <p><b>Agreement subject:</b> The subject of the Agreement are the relations between the Parties at the prevention and mitigation of accidents at the facilities of electric power caused by damage to the equipment (including natural disasters), and the need to disconnect the power supply to eliminate the threat to human life and health, and other causes in the area of responsibility of the Parties</p>	Board of Directors of IDGC of the South, JSC (minutes dated 01.06.2011 № 65/2011)	Company shareholder that owns more than 20% of the shares in IDGC of the South, JSC: Holding IDGC, JSC, Member of the Board of Directors of the Company S. E. Yurchuk

№	Transaction type	Significant conditions of the transaction	Name of the management body which approved the transaction	Interested parties
1	2	3	4	5
36	Contract for fulfilling design and survey works №554 dated 04.07.2011	<p><b>Contract parties:</b> Customer — IDGC of the South, JSC; Contractor — Southern Electric Power Engineering Center, JSC.</p> <p><b>Contract subject:</b> Under the Contract the Contractor undertakes to carry out the Customer's assignment for design work.</p> <p><b>Contract price:</b> The Contract price is determined by the summary estimates for design and survey works, and equals 4,652,627.12 rubles (four million six hundred and fifty-two thousand six hundred twenty-seven) rubles and 12 kopecks, as well as VAT of 837,472.88 rubles (eight hundred and thirty-seven thousand four hundred seventy-two) rubles and 88 kopecks. Altogether with VAT the contract price is 5,490,100 rubles (five million four hundred ninety thousand one hundred rubles and 00 kopecks)</p>	Board of Directors of IDGC of the South, JSC (minutes dated 16.06.2011 №67/2011)	Company shareholder that owns more than 20% of the shares in IDGC of the South, JSC: Holding IDGC, JSC
37	Contract for fulfilling design and survey works №668 dated 26.08.2011	<p><b>Contract parties:</b> Customer — IDGC of the South, JSC; Contractor — Southern Electric Power Engineering Center, JSC.</p> <p><b>Contract subject:</b> Under the Contract the Contractor is required as per the Customer's assignment to conduct design and survey works for the reconstruction of distribution grids of the branch of IDGC of the South, JSC — Rostovenergo, and transfer the result to the Customer, and Customer agrees to accept the result of the work and pay for it in the manner prescribed by the Contract.</p> <p><b>Contract price:</b> The Contract price is determined by the summary statement of the cost of work to implement the design and working drawings and estimates and amounts 11,377,118 (eleven million three hundred and seventy-seven thousand one hundred eighteen) rubles and 64 kopecks, as well as VAT of 2,047,881 (two million forty-seven thousand eight hundred eighty-one) rubles and 36 kopecks. Altogether with VAT the contract price is 13,425,000 (thirteen million four hundred and twenty-five thousand) rubles and 00 kopecks</p>	Board of Directors of IDGC of the South, JSC (minutes dated 30.08.2011 №71/2011)	Company shareholder that owns more than 20% of the shares in IDGC of the South, JSC: Holding IDGC, JSC
38	Agreement №691 dated 26.08.2011 on the separation and migration of database software	<p><b>Agreement parties:</b> Party 1 — IDGC of the South, JSC; Party 2 — Kubanenergo, JSC.</p> <p><b>Agreement subject:</b> Party 1, in accordance with the terms of the Agreement, provides Party 2 the ability to create a complete copy of the database the following software: SED Documentum EMS, ISUP Primavera, KPK TP. Party 1 also provides the ability to transfer a complete copy of the database SED Documentum EMS, ISUP Primavera, KPK TP to the servers of TsOD located in the buildings of Party 2.</p> <p><b>Agreement price:</b> The agreement is for mutually beneficial cooperation between the Parties, information security for the separation of information databases and software, and requires fulfillment of mutual obligations by the Parties</p>	Board of Directors of IDGC of the South, JSC (minutes dated 21.10.2011 №74/2011)	Company shareholder that owns more than 20% of the shares in IDGC of the South, JSC: Holding IDGC, JSC, Members of the Board of Directors of the Company Kh. M. Likhov, A. V. Sannikov and S. E. Yurchuk

№	Transaction type	Significant conditions of the transaction	Name of the management body which approved the transaction	Interested parties
1	2	3	4	5
39	Contract of real estate property rental № 49-12-219 dated 18.08.2011	<p><b>Contract parties:</b> Lessor: IDGC of the South, JSC; Tenant: SO UES, JSC.</p> <p><b>Contract subject:</b> The Lessor transfers, and the Tenant takes for urgent compensated use and ownership non-residential premises in accordance with the technical documentation on them, and the statutory goals and objectives of the Tenant without the right to foreclosure and subletting.</p> <p><b>Contract price:</b> The total amount of lease payments under the contract is 928,032 (nine hundred and twenty-eight thousand and thirty-two) rubles and 41 kopecks per month, including VAT of 18% — 141,564 (one hundred and forty-one thousand five hundred sixty-four) rubles and 26 kopecks. The total cost of the contract is 11,136,388 rubles and 92 kopecks.</p> <p><b>Term of the contract:</b> The Contract shall enter into force upon signature by the parties, and apply to the relations between the Parties starting from 30.12.2010, and is valid until 28.12.2011</p>	Board of Directors of IDGC of the South, JSC (minutes dated 26.07.2011 № 70/2011)	Company shareholder that owns more than 20% of the shares in IDGC of the South, JSC: Holding IDGC, JSC, affiliated person M. Yu. Kurbatov
40	Contract of real estate property rental № 644 dated 01.08.2011	<p><b>Contract parties:</b> Tenant — Volgogradsetremont, JSC; Lessor — IDGC of the South, JSC.</p> <p><b>Contract subject:</b> The Lessor gives the Tenant for temporary possession and use for production needs, part of the non-residential premises from the administrative and warehouse complex belonging to the Lessor under right of ownership, located at: Volgograd, Pr. Volzhsky, 2a. The total area of leased premises of the administrative and warehouse complex is 364.6 sq. m.</p> <p><b>Contract price:</b> The amount of rent for one month is 61,774 (sixty-one thousand seven hundred seventy-four) rubles and 02 kopecks, including VAT of 18% — 9,423 (nine thousand four hundred twenty-three) rubles and 15 kopecks. The total cost of the contract is 679,514.22 rubles.</p> <p><b>Term of the contract:</b> The Contract shall enter into force upon signature and is valid from April 30<sup>th</sup>, 2012</p>	Board of Directors of IDGC of the South, JSC (minutes dated 08.07.2011 № 68/2011)	Company shareholder that owns more than 20% of the shares in IDGC of the South, JSC: Holding IDGC, JSC, Members of the Management Board of the Company: V. V. Brizhan and V. V. Ivanov
41	Rental contract for power transmission facilities № 738 dated 10.09.2011	<p><b>Contract parties:</b> User — IDGC of the South, JSC; FGC — FGC UES, JSC.</p> <p><b>Contract subject:</b> FGC transfers, and the User accepts for payment for temporary possession and use, transmission facilities owned by FGC.</p> <p><b>Contract price:</b> The parties have set the rent for the use of facilities in the amount of 9,503,021 (nine million five hundred and three thousand and twenty-one) rubles for a period of 360 calendar days, and in addition, VAT is paid in accordance with the laws of the Russian Federation. The contract price is set at 11,213,564 (eleven million two hundred and thirteen thousand five hundred sixty-four) rubles and 78 kopecks for a period of 360 calendar days, including VAT of 18% — 1,710,543 (one million seven hundred ten thousand five hundred forty-three) rubles and 78 kopecks</p>	Board of Directors of IDGC of the South, JSC (minutes dated 19.09.2011 № 72/2011)	Company shareholder that owns more than 20% of the shares in IDGC of the South, JSC: Holding IDGC, JSC, affiliated persons D. V. Fyodorov and I. V. Khvalin

№	Transaction type	Significant conditions of the transaction	Name of the management body which approved the transaction	Interested parties
1	2	3	4	5
42	Contract of real estate property rental № 679 dated 01.07.2011	<p><b>Contract parties:</b> Lessor — IDGC of the South, JSC; Tenant — SO UES, JSC.</p> <p><b>Contract subject:</b> The Lessor provides, and the Tenant takes temporary possession and use of compensatory premises at Volgograd, Pr. Lenina 15, with a total area of 733.8 square meters, to accommodate the Tenant's personnel.</p> <p><b>Contract price:</b> The amount of rent for one month is 899,703 (eight hundred and ninety-nine thousand seven hundred and three) rubles and 96 kopecks, including VAT of 18% — 137,242 (one hundred and thirty-seven thousand two hundred forty-two) rubles and 98 kopecks. The total contract amount is 3,598,815.84</p>	Board of Directors of IDGC of the South, JSC (minutes dated 09.06.2011 № 66/2011)	Company shareholder that owns more than 20% of the shares in IDGC of the South, JSC: Holding IDGC, JSC, its affiliated person S. I. Shmatko
43	Sales contract for tours № 804 dated 28.10.2011	<p><b>Contract parties:</b> Buyer — IDGC of the South, JSC; Seller — Energetik Recreation Camp, JSC.</p> <p><b>Contract subject:</b> The Seller sells, and the Buyer buys tours to Energetik Recreation Camp, JSC in the number and names mentioned in the Buyer's application. Under this Contract the Seller agrees to place persons who provide a tour package paid for in the "Standard" rooms and "Studio" rooms in accordance with the Buyer's requests.</p> <p><b>Contract price:</b> The maximum price of the Contract is 5,500,000 (five million five hundred thousand) rubles and 00 kopecks. No VAT applies. The indicated price is final and not subject to increase</p>	Board of Directors of IDGC of the South, JSC (minutes dated 21.10.2011 № 74/2011)	Company shareholder that owns more than 20% of the shares in IDGC of the South, JSC: Holding IDGC, JSC
44	Contract for fulfilling design and survey works № 7624/818 dated 03.10.2011	<p><b>Contract parties:</b> Customer — IDGC of the South, JSC; Contractor — Southern Electric Power Engineering Center, JSC.</p> <p><b>Contract subject:</b> Under the Contract the Contractor undertakes to perform the Customer's task for design and operational documentation for reconstruction of the object "Reconstruction of SS 110/35/6 kV Dubovskaya, SS 110/10/6 kV Zhukovskaya, and construction of OL 110 kV "Zhukovskaya — Repair Traction" and "Dubovskay — Repair Traction" to supply the newly constructed SS 110/27.5/10 kV "Repair Traction" and transfer the result to the Customer, and the Customer agrees to accept the result of the work and pay for it in the manner prescribed by the Contract.</p> <p><b>Contract price:</b> The Contract price is determined by the consolidated statement of cost, which amounts to 13,586,864 (thirteen million five hundred eighty-six thousand eight hundred sixty-four) rubles and 41 kopecks, as well as VAT of 2,445,635 (two million four hundred and forty-five thousand six hundred thirty-five) rubles and 59 kopecks. Altogether with VAT the contract price is 16,032,500 rubles (sixteen million thirty-two thousand five hundred) rubles and 00 kopecks</p>	Board of Directors of IDGC of the South, JSC (minutes dated 09.12.2011 № 76/2011)	Company shareholder that owns more than 20% of the shares in IDGC of the South, JSC: Holding IDGC, JSC

№	Transaction type	Significant conditions of the transaction	Name of the management body which approved the transaction	Interested parties
1	2	3	4	5
45	Additional agreement № 1/820 dated 11.11.2011 to the Contract for rental of electricity grid infrastructure № 738 dated 20.09.2011	<p><b>Additional agreement parties:</b> FGC — FGC UES, JSC; User — IDGC of the South, JSC.</p> <p><b>Additional agreement subject and price:</b> The parties agreed to an agreement to make the following changes and additions to the Contract:  “1.1. Due to changes in the Contract of leased objects, the parties agreed to make Appendix № 1, Appendix № 2, and Appendix № 3 to the Contract in the as amended in Appendix № 1, Appendix № 2, and Appendix № 3 respectively to the Additional Agreement.  1.2. Make p. 7.1. of the Contract and adopt it in its version: “The parties have set the rent for the use of objects at 9,507,953 (nine million five hundred and seven thousand nine hundred fifty-three) rubles for a period of 360 calendar days, and in addition, VAT is paid in accordance with the laws of the Russian Federation”</p>	Board of Directors of IDGC of the South, JSC (minutes dated 29.12.2011 № 78/2011)	Company shareholder that owns more than 20% of the shares in IDGC of the South, JSC: Holding IDGC, JSC, affiliated persons D. V. Fyodorov and I. V. Khvalin
46	Contract for fulfilling design and survey works № 824 dated 24.10.2011	<p><b>Contract parties:</b> Customer — IDGC of the South, JSC; Contractor — Southern Electric Power Engineering Center, JSC.</p> <p><b>Contract subject:</b> Under the Contract the Contractor undertakes to perform the Customer’s task for design and operational documentation for reconstruction of the objects “Reconstruction of the premises of Aksay RES ON CES Rostovenergo, “Reconstruction of the premises of Semikarakorsk RES ON CES Rostovenergo”, “Installation of fire alarms at b/a Spark”, “Reconstruction of the control point of Taganrog RES (stage 2)”, “Reconstruction of RP 6 kV”, “Reconstruction of the control point of Taganrog RES 2 (phase). Telemechanization” and transfer the result to the Customer, and the Customer agrees to accept the result of work and pay for it in the manner provided herein.</p> <p><b>Contract price:</b> The Contract Price is determined by the consolidated statement of work and cost estimates, and is 9,042,372 (nine million forty-two thousand three hundred seventy-two) rubles and 88 kopecks, besides VAT of 1,627,627 (one million six hundred and twenty-seven thousand six hundred twenty-seven) rubles and 12 kopecks. Altogether with VAT the contract price is 10,670,000 (ten million six hundred seventy thousand) rubles 00 kopecks</p>	Board of Directors of IDGC of the South, JSC (minutes dated 09.12.2011 № 76/2011)	Company shareholder that owns more than 20% of the shares in IDGC of the South, JSC: Holding IDGC, JSC
47	Contract for conducting field supervision dated № 855 dated 24.11.2011	<p><b>Contract parties:</b> Customer — IDGC of the South, JSC; Contractor — Yuzhny ITsE, JSC.</p> <p><b>Contract subject:</b> The Customer requests, and the Contractor assumes the performance of work for supervision carried out in order to comply with the decisions contained in the working document, developed under the contract dated April 23, 2010 № 239 of title “Construction of SS 110/10 kV NPS-2 into the OL 110 kV and reconstruction of the adjacent 110 kV network. Requirements for conducting field supervision are determined by SP 11-110-99 “Supervision of the construction of buildings and structures”.</p> <p><b>Contract price:</b> The cost of the contract is defined by the Protocol agreement on the contract price and cost estimates and amounts to 1,692,410 (one million six hundred and ninety-two thousand four hundred ten) rubles and 00 kopecks, including VAT of 18% — 258,164 (two hundred and fifty-eight thousand one hundred sixty-four) rubles and 24 kopecks</p>	Board of Directors of IDGC of the South, JSC (minutes dated 09.12.2011 № 76/2011)	Company shareholder that owns more than 20% of the shares in IDGC of the South, JSC: Holding IDGC, JSC

№	Transaction type	Significant conditions of the transaction	Name of the management body which approved the transaction	Interested parties
1	2	3	4	5
48	Contract for fulfilling design and survey works № 891/7626 dated 01.11.2011	<p><b>Contract parties:</b> Customer — IDGC of the South, JSC; Contractor — Southern Electric Power Engineering Center, JSC.</p> <p><b>Contract subject:</b> Under the Contract the Contractor undertakes to perform the Customer's task for design and working documentation on the object: "Reconstruction of distribution networks with 0.4–10 kV in the town of Kuibyshevo in the Kuibyshev district" for the needs of JSC IDGC of the South, JSC — Rostovenergo and transfer the result to the Customer, and the Customer agrees to accept the result of work and pay for it in the manner provided herein.</p> <p><b>Contract price:</b> The contract price is determined by the consolidated statement of cost, which is 3,308,000 (three million three hundred and eight thousand) rubles and 00 kopecks, as well as VAT of 595,440 (five hundred ninety-five thousand four hundred forty) rubles and 00 kopecks. Altogether with VAT the contract price is 3,903,440 (three million nine hundred and three thousand four hundred forty) rubles and 00 kopecks</p>	Board of Directors of IDGC of the South, JSC (minutes dated 26.12.2011 № 77/2011)	Company shareholder that owns more than 20% of the shares in IDGC of the South, JSC: Holding IDGC, JSC
49	Contract for fulfilling design and survey works № 892/7625 dated 01.11.2011	<p><b>Contract parties:</b> Customer — IDGC of the South, JSC; Contractor — Southern Electric Power Engineering Center, JSC.</p> <p><b>Contract subject:</b> Under the Contract the Contractor undertakes to perform the Customer's task for design and operational documentation for the reconstruction of the object "Expansion of SS 35/10 kV "Kuibyshevo-1". The construction of two OL 10 kV for SS 35/10 kV "Kuibyshevo-1" to the border of the Customer's land plot (Taganrog Customs) for the needs of the branch of IDGC of the South, JSC — Rostovenergo and transfer the result to the Customer, and the Customer agrees to accept the result of work and pay for it in the manner provided for by the Contract.</p> <p><b>Contract price:</b> The Contract price is determined by the consolidated statement of costs, which is 1,370,927 (one million three hundred seventy thousand nine hundred twenty-seven) rubles and 12 kopecks, as well as VAT 246,766 (two hundred and forty-six thousand seven hundred sixty-six) rubles and 88 kopecks. Altogether with VAT the contract price is 1,617,694 (one million six hundred and seventeen thousand six hundred ninety-four) rubles and 00 kopecks</p>	Board of Directors of IDGC of the South, JSC (minutes dated 26.12.2011 № 77/2011)	Company shareholder that owns more than 20% of the shares in IDGC of the South, JSC: Holding IDGC, JSC
50	Contract to conduct an energy audit № 903 dated 25.11.2011	<p><b>Contract parties:</b> Customer — IDGC of the South, JSC; Contractor — Energoservice of the South, JSC.</p> <p><b>Contract subject:</b> The Contractor on behalf of the Customer undertakes to study the energy distribution of the complex network of equipment, administrative and industrial buildings and structures, and make energy performance certificates of IDGC of the South, JSC, and make a list of recommendations for energy conservation and efficiency, in accordance with the Technical Specifications, and subdivisions of the Customer. The Customer agrees to accept the services rendered and pay for them.</p> <p><b>Contract price:</b> The cost of services under the Contract is determined by the contract price, which at the time of the signing of the Contract was determined by the local cost estimates, and is 27,501,585 (twenty-seven million five hundred and one thousand five hundred eighty-five) rubles and 71 kopecks, including VAT of 4,195,157 (four million one hundred and ninety-five thousand one hundred fifty-seven) rubles and 14 kopecks</p>	Board of Directors of IDGC of the South, JSC (minutes dated 21.10.2011 № 74/2011)	Company shareholder that owns more than 20% of the shares in IDGC of the South, JSC: Holding IDGC, JSC, Members of the Management Board of the Company: V. V. Ivanov and O. P. Samarchenko

№	Transaction type	Significant conditions of the transaction	Name of the management body which approved the transaction	Interested parties
1	2	3	4	5
51	Contract for fulfilling design and survey works №2011/30/921 dated 07.12.2011	<p><b>Contract parties:</b> Customer — IDGC of the South, JSC; Contractor — Southern Electric Power Engineering Center, JSC.</p> <p><b>Contract subject:</b> Under the Contract the Contractor undertakes to make adjustment to the design and working technical documentation for the project: "Reconstruction of SS A20", located on the southeastern outskirts of the city of Azov (District PS A20) and transfer the result to the Customer, and the Customer shall accept the result of work and pay for it in the manner provided for by the Contract.</p> <p><b>Contract price:</b> The Contract price is determined by the consolidated statement of cost, which is 495,000 (four hundred and ninety-five thousand) rubles and 00 kopecks, as well as VAT of 89,100 (eighty-nine thousand one hundred) rubles and 00 kopecks. Altogether with VAT the contract price is 584,100 (five hundred eighty-four thousand one hundred) rubles and 00 kopecks</p>	Board of Directors of IDGC of the South, JSC (minutes dated 26.12.2011 №77/2011)	Company shareholder that owns more than 20% of the shares in IDGC of the South, JSC: Holding IDGC, JSC .
52	Service contract №927 dated 14.12.2011	<p><b>Contract parties:</b> Contractor: IDGC of the South, JSC; Customer — Volgogradsetremont, JSC.</p> <p><b>Contract subject:</b> Under the Contract the Contractor shall provide personal services for Information Technology services to the Customer in terms of information technology and systems. The Customer agrees to accept and pay for services rendered in the manner and amount prescribed by the Contract. The content, frequency, place and circumstances of services for information technology services are defined in the Rules of Providing Services.</p> <p><b>Contract price:</b> The total cost of services under the Contract in accordance with the specification is 48,000 (forty-eight thousand) rubles and 00 kopecks, including VAT of 7,322 (seven thousand three hundred twenty-two) rubles and 04 kopecks</p>	Board of Directors of IDGC of the South, JSC (minutes dated 18.11.2011 №75/2011)	Company shareholder that owns more than 20% of the shares in IDGC of the South, JSC: Holding IDGC, JSC, Members of the Management Board of the Company: V. V. Ivanov and E. V. Kalenyuk
53	Contract for conducting field supervision №928 dated 14.12.2011	<p><b>Contract parties:</b> Customer — IDGC of the South, JSC; Contractor — Southern Electric Power Engineering Center, JSC.</p> <p><b>Contract subject:</b> The Customer requests, and the Contractor assumes the performance of work for supervision carried out in order to comply with the decisions contained in the working document developed under contract №240 dated April 23, 2010 on the title "Construction of SS 110/10 kV NPS-3 with feeding lines of 110 kV and reconstruction of the adjacent 110 kV network". The requirements for conducting field supervision are determined by SP 11-110-99 "Supervision of the construction of buildings and structures".</p> <p><b>Contract price:</b> The cost of the Contract is defined by the Minutes of the agreement on the contract price and cost estimates and amounts to 4,213,030 (four million two hundred and thirteen thousand and thirty) rubles and 00 kopecks, including VAT of 18% — 642,665 (six hundred and forty-two thousand six hundred sixty-five) rubles and 59 kopecks</p>	Board of Directors of IDGC of the South, JSC (minutes dated 26.12.2011 №77/2011)	Company shareholder that owns more than 20% of the shares in IDGC of the South, JSC: Holding IDGC, JSC

№	Transaction type	Significant conditions of the transaction	Name of the management body which approved the transaction	Interested parties
1	2	3	4	5
54	Contract №033.11.09/932 dated 08.12.2011	<p><b>Contract parties:</b> Customer — IDGC of the South, JSC; Contractor — Southern Electric Power Engineering Center, JSC.</p> <p><b>Contract subject:</b> The Customer requests and pays for, and the Contractor accepts the conduct of the following activities/services: "Accreditation of the metrological service branch of IDGC of the South, JSC — Rostovenergo as the Base Organization of the Metrological Service (BOMS).</p> <p><b>Contract price:</b> The Customer shall pay the Contractor 298,937 (two hundred and ninety-eight thousand nine hundred thirty-seven) rubles 00 kopecks, as well as VAT of 18% — 53,808 (fifty-three thousand eight hundred and eight) rubles and 66 kopecks. The total contract price is 352,745 (three hundred fifty-two thousand seven hundred forty-five) rubles and 66 kopecks for fulfillment of works/ services</p>	Board of Directors of IDGC of the South, JSC (minutes dated 09.12.2011 №76/2011)	Company shareholder that owns more than 20% of the shares in IDGC of the South, JSC: Holding IDGC, JSC
55	Contract of real estate property rental №05-80-669/49-12-225 dated 21.12.2011	<p><b>Contract parties:</b> IDGC of the South, JSC; Astrakhanelektrosetremont, JSC.</p> <p><b>Contract subject:</b> The Lessor gives the Tenant temporary possession and use of real estate property for payment, and in particular industrial building L. 1, inventory number 0891, located at Astrakhan Region, Astrakhan, Ul. Kramatorskaya 204, with a total area of 740.30 sq. m.</p> <p><b>Contract price:</b> Rent for use of the property is 23,966 (twenty-three thousand and nine hundred sixty-six) rubles and 94 kopecks monthly, including VAT of 18% — 4,314 (four thousand three hundred fourteen) rubles and 05 kopecks. The total contract price is 339,368.20 rubles</p>	Board of Directors of IDGC of the South, JSC (minutes dated 09.12.2011 №76/2011)	Company shareholder that owns more than 20% of the shares in IDGC of the South, JSC: Holding IDGC, JSC, Members of the Management Board of the Company: V. V. Ivanov and P. V. Goncharov
56	Contract of real estate property rental №05-80-577/49-12-224 dated 16.11.2011	<p><b>Contract parties:</b> IDGC of the South, JSC; Astrakhanelektrosetremont, JSC.</p> <p><b>Contract subject:</b> The Lessor transfers, and the Tenant accepts temporary possession and use of real estate property located at: Astrakhan Region, Astrakhan, Ul. Kramatorskaya, 204, with a total area of 3,533 square meters, Astrakhan Region, Akhtubinsk, Ul. Franco, 18, with a total area of 195.5 square meters, and Astrakhan Region, Kharabali, Ul. Lenin, 143, with a total area of 555.7 sq. m.</p> <p><b>Contract price:</b> The cost of rent is 765,341 (seven hundred and sixty-five thousand three hundred forty-one) rubles and 91 kopecks per month, including VAT of 18% — 137,761 (one hundred and thirty-seven thousand seven hundred sixty-one) rubles and 54 kopecks. The cost of utilities is not included in the rent</p>	Board of Directors of IDGC of the South, JSC (minutes dated 18.11.2011 №75/2011)	Company shareholder that owns more than 20% of the shares in IDGC of the South, JSC: Holding IDGC, JSC, Members of the Management Board of the Company: V. V. Ivanov and P. V. Goncharov

№	Transaction type	Significant conditions of the transaction	Name of the management body which approved the transaction	Interested parties
1	2	3	4	5
57	Contract №49-12-213/05-80-380/2011	<p><b>Contract parties:</b> Lessor — IDGC of the South, JSC; Tenant — SO UES, JSC.</p> <p><b>Contract subject:</b> The Lessor conveys temporary possession and use of the property specified in the appendix to the decision of the Board of Directors of the Company, and the Tenant takes it for rent and agrees to pay the rent due as per the Contract.</p> <p><b>Contract price:</b> The monthly rent is 8,623 (eight thousand six hundred twenty-three) rubles and 44 kopecks, including VAT of 18% — 1,315 (one thousand three hundred fifteen) rubles and 44 kopecks. Rent is paid monthly by the Tenant no later than the 25<sup>th</sup> of the month following the settlement, by transferring money to the Lessor's account</p>	Board of Directors of IDGC of the South, JSC (minutes dated 09.06.2011 №66/2011)	Company shareholder that owns more than 20% of the shares in IDGC of the South, JSC: Holding IDGC, JSC, its affiliated person S. I. Shmatko

# Contact information

We ask you to please send questions about information included in this annual report to the following persons:

Position	First name, patronymic, last name	Telephone	E-mail address
Chief Accountant — Head of the Department for Accounting and Tax Accounting and Reporting	Girgory Grigoryevich Savin	(861) 279-85-09	savingg@mrsk-yuga.ru
Head of the Department of Economics	Nadezhda Nikolaevna Blinnikova	(861) 279-86-11	blinnikovann@mrsk-yuga.ru
Head of the Tariff-Setting Department	Elena Viktorovona Babenkova	(861) 279-87-20	babenkovaev@mrsk-yuga.ru
Director of Finance — Head of the Department of Finance	Dmitry Yuryevich Permyakov	(861) 279-85-77	permyakovdu@mrsk-yuga.ru
Head of the Department of Technological Connection	Vladimir Vladimirovich Shtokailo	(861) 279-86-44	shtokaylovv@mrsk-yuga.ru
Head of the Department of Operation and Repairs	Sergey Nikolayevich Frolov	(861) 279-84-77	frolov@mrsk-yuga.ru
Head of Production Control and Labor Safety	Andrey Vladimirovich Petlenko	(861) 279-84-30	petlenkoav@mrsk-yuga.ru
Acting Head of the Department of Technical Development — Deputy Head of the Department of Operation and Maintenance	Andrey Vladimirovich Pogonin	(861) 279-85-11	pogoninav@mrsk-yuga.ru
Head of Metrology and Quality Control of Electric Power	Valery Fyodorovich Kononenko	(861) 279-87-09	kononenkovf@mrsk-yuga.ru
Chief specialist of the Technological Processes Safety Management Department	Alexander Anatolyevich Kisil	(861) 279-86-61	kisilaa@mrsk-yuga.ru
Head of the Investment Department	Nikita Vladimirovich Kalashnikov	(863) 238-58-20	kalashnikovnv@mrsk-yuga.ru
Head of the Department of Capital Construction	Mikhail Alexandrovich Korolev	(863) 238-58-77	korolevma@mrsk-yuga.ru
Head of the Department of Transport and Power Accounting	Oleg Fyodorovich Nishchuk	(863) 279-84-52	nishchukof@mrsk-yuga.ru
Head of the Customer Service Department	Vladimir Vasilyevich Kuryatnikov	(861) 279-85-22	kuryatnikovvv@mrsk-yuga.ru
Head of the Energy Saving and Energy Efficiency Department	Sergey Viktorovich Nekhaev	(861) 279-84-85	nehaevsv@mrsk-yuga.ru
Head of the Department of Organization of Tender Procedures	Artem Azatovich Kiragosyan	(861) 279-87-67	kiragosjanaa@mrsk-yuga.ru
Information Technologies Director — Head of the Information Technologies Department	Sergey Nikolaevich Denisov	(861) 279-87-00	denisovsn@mrsk-yuga.ru
Head of the Department of Corporate Governance and Shareholder Relations	Natalya Olegovna Bondar	(861) 279-86-35	bondarno@mrsk-yuga.ru
Director of Legal Support — Head of the Department of Legal Support	Mikhail Yuryevich Reshetnikov	(861) 279-87-11	reshetnikovmyu@mrsk-yuga.ru
Head of the Department of Property Management	Mikhail Yuryevich Fadeev	(861) 279-86-88	fadeevmu@mrsk-yuga.ru
Head of the Department of Internal Audit and Risk Management	Igor Vladimirovich Shmakov	(861) 279-85-66	shmakoviv@mrsk-yuga.ru
Acting Head of the Department of Public Relations	Sergey Alexandrovich Prokopenko	(863) 238-52-51	prokopenkosa@mrsk-yuga.ru
Head of the Human Resources Department	Marina Vladimirovna Danilchenko	(863) 279-88-05	danilchenkomv@mrsk-yuga.ru
Head of the Department of Organizational Development and Motivation	Oksana Sergeevna Nikitina	(861) 279-85-10	nikitiinaos@mrsk-yuga.ru
Chief Expert, Directorate of Quality Management	Valery Nikolaevich Borovik	(861) 279-86-43	borovikvn@mrsk-yuga.ru

Open Joint-Stock Company  
**“Interregional Distribution  
Grid Company of the South”**

49, Ul. Bolshaya Sadovaya,  
Rostov-on-Don, 344002  
Russian Federation  
Telephone (863) 238-53-59  
[www.mrsk-yuga.ru](http://www.mrsk-yuga.ru)