



INTERREGIONAL DISTRIBUTION GRID COMPANY OF
THE NORTHERN CAUCASUS, PUBLIC JOINT-STOCK
COMPANY

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Directors of IDGC of the Northern Caucasus, PJSC

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the Shareholders of IDGC of the Northern
Caucasus, PJSC

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Annual Report of IDGC of the Northern Caucasus, PJSC for 2018

General Director

V.V. Ivanov

Pyatigorsk, 2019

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Introduction by the Chairman of the Board of Directors

Dear shareholders, partners, colleagues!

IDGC of the Northern Caucasus, PJSC (is a member of Rosseti Group of Companies) is a major public company operating within the North Caucasian Federal District and is an integral element of the Russian distribution grid complex.

The Company sees as its primary objective to ensure in the long run the reliable, qualitative and affordable power supply to consumers in entire territory of the North Caucasian Federal District at the stage of power distribution due to arrangement of the maximum effective infrastructure. During the reporting year, the efforts of the corporate bodies and management of IDGC of the Northern Caucasus, PJSC, were aimed to deal with such goal, and the results enable to say that the Company has achieved thereof in whole.

In 2018, as before, the Board of Directors addressed the challenges of the power grid complex within the Company's responsibility, including electric power loss reducing in grids, consumers payment discipline advancing that in a longer run shall have a positive effect on the general financial and economic state of IDGC of the Northern Caucasus, PJSC.

Any and all most important matters the Board of Directors strives to consider in the course of in-person meetings. Subject to the Regulations about the Board of Directors, its Chairman determines the form of such meetings holding taking into consideration the items on the agenda and recommendations provided by the Russian Corporate Governance Code. The Board of Directors ensures the effective control of the Company's executive offices operations. In this regard during 2018 the Board of Directors of IDGC of the Northern Caucasus, PJSC, used to review the reports about the operations made by the Company's General Director. Thus, at the meetings held in person and in absentia the Board of Directors listened to the management's reports dealing with the following matters: about implementing the Comprehensive Program to reduce excess electric power losses in distributions grids within the North Caucasus; about implementing the measures to consolidate power grids assets; about the results of the measures to reduce actual power supply losses; about ratifying the reports about the Company's business plan execution for 2017 and the first six months of 2018; about implementing the Company's investment projects included to the list of high-priority objects.

As an integral part of the energy holding Rosseti, IDGC of the Northern Caucasus, PJSC, should follow the overall strategy of the power grid complex development. For achieving the benchmarks established by the Power Grid Complex Strategy of the Russian Federation, the Board of Directors of Rosseti, PJSC, on June 9, 2016, chaired by the Minister of Energy of the Russian Federation, Mr. A.V. Novak, approved the financial support to certain subsidiaries of Rosseti, PJSC, including through their staged capitalization support. Such measures are reflected in respective Development Plans.

In the course of implementing the Development Plan of the IDGC of the Northern Caucasus, Group of Companies ratified by the Board of Directors of Rosseti, PJSC, on June 27, 2017, the Company is receiving a targeted support from Rosseti, PJSC, via contributing the funds by the parent company to the authorized capital of IDGC of the Northern Caucasus, PJSC. The measures included to the Development Plan assume implementing the critical projects related to improving the reliability and development of the power grid infrastructure of the North Caucasian Federal District, creating the necessary conditions for the social and economic development of the region in general.

IDGC of the Northern Caucasus, PJSC, and its corporate bodies lay special emphasis on corporate governance practice. The Company strives to follow the advanced principles specified in the Corporate Governance Code ratified on March 21, 2014 by the Board of Directors of the Bank of Russia and recommended by the Bank of Russia to be applied by joint-stock companies.

The control for the Company's corporate governance practice is made by the Board of Directors. The operations performed by the Board of Directors were not assessed in the reporting year. However, the Company works upon a stage-by-stage implementation to its operations the recommendations specified in the Russian Corporate Governance Code. In 2018, the IDGC of the Northern Caucasus, PJSC, corporate governance system efficiency was assessed for the first time following the results of 2017. A respective report was reviewed by the Board of Directors on May 25, 2018 after its preliminary consideration by the Auditing Committee of the Board of Directors. Subject to the Methods of Assessing the corporate governance Efficiency, such assessment purposes include submitting to the Board of Directors, Auditing Committee of the Board of Directors, Company's executive officers unbiased and independent information about the state of the corporate governance in the Company and the efficiency thereof and drafting recommendations aimed to raise the efficiency of the corporate governance in the Company. Following the results of the aforementioned reports considering the areas were discovered for such IDGC of the Northern Caucasus, PJSC, corporate governance system development and improving for point-by-point work to solve the settled tasks.

Besides, in 2018, rating agency RAEX (RA Expert) confirmed the management quality rating of IDGC of the Northern Caucasus, PJSC, at the level of A++.gq (the highest management quality level). This assessment means that subject to the rating agency's methods the management quality system to the highest possible extent promotes the respect for and protection of the stakeholders' rights.

We are trying to effectively define and set goals for such direction for the Company's operations to meet the interests of its shareholders, investors and other concerned parties.

From 2016, we annually review of the corporate governance practice in IDGC of the Northern Caucasus, PJSC, as to its compliance with the Corporate Governance Code, using the recommendations of the Bank of Russia (in accordance with Letter of the Bank of Russia dated February 17, 2016 No. IN-06-52/8 "On the Disclosure of a Report on the Compliance with the Principles and Recommendations of the Corporate Governance Code in the Annual Report of a Public Joint Stock Company"). A detailed report executed by IDGC of the Northern Caucasus, PJSC, about complying with the Corporate Governance Code recommended by the Bank of Russia for applying is provided as Appendix No. 6 to the Russian version of the Annual Report.

In general, the corporate governance system in IDGC of the Northern Caucasus, PJSC, in many ways complies with the best practices.

The positive aspects include rather high level of the Company's corporate bodies operations arrangement, including the Board of Directors, executive officers, and the Committees of the Board of Directors. Operations of the Board of Directors and its Committees and the Management are governed by respective regulations. The Board of Directors has five Committees: the Auditing Committee, HR and Remuneration Committee, Strategy and Development Committee, Reliability Committee and the Committee for Technological Connection to Power Grids. An independent director participates in the actions performed by the Auditing Committee and the Committee for Technological Connection. Besides, the Annual General Meeting of the Shareholders in 2018 ratified the revised versions of the Charter,

Regulations about the Board of Directors, Management, about remunerations and compensations payment to the members of the Revision Committee developed taking into consideration the novations to the law and recommendations of the Russian Corporate Governance Code.

A Corporate Secretary was elected for IDGC of the Northern Caucasus, PJSC, ensuring the proper compliance with the procedure for preparation and holding the General Meeting of Shareholders and operations of the Board of Directors. The actions to be performed by such Corporate Secretary are also regulated.

The Board of Directors plays an integral part in preventing, discovering and settling any internal conflicts among the Company's bodies, its shareholders and employees. IDGC of the Northern Caucasus, PJSC, has adopted the Anti-Corruption Policy and Code of Corporate Conduct and Employees Behavior as to their Duties (the documents were ratified in 2017). In 2018, the Board of Directors continued working in this direction. Thus, in last June a revised version of the Regulation about the Insider Information was ratified taking into consideration the amendments made to the Russian standard acts.

Being fully aware of its integral part in ensuring the Company's operations transparency in 2018, the Board of Directors ratified a revised version of the Regulations about the Information Policy of IDGC of the Northern Caucasus, PJSC, subject to which an English version of the web site was launched providing the principal background about the Company's operations. Besides, such Regulation fixes the General Director's liability to submit to the Board of Directors an Annual Report about the Company's compliance with the information policy. Rating agency RAEX (Expert RA) in the course making a review of the governance quality in IDGC of the Northern Caucasus, PJSC, in 2018 specifies as positive factors for the rating "the highest information transparency of the web-site" of the Company both in Russian and in English.

The ownership structure in IDGC of the Northern Caucasus, PJSC, is marked by a high degree of concentration (its major shareholder is Rosseti, PJSC). However, the members to the Board of Directors are elected taking into consideration the principal shareholder's suggestions. Thus, one director meeting the criteria for independence according to the Corporate Governance Code of the Bank of Russia was elected the current member of the Board of Directors. The Corporate Governance Code recommends the independent directors to compose at least one third of the elected members of the Board of Directors. It means that the number of independent directors is not sufficient among the members of the Committees of the Board of Directors compared to the recommendations of the Corporate Governance Code. However, IDGC of the Northern Caucasus, PJSC, and its corporate bodies strive to elect as members to the Board of Directors persons with professional competence, experience and independence, capable of making objective judgments, independent of the influence of the Company's executive officers, certain groups of shareholders or other concerned parties, that is deemed as the status of an independent director as defined by the Code.

Besides, IDGC of the Northern Caucasus, PJSC, pays special attention to the matters dealing with the arrangement of risks management and internal control system as well as the internal audit. The Internal Audit and Control Directorate administratively subordinate to the General Director and functionally subordinate to the Board of Directors through its Auditing Committee is formed and operates in the organizational structure of the Company.

IDGC of the Northern Caucasus, PJSC, has adopted the Regulation on Dividend Policy, and its revised version was ratified by the Board of Directors in 2018. The document specifies a new approach to dividends estimating. One of the key changes is the determination of the amount of dividends as at least 50% of the net profit determined according to the financial reports,

including consolidated financial reports, prepared in accordance with the International Financial Reporting Standards. To guarantee the document updated in August of the reporting year amendments were made to the Regulation on Dividend Policy giving more details to the terms subject to Direction No. 393-p adopted by the Government of the Russian Federation on March 7, 2018.

The results of the work performed in 2018 separate aspects of the corporate governance system at IDGC of the Northern Caucasus, PJSC, more accurately comply with the principles specified in the Russian Corporate Governance Code.

IDGC of the Northern Caucasus, PJSC, is steadily following the principles of responsible business practice and striving to meet the key expectations of concerned parties, is open for constructive dialogue with stakeholders.

IDGC of the Northern Caucasus, PJSC, is marked by the high level of social responsibility. A number of projects is being implemented for employees and their family members. The Company is a major employer, pays special attention to arranging convenient and safe labor conditions to fulfill each employee's creative potential to the fullest extent.

Taking into consideration the accumulated practice of corporate governance by IDGC of the Northern Caucasus, PJSC, hereinafter we, the members of its Board of Directors, will proceed with the targeted work to implement to the Company's operations the advanced standards to promote the company's attractiveness both for Russian and foreign investors.

Sincerely yours,
Aleksei Yuryevich Perets

Introduction by the General Director

Dear shareholders, partners, colleagues!

In 2018, IDGC of the Northern Caucasus, PJSC, operating in rather complicated economic environment, managed to keep its positive pace implementing its principal manufacturing program and achieving its main goal to provide qualitative faultless power supply to the consumers residing in the North Caucasian Federal District.

This year's special feature was receiving from the Ministry of Energy of the Russian Federation the Passport of Being Ready for the Heating Season issued subject to the new methods for assessing the readiness of the electric power supply subjects.

For the purpose of preparation for the autumn-winter period, the physical volumes of repair of the major equipment are 2018% or more of the annual plan. The maintenance and repair program was performed in the scope of 1 billion 325 million rubles.

The Company's investment program in 2018 was supported by the amount of 1.4 billion rubles. 47.41 MVA of transformer capacity and 146.58 km of power lines were introduced.

In the context of continued financial uncertainty, payment failures, debt growing from both major and domestic consumers we managed to keep our work quality ensuring the technological connection, not to breach the standard terms fixed by the law. This is not the first year when there is an option to accept requests for TS via the unified portal of power supply services, the feedback with consumers is functioning with the help of Svetlaya Strana Portal, Contact Centre, and Points for Cooperation with Consumers. The Company's communications with its services consumers are increasing via the Internet and social media. This is another step to increase the customer-oriented operations by the Company.

In 2018, 6,362 technological connections of new consumers were effected, 154.8 Mwatt of power were connected.

We are gradually addressing the goals of energy efficiency raising. Following the year's results the power supply losses in the affiliates network of IDGC of the Northern Caucasus made 13.58% that is lower than previous indices by 0.4 pp or 49 million kW per hour – it became possible as a result of the scheduled systematic work in this area.

For the first time in the power grid complex history large-scale training was held in the Republic of Dagestan requiring the mobilization of sufficient force and funds not only from Rosseti, PJSC, subsidiaries and affiliates but also from IDGC of the Northern Caucasus, PJSC, acting as an inviting country. Successful achievement of all the set goals was marked by Rosseti Management.

In the course of counteraction with the executive authorities of the NCFD, an effective dialogue is held dealing with the matters of payment discipline strengthening, power supply losses reducing. The Company took an active part in settling the tariff regulation matters with regional authorities, and in 2018, this works brought actual results.

Special attention is paid to improving the corporate culture, employees rights, occupational safety, environment protection development and respecting.

In 2018, 6,952 employees (or 82% from the average staff number) raised their professional skills participating in various professional development programs, additional and further training.

The Company assigns high priority not only to the corporate social support and to the Company's young generation's progressive representative's development. The first Olympic Games were held by Rosseti, and in their course, the progressive youth approved themselves being able to be included lately to the Company's high-potential employees.

The important factor is that the Company has focused its efforts on preventing the population injury rates because of power, on raising its power supply culture. In 2018, communication events were initiated by the Company referring to such directions at all regions of the North Caucasian Federal District.

The achieved results were possible due to joint effective cooperation by and between the Company's Board of Directors, top management and staff employed by IDGC of the Northern Caucasus, PJSC. I would like to say special thanks to our personnel for their fruitful work, high professional competence and express my confidence that we will further on make every effort to ensure qualitative power supply to the consumers.

In resolving the key challenges to strengthen the financial standing by increasing the profitability of operating activities, optimizing costs and improving the economic efficiency of the manufacturing processes we rely upon our shareholders' and the Board of Directors' further support.

Sincerely yours,
Vitaliy Valerievich Ivanov

Introduction by the Creative Team of Authors to Users

Dear users!

Please find below the Annual Report of IDGC of the Northern Caucasus, PJSC (hereinafter referred to as “IDGC of the Northern Caucasus”, the “Company”, “IDGC of the Northern Caucasus, OJSC”) for 2018. This report is intended first of all for our actual and potential investors and is focused on them. The Annual Report is prepared in accordance with the requirements of the Russian law on the securities market. However, we believe that other groups of stakeholders exert significant influence on the sustainable development of IDGC of the Northern Caucasus, PJSC, namely: state authorities (federal and regional), regional population, consumers and clients, company personnel, suppliers, and mass media. Therefore, we found it impossible to restrict ourselves to requirements of the Russian law, having also included into the report the elements of the Sustainability Reporting System (GRI). **This report contains the Standard Reporting Elements from GRI Guidelines on Sustainability Reporting.** When preparing the Annual Report, we used the Guidelines of version GRI G4.

We believe that the **material aspects of the report** are those that describe the creation of value for each group of stakeholders, as well as factors that may substantially influence the result of such process, namely: business model and position in the industry, strategy, macroeconomic factors of development, analysis of the corporate governance quality, management report with respect to the financial and economic standing of the Company, business risk assessment.

When preparing the report, **we made every effort to take into account all information inquiries of concerned parties that we were aware of.** Thus, information for the section oriented at “State and Region” group was generated mainly on the basis of provisions in regulations that govern management in the companies with state participation; “Shareholders and Investors” – on the basis of queries from shareholders and investors that we received, by review of reports from equity analysis and opinions of independent experts in the field of corporate governance and work with investors; “Consumers and Clients” – based on provisions of regulations that govern presentation of information for consumers and procurement; “Personnel” – based on own expert opinion of the company and within discussion of the report topics with individual employees of the company who were chosen. **No public hearing of the report took place**, since, in our opinion that would have resulted in unreasonable increase in the Company’s controlled costs. In the short-run, we plan to keep the existing practice. We are open for the communication with stakeholders on the contents of the reports and are willing to improve the same so that the annual report becomes an effective tool for attracting investments and strengthening the business reputation of IDGC of the Northern Caucasus, PJSC.

This Annual Report has substantial differences from certain reports issued previously. Thus, reports for 2013 and 2014 were prepared to a large extent with due regard for business parameters of the subsidiary of IDGC of the Northern Caucasus, PJSC, being Dagennergoset, OJSC, (according to the consolidated reporting principle), and in certain cases (for the period up to May 1, 2013) – the organization that operated power grid assets in the Republic of Ingushetia. This report as in the report for 2016 there are individual parameters of the performance of IDGC of the Northern Caucasus, PJSC (Company’s branches). The specified **scope** of this Annual Report may substantially impact the compatibility with previous reports and/or other similar organizations.

The table that specifies the arrangement of certain standard elements of G4 GRI reporting in the Annual Report is attached to this Annual Report.

Sincerely yours,
Team of IDGC of the Northern Caucasus, PJSC

1. Company Review and Context of its Business

Company Profile

IDGC of the Northern Caucasus is an Interregional Distribution Grid Company functioning in the Russian power supply sector. The Company is a natural monopoly, and tariffs for its services are set by regulatory bodies.

Key Business Activities:

- transmission and distribution of electrical energy;
- technological connection of consumers to grid infrastructure.

The company also buys and sells power and capacity in the wholesale power and capacity market, and sells electric power and capacity in the retail market of the Republic of Ingushetia.

Legal Person's Year of Incorporation:

2006

Industry:

Electric Power Industry

Region:

North Caucasian Federal District, Russian Federation

Included into Power Holding of Rosseti, PJSC

Share in the Power Transmission Services Market:

about 50%

Covers 1% of the territory and 6.7%¹ of the population of Russia

Manages five utility and two grid companies

Shares are traded at the stock market of the Moscow Stock Exchange

Owners structure: Rosseti, PJSC (98.55%*), other shareholders (1.45%*)

* Taking into consideration the actually allotted additional ordinary shares of the current issue

¹ Subject to preliminary estimate of the population size as for January 1, 2019

Revenue according to Russian Accounting Standards, million rubles

2018	17,040.5	2018 variation vs 2017 5.6%
2017	16,134.9	
2016	15,701.2	

Net loss according to Russian Accounting Standards, million rubles

2018	-2,270.3	2018 variation vs 2017 -4.9%
2017	-2,386.1	
2016	-1,234.2	

Revenue according to IFRS, million rubles

2018	19,766.6	2018 variation vs 2017 7.4%
2017	18,397.3	
2016	17,912.5	

Net profit (loss) according to IFRS, million rubles

2018	-7,832.2	2018 variation vs 2017 1,504.6 million rubles
2017	-6,327.6	
2016	-5,147.2	

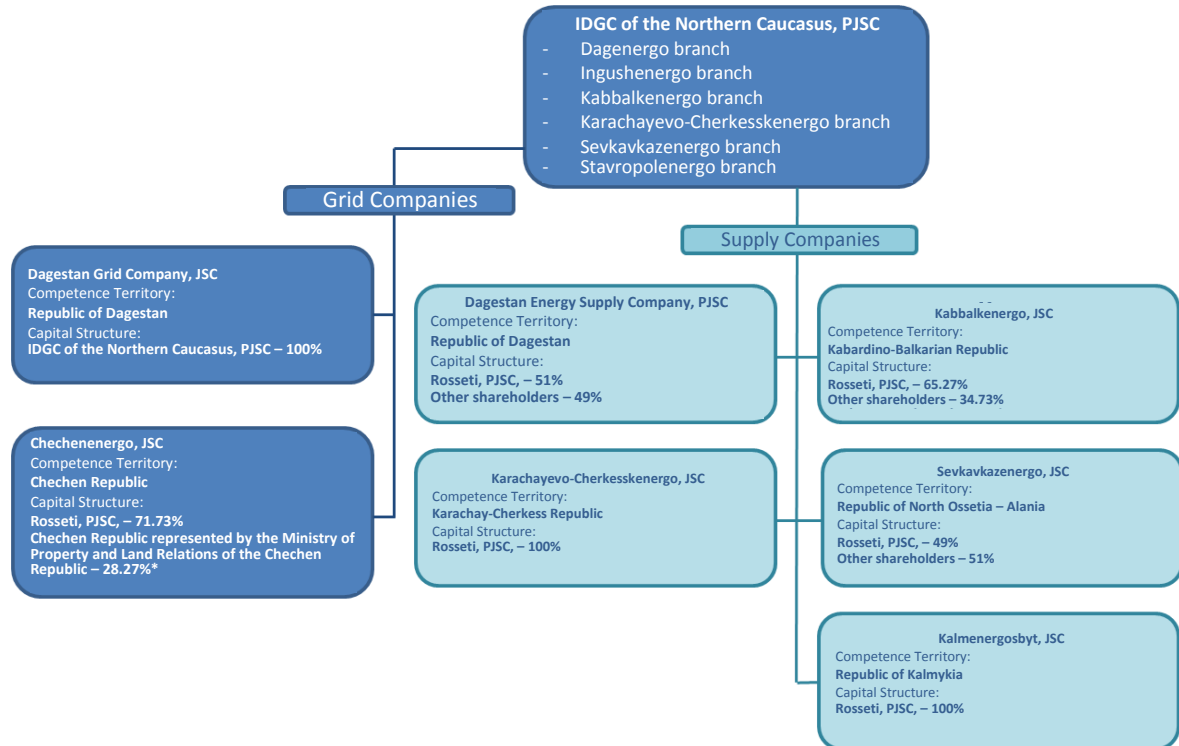
Power Supply from the Grid to Consumers and Neighboring TGOs, million kW*h

2018	10,670	2018 variation vs 2017 1.0%
2017	10,566	
2016	10,237	

Electric Energy Losses, %

2018	13.58	2018 variation vs 2017 -0.40 pp
2017	13.98	
2016	16.16	

Organizational Business Structure



All the companies are governed by IDGC of the Northern Caucasus, PJSC

* The stocks are provided taking into consideration the actually allotted additional ordinary shares of the current issue. In this case as for the date of the Annual Report making the Report No. 1-01-35075-E-002D about the Results of Additional Securities Issue by Chechenenergo, JSC (ordinary registered non-documentary shares) dd. January 12, 2017, was not registered by the Bank of Russia.

Key changes to the structure and business scale of IDGC of the Northern Caucasus, PJSC:

- from the date of incorporation (August 2006) to March 2008, IDGC of the Northern Caucasus, PJSC (when established – SGC OJSC) was only dealing with management of regional power companies (see the section “Brief History” for more details);
- from September 2006, six North Caucasus power supply companies were transferred under control of SGC, OJSC (agreements were terminated at the end of 2011);
- at the end of March 2008, as a result of consolidation of grid companies with IDGC of the Northern Caucasus, PJSC (which became branches of IDGC of the Northern Caucasus), the Company commenced its power transmission business (see the section “Brief History” for more details);
- from September 2008, IDGC of the Northern Caucasus, PJSC, transferred the power grid assets of the Ingush branch of the republican grid company Ingushenergoset, OJSC;
- from April 2010, IDGC of the Northern Caucasus, PJSC, transferred for lease the power grid assets of Dagenergo branch to its 100% subsidiary Dagenergoset, OJSC (for more details see the section “Participation in Commercial Organizations”);
- from May 2013, in connection with the expiration of the power grid assets lease agreement between IDGC of the Northern Caucasus, PJSC and Ingushenergoset, OJSC the Ingush branch commenced its power transmission business;
- from July 2015, operates as a grid distribution company Dagestan Grid Company, JSC (100% subsidiary of IDGC of the Northern Caucasus, PJSC), power grid assets of the branch of IDGC of the Northern Caucasus, PJSC – Dagenergo – was transferred for lease to Dagestan Grid Company, JSC (the property lease agreement previously concluded with Dagenergoset, OJSC is terminated);

- from August 2015, six North Caucasian power supply companies were transferred under control of IDGC of the Northern Caucasus, PJSC;
- from July 4, 2016, in accordance with the judgment of the Arbitration Court of the Chechen Republic on opening of bankruptcy proceedings, IDGC of the Northern Caucasus, PJSC, did not perform functions of the sole executive body of Nurenergo, OJSC. By the Resolution of the Arbitration Court of the North Caucasian Federal District dated January 26, 2017, the specified judgment of the Arbitration Court of the Chechen Republic was canceled. From January 26, 2017, IDGC of the Northern Caucasus, PJSC, continues to perform functions of the sole executive body of Nurenergo, OJSC. On October 27, 2017, in accordance with the judgment of the Arbitration Court of the Chechen Republic, the monitoring procedure against Nurenergo was terminated, and the bankruptcy proceedings were opened against Nurenergo;
- from July 6, 2017, in accordance with the judgment of the Arbitration Court of the Republic of Dagestan on holding bankruptcy proceedings regarding Dagenergoset, OJSC, IDGC of the Northern Caucasus, PJSC, does not perform the functions of the sole executive officer of the aforementioned company.
- from May 23, 2018, in accordance with the decision of the Arbitration Court of the Republic of Dagestan on holding bankruptcy proceedings regarding Dagenergoset, OJSC, IDGC of the Northern Caucasus, PJSC, does not perform the functions of the sole executive officer of the aforementioned company.

The organizational structure of IDGC of the Northern Caucasus, PJSC, is published on the Company's corporate website in the section "Company/Structure of the Company".

Brief History

Milestone Summary	Event description
Creation of a vertically integrated power company	July 1903 Bely Ugol HPP Bely Ugol HPP, the first large hydroelectric power plant in Russia (capacity of 700 kW), was launched on the Podkumok River (Stavropol Territory). The longest (20 km) power transmission lines with 8 kV voltage at the time were outgoing from it.
	1913 Pyatigorsk TPP A thermal power plant was put into operation in Pyatigorsk. Scientists headed by Mr. M. Shatelen looped the thermal power plant with Bely Ugol HPP (the prototype of the Russian Unified Energy System).
	1992 RAO UES of Russia, JSC The Russian open joint stock company of power engineering and energy connectivity UES of Russia was established.
Anti-crisis management	August 1, 2001 KEUK, OJSC KEUK, OJSC, a management company, was registered for the energy systems in North Caucasus (Ingush, Kabardino-Balkar, Karachay-Cherkess, and North Ossetian) in Zheleznovodsk (Stavropol Territory).
	March 2005 Rehabilitation and restructuring project The Rehabilitation and Restructuring Project was approved for the AO-energos managed by KEUK, OJSC.
	September 2006 AO-energo management SGC OJSC received the management functions for joint-stock companies: Kabbalkenergo; Karachayevo-Cherkesskenenergo; Kalmenergosbyt; Sevkvkazenergo; Dagestan Energy Supply

Milestone Summary	Event description
Power engineering reform	Company; Nurenergo; Ingushenergo; KEUK; Stavropolenergo; Dagenenergo.
	April 2006 – September 2007 Disaggregation by activity The grid assets of Kabbalkenergo, OJSC; Karachayevo-Cherkesskenergo, OJSC; Sevkavkazenergo, OJSC and Ingushenergo, OJSC were transferred as payment for additional issue of shares of Open Joint Stock Company Caucasian Power Management Organisation (KEUK OJSC). Kabbalkenergo, OJSC; Karachayevo-Cherkesskenergo, OJSC; Sevkavkazenergo, OJSC and Ingushenergo, OJSC became energy supply companies, and four network branches were created within the structure of KEUK, OJSC.
	August 4, 2006 SGC OJSC State registration of SGC OJSC was executed (by the decision of the only founder – RAO UES of Russia, OJSC).
	August 1, 2007 IDGC of the Northern Caucasus SGC OJSC was renamed as Open Joint Stock Company Interregional Distribution Grid Company of the Northern Caucasus.
	December 25, 2007 – April 1, 2008 Consolidation Reorganisation of IDGC of the Northern Caucasus OJSC was completed by taking over Dagenenergo, OJSC; KEUK, OJSC; and Stavropolenergo, OJSC. IDGC of the Northern Caucasus, OJSC became a unified operating distribution grid company in the North Caucasus.
	July 1, 2008 IDGC Holding, OJSC (currently Rosseti, PJSC) IDGC Holding, OJSC was formed by spinning off from the reorganised RAO UES Russia, OJSC. It provides corporate governance for operating IDGCs. The title to batch of shares of IDGC of the Northern Caucasus is transferred to IDGC Holding, OJSC.
Work on the investment appeal and the management structure	June 2008 Entering capital markets Commencement of trading of shares of IDGC of the Northern Caucasus in MICEX and RTS.
	November 30, 2010 Transition to RAB The Federal Tariff Service approved the transition to RAB tariff regulation for five branches of IDGC of the Northern Caucasus, PJSC, from January 1, 2011.
	January 27, 2010 – February 8, 2011 Dagenergoset, OJSC A subsidiary – a grid company Dagenergoset OJSC – was established and transferred under control of IDGC of the Northern Caucasus OJSC.
	March 23, 2011 Energoservice, OJSC A subsidiary, energy service company Energoservice, OJSC, was established to increase the power efficiency of grid companies in the region.
	December 15, 2011 Split-off of energy supply companies IDGC of the Northern Caucasus, OJSC, had its agreements on delegation of authority of a chief executive officer terminated.
	August 21, 2015 Energy supply companies management

Milestone Summary	Event description
	Six power supply companies are again transferred under control of IDGC of the Northern Caucasus, PJSC.

Key Corporate Events of 2018

Production Activities

July 20 – August 20 – large-scale training was arranged to practice cooperation among Rosseti, PJSC, subsidiaries and affiliates in the course of damage control and mitigation in the power grid complex within the Republic of Dagestan. Power engineers training was initiated by Rosseti, PJSC, to improve the situation in the region's electric power industry.

Corporate Governance and Interaction with Shareholders and Investors

February 5 – the Board of Directors ratified the Regulation about the Dividend Policy as amended (Minutes No. 330 dd. February 6, 2018).

February 22 – the Accounting Reports were published subject to the RAS for 2017.

March 16 – the Financial Reports subject to the IFRS for 2017 were published.

April 28 – the Accounting Reports for the 3 months of 2018 were published subject to the RAS.

May 28 – the Financial Reports subject to the IFRS for the 3 months of 2018 were published.

May 28 – the Annual General Meeting of Shareholders was held (new members of the Board of Directors and the Revision Committee were elected, the Auditor was approved, the decision not to pay the dividends was made, the Regulation on the Board of Directors as amended, the Regulation on the Management, Regulation on remunerations and compensations payment to the members of the Revision Committee were approved).

July 25 – the Accounting Reports for the 6 months of 2018 were published subject to the RAS.

August 24 – the Financial Reports subject to the IFRS for the 6 months of 2018 were published.

October 23 – the Accounting Reports for the 9 months of 2018 were published subject to the RAS.

November 23 – the Financial Reports subject to the IFRS for the 9 months of 2018 were published.

Cooperation with State Authorities and Public Relations

On **April 17** at the Gubkin Russian State University of Oil and Gas, the projects participating in "ConTEKst" Competition, which is held on an annual basis with the support of the Ministry of Energy of the Russian Federation, State Duma of the Russian Federation, Federation Council, Russian Union of Journalists were defended in Moscow that became the quintessence of the best communication experience of the companies of the fuel and energy complex in the country. IDGC of the Northern Caucasus, PJSC, received the Competition Laureate Diploma for Image Project "Power Supply Marathon" summarizing the set of the energy company measures aimed to prevent third parties injury rates because of power, first of all children and adolescents, and to

promote the information about electric power industry. "ConTEKst" Competition united more than 100 projects from our country's companies and enterprises.

From 3 to 6 October, within International Forum "Russian Energy Week" in Moscow, the winners of the fourth All-Russian Mass Media Competition, press services of the companies of the fuel and energy complex and the regional administrations of "MediaFEC" supported by the Ministry of Energy of the Russian Federation were awarded. A special award was given to Creative Project "Corporate Museum "Power of the Time"" submitted by affiliate of IDGC of the Northern Caucasus, PJSC, Stavropolenergo in Nomination "Fuel and Energy Complex Occupations Promoting". The project was declared the winner of the competition's regional stage, and for "MediaFEC" nationwide round about 400 works from 50 country's regions were received.

November 16 – Expert Ug, Regional Analytical Centre, held in Kislovodsk the 8th Conference of Major Companies of the NCFD "New Strategies Drivers". IDGC of the Northern Caucasus, PJSC, was awarded with the Diploma in Nomination "Leading Company in the Power Supply Industry in the NCFD in 2017". The NCFD's list of major companies is determined by Annual Ranking "NCFD Expert – 100". The ranking of the most important companies in the North Caucasus is made by Expert Ug Analytical Centre using the methods of RA Expert Rating Agency.

2. Strategic Report

Business Model and Position in the Industry

Our primary goal is to ensure in the long run the reliable, quality and affordable power supply to consumers in entire territory of the North Caucasian Federal District at the stage of power distribution by organization of the maximum effective infrastructure.

IDGC of the Northern Caucasus, PJSC, supplies power to consumers in the territory with the total area of 170.4 thousand sq. km (1% of the territory of Russia) with the population of 9.8 million people (around 6% of the Russian population).

The Company is a leader in the territory of the North Caucasian Federal District in terms of power transmission services with the market share of around 50% (share of productive power supply to the total supply in the region of presence).

Share of the Net Power Supply to the Total Supply in the Region of Presence

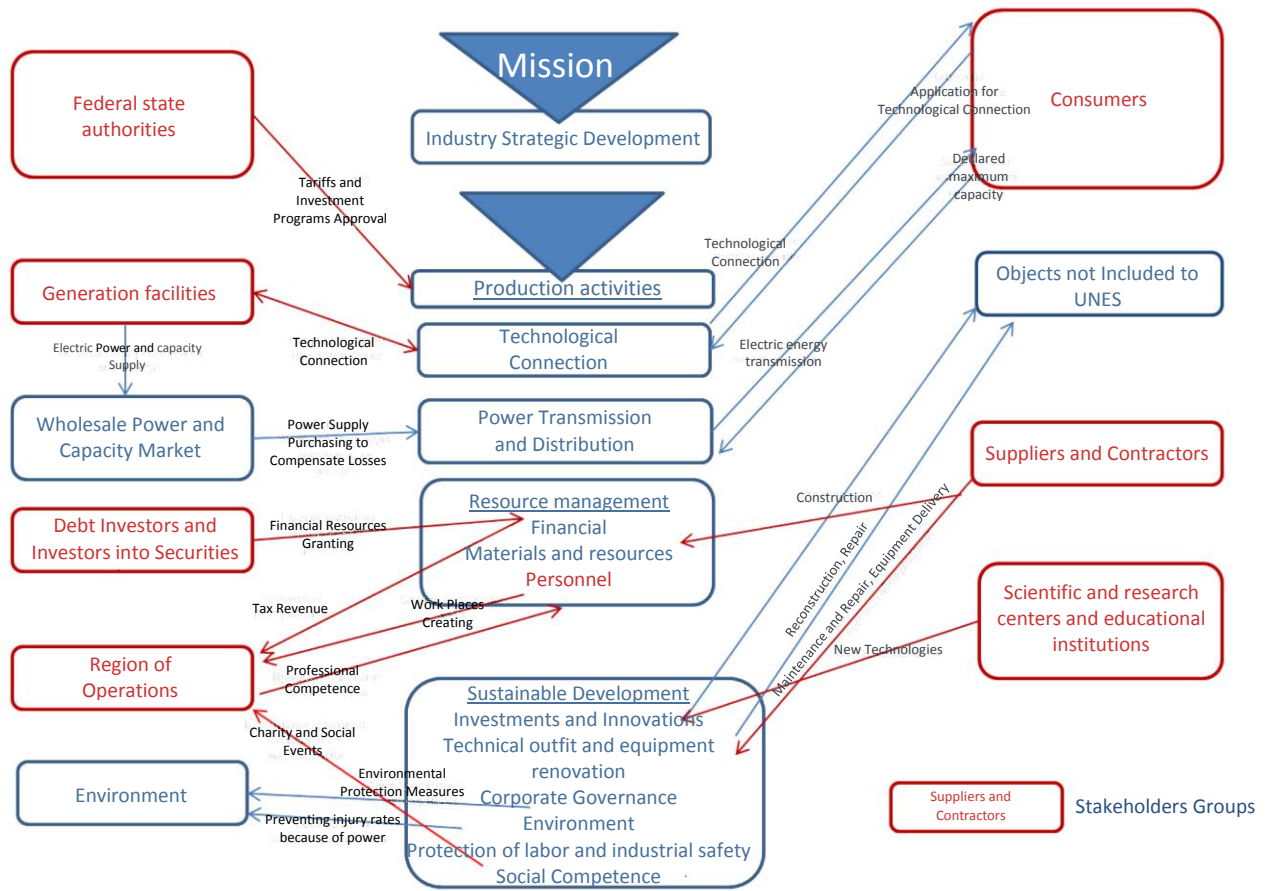
Region	Share of IDGC			2018 variation vs 2017	Main causes of deviations
	2016	2017	2018		
Kabardino-Balkarian Republic	52.65%	52.22%	54.30%	2.07%	Performance of technological connection agreements
Karachay-Cherkess Republic	70.38%	70.77%	66.23%	-4.54%	Consumption lowering of major consumers connected to IDGC grid
Republic of North Ossetia-Alania	63.53%	63.89%	60.93%	-2.96%	Consumption lowering of major consumers connected to IDGC grid
Stavropol Territory	56.91%	47.34%	42.76%	-4.57%	Consumption lowering of major consumers connected to IDGC grid
Republic of Ingushetia	100.00%	99.39%	99.47%	0.08%	Performance of technological connection agreements
In total	60.48%	54.97%	51.22%	-3.75%	

The major consumers of power transmission services are (76% of the proceeds):

- guarantee suppliers: Stavropolenergosbyt, PJSC (Stavropolenergo branch), Sevkavkazenergo, JSC (Sevkavkazenergo branch), Karachayevo-Cherkessenergo, JSC (Karachayevo-Cherkessenergo branch), Kabbalkenergo, JSC (Kabbalkenergo branch);
- territorial grid companies: Gorelektroset, JSC, Stavropol (Stavropolenergo branch), MUE Kabalkkommunenergo (Kabbalkenergo branch), SUE GC Stavropolkommunelektro (Stavropolenergo branch).

Additional Information about the Regulation of IDGC of the Northern Caucasus, PJSC, in the industry is provided in sections (subsections) of this Annual Report: “Company Profile”, “Business model and position in the industry” (“Macroeconomic factors of development”, “Area of responsibility and regional policy”), “Power Grid Assets Consolidation”, “Manufacturing Report”.

How IDGC of the Northern Caucasus, PJSC, Creates Value



Business of IDGC of the Northern Caucasus, PJSC, is arranged in such a manner as to meet the needs of stakeholders to the maximum possible extent.

Process of Transformation of Resources into Values for the Stakeholders of IDGC of the Northern Caucasus, PJSC

Stakeholder	Provided resources	Area of the business model affected by the stakeholders; description of the impact	Created values
State and Region			
Federal state authorities			
- Government of the Russian Federation / Ministry of Energy of Russia Principles of cooperation are set forth in the by-laws of IDGC of the Northern Caucasus, PJSC: ✓ Corporate Code of Ethics and Business Conduct (see the section of the website "For Shareholders and Investors/Charter and Bylaws"); ✓ Provisions of Rosseti, PJSC, about the unified technical policy in the power grid complex	Strategic development benchmarks	Mission (determines the mission of the company through the mission of the power grid complex and strategic benchmarks)	Creation of a catalyst for the growth of cities, the population and the economy in general through the construction of power grids Maintenance of the social well-being
	Approved investment	Determines the key areas of the Company's investment	Ensuring of the operation of the economy and the social sector

Stakeholder	Provided resources	Area of the business model affected by the stakeholders; description of the impact	Created values
Cooperation with the stakeholder in the reporting year is reflected in Sections "Mission, Strategic Objectives and Development Prospects", "Risk Factors and Risk Management System", "Tariff Policy", "Investment Activities and Capital Construction", "Public Relations, State Authorities and Mass Media Relations"	programs	through the approval of investment programs	through the supply of the necessary resource Budget and tax receipts for the development of the economy and the social sector
- Federal Antimonopoly Service Principles of cooperation are set forth in the by-laws of IDGC of the Northern Caucasus, PJSC: ✓ Corporate Code of Ethics and Business Conduct (see the section of the website "For Shareholders and Investors/Charter and Bylaws"); ✓ Provisions of Rosseti, PJSC, about the unified technical policy in the power grid complex Cooperation with the stakeholder in the reporting year is reflected in the sections "Mission, Strategic Objectives and Development Prospects", "Tariff Policy", "Public Relations, State Authorities and Mass Media Relations"	Approved tariffs for power transmission and technological connection of consumers	Production activities: technological connection, power transmission and distribution (set parameters of the Company's activities and determine the formation of funding sources by establishing a socially just and economically feasible amount of payment for the Company's services)	Support of the industry competitiveness through the application of a reasonable and economically feasible tariff Ability to effectively regulate tariffs and monitor their use through constructive cooperation
Region			
Regional authorities Principles of cooperation are set forth in the by-laws of IDGC of the Northern Caucasus, PJSC: ✓ Corporate Code of Ethics and Business Conduct (see the section of the website "For Shareholders and Investors/Charter and Bylaws"); ✓ Anti-Corruption Policy (see the section of the website of Rosseti, PJSC "About the Company/Anti-Corruption Policy"); ✓ Partnership Program between IDGC of the Northern Caucasus, PJSC, and small and medium-sized enterprises (see the section "Procurement/Roadmap for Cooperation with SMEs"); ✓ Provisions of Rosseti, PJSC, about the unified technical policy in the power grid complex Cooperation with the stakeholder in the reporting year is reflected in the sections "Tariff Policy", "Investment Activities and Capital Construction", "Public Relations, State Authorities and Mass Media Relations"	Management decisions (assistance in consolidation of power grid assets, improvement of the payment discipline)	Production activities – power transmission and distribution (participate in joint inventory audit of the power grid complex to identify and register abandoned power grid assets, establish joint working groups to assess the effectiveness of territorial grid companies, develop mechanisms for consolidation of inefficient companies)	Budget and tax receipts for the development of the economy and the social sector Maintenance of the social well-being
Generation facilities Principles of cooperation are set forth in the by-laws of IDGC of the Northern Caucasus, PJSC: ✓ Corporate Code of Ethics and Business Conduct (see the section of the website "For Shareholders and Investors/Charter and Bylaws"); ✓ Provisions of Rosseti, PJSC, about the unified technical policy in the power grid complex Cooperation with the stakeholder in the reporting year is reflected in the sections "Investment Activities and Capital Construction", "Production Report"	Power Supply and Capacity	Production activities: technological connection, power transmission and distribution (apply for connection of generation facilities)	Provision of consumers with access to large cost-effective generators Reduction in generating capacity reserves, which consumers otherwise would have to maintain to ensure the reliability of power supply
Suppliers and Contractors Principles of cooperation are set forth in the by-laws of IDGC of the Northern Caucasus, PJSC: ✓ Corporate Code of Ethics and Business Conduct (see the section of the website "For Shareholders and Investors/Charter and Bylaws"); ✓ Anti-Corruption Policy (see the section of the website of Rosseti, PJSC "About the Company/Anti-Corruption Policy"); ✓ Provisions of Rosseti, PJSC, about the unified technical policy in the power grid complex Cooperation with the stakeholder in the reporting year is reflected in the sections "Procurement Activities", "Anti-Corruption Policy"	Equipment; maintenance, repair, construction (materials, competences, saved time and labor resources)	Resource management – logistics Sustainability: investments and innovations, technical equipment and renovation of equipment, occupational health and safety (ensure the supply of equipment and materials, the performance of works by contract, the proper level of quality of works and materials through the fulfillment of the stated requirements of the customer)	Financial resources for business development Maintenance of the level of employment and adequate standard of living for employees of suppliers and contractors Improvement of competences through the implementation of new projects of the customer
Scientific and research centers and educational institutions	Advanced	Resource management –	Financial resources

Stakeholder	Provided resources	Area of the business model affected by the stakeholders; description of the impact	Created values
Principles of cooperation are set forth in the by-laws of IDGC of the Northern Caucasus, PJSC: ✓ Corporate Code of Ethics and Business Conduct (see the section of the website "For Shareholders and Investors/Charter and Bylaws"); ✓ Provisions of Rosseti, PJSC, about the unified technical policy in the power grid complex Cooperation with the stakeholder in the reporting year is reflected in the sections "Innovative Development in the Field of Energy Saving and Energy Efficiency Improvement", "Human Capital and Social Responsibility"	technologies, human resources	personnel Sustainability: investments and innovations, technical equipment and renovation of equipment (ensure the delivery and introduction of advanced technologies, supply of human resources)	Improvement of competences through the development and elaboration of new projects Employment of graduates of educational institutions
General public Principles of cooperation are set forth in the by-laws of IDGC of the Northern Caucasus, PJSC: ✓ Corporate Code of Ethics and Business Conduct (see the section of the website "For Shareholders and Investors/Charter and Bylaws"); ✓ Anti-Corruption Policy (see the section of the website of Rosseti, PJSC "About the Company/Anti-Corruption Policy"); ✓ Regulation on the implementation of a unified communication policy of IDGC of the Northern Caucasus, PJSC; ✓ Provisions of Rosseti, PJSC, about the unified technical policy in the power grid complex Cooperation with the stakeholder in the reporting year is reflected in the section "Public Relations, State Authorities and Mass Media Relations"	Independent assessment of activities	Sustainability: occupational health and safety, environmental protection, social competences (carry out constant assessment of the reputation, the importance of projects for the regional economy, level of competence, impact on the environment of the region, social responsibility of business through the public censure or approval)	Ensuring of the power supply reliability Maintenance of the level of employment of the population Charity and sponsorship projects Confidence in the environmental sustainability
Shareholders and investors (debt investors, equity investors)			
Principles of cooperation are set forth in the by-laws of IDGC of the Northern Caucasus, PJSC: ✓ see the documents in section of the website "For Shareholders and Investors/Charter and Bylaws"); ✓ Regulation on the Credit Policy Cooperation with the stakeholder in the reporting year is reflected in the section "Corporate Governance"	Money, securities, other things, ownership rights or other rights having a monetary value Innovations and technologies of the corporate governance Competences	Production activities – power transmission and distribution (assist in the creation of a center of responsibility for reliable power supply to consumers in the region, consolidation of grids through the contribution of power grid assets to the authorized capital) HR management – financial resources (ensure the cash inflow for the implementation of projects through the acquisition of the company's securities and granting of loans to the company) Sustainability: investments and innovations, corporate governance (stimulate the introduction of advanced corporate governance practices in the company through the requirements for the investment object)	Interest (for the use of borrowed funds) Income from stock exchange difference Dividends Opportunity to sell shares at any time in the liquid securities market Absence of legal risks (violation of legal rights and interests) when investing in shares through a transparent corporate governance mechanism
Customers and clients			
Principles of cooperation are set forth in the by-laws of IDGC of the Northern Caucasus, PJSC: ✓ Corporate Code of Ethics and Business Conduct (see the section of the website "For Shareholders and Investors/Charter and Bylaws"); ✓ Consumer Service Quality Standard of IDGC of the Northern Caucasus, PJSC; ✓ Unified Procurement Standard of Rosseti, PJSC,	Financial resources	Production activities: technological connection, power transmission and distribution (determine the stability of the company's cash flow creating opportunities or obstacles for planning of the activities and	Power for the operation of a production facility, business, household

Stakeholder	Provided resources	Area of the business model affected by the stakeholders; description of the impact	Created values
Partnership Program between IDGC of the Northern Caucasus, PJSC, and small and medium-sized enterprises (see the section "Procurement/Roadmap for Cooperation with SMEs"); ✓ Anti-Corruption Policy (see the section of the website of Rosseti, PJSC "About the Company/Anti-Corruption Policy"); ✓ Provisions of Rosseti, PJSC, about the unified technical policy in the power grid complex Cooperation with the stakeholder in the reporting year is reflected in the sections "Investment Activities and Capital Construction", "Production Report", "Technological Connection", "Anti-Corruption Policy"		development of the region)	
Personnel			
Principles of cooperation are set forth in the by-laws of IDGC of the Northern Caucasus, PJSC: ✓ Corporate Code of Ethics and Business Conduct (see the section of the website "For Shareholders and Investors/Charter and Bylaws"); ✓ Collective agreement; ✓ Anti-Corruption Policy (see the section of the website of Rosseti, PJSC "About the Company/Anti-Corruption Policy"); ✓ Provisions of Rosseti, PJSC, about the unified technical policy in the power grid complex Cooperation with the stakeholder in the reporting year is reflected in the sections "Innovative Development in the Field of Energy Saving and Energy Efficiency Improvement", "Anti-Corruption Policy", "Human Capital and Social Responsibility"	Professional competences, management decisions, ideas	Resource management – personnel Sustainability: investments and innovations, social competences (ensures the operation of the power grid complex through the attraction of human resources, ensures the development of the power grid complex of the region through the use of new management solutions, the inflow of necessary professional competences)	Ensuring of the employment Adequate salary level Comfortable working conditions Opportunity for self-actualization Improvement of professional competences Maintenance of the adequate standard of living for employees and their families

Macroeconomic Factors of Development

Economics: GDP growth rate acceleration to a great extent is conditioned by one-time factors and is not sustainable; in 2019, the economic growth slowdown by 1.3% is expected

Subject to the data provided by the Ministry of Economic Development of Russia inflation following the 2018 results made 4.3% accelerating from 2.5 in 2017. Compared to the previous year the prices growth rate for all the principal goods categories has grown due to both systemic factors and specific factors at separate goods and services markets.

The major contribution to the inflation was made by the prices dynamics for food commodities (1.7 pp of 4.3%). Food inflation yearly rate following the results of December 2018 has grown up to 4.7% YoY (compared to 3.5% YoY in November and 1.1% in 2017). Such dynamics was mainly due to local factors (decrease in the harvest, epizootic situation worsening) leading to temporary decrease in supply at respective goods markets. In the non-food goods segment the prices growth accelerated from 4.1% in 2018 compared to 2.8% in 2017.

Besides local factors at separate goods and services markets, systemic factors put high pressure to the inflation during 2018.

The first of them was the rubles weakening in the context of prices lowering for oil and capital outflow. To the basket of the currencies existing in the countries being our trade partners the ruble in 2018 lost 8.2%, to USD – 13.0% (December 2018 compared to December 2017). Exchange rate dynamics put high pressure to the prices of a vast range of goods and services.

The second factor is a rapid growth of unsecured consumer credits scopes. For the rolling year, the retail credits portfolio increased by 1.4 trillion rubles that was a significant factor for inflation pressure and import growth. The unfolding situation raises concerns including in the

context of the population actual income whose dynamics if adversely affected by growing interest payments. Besides, the observed growth rates of consumer credits (about 20% YoY) are unsteady and present the source of risks for economic dynamics in coming years.

Subject to the estimation made by the Ministry of the Economic Development of Russia following the results of 2018 the Russian GDP raised by 2.0% after growing by 1.6% in 2017.

The GDP growth rate estimation in whole for the year was substantially influenced by reviewing by Rosstat the construction dynamics for 2017-2018 made in January. Taking into consideration Rosstat's data regarding the construction the Ministry of the Economic Development of Russia reviewed the estimation of the GDP annual growth rates in January – November in favor of increasing by 0.1–0.4 pp. In December, the GDP growth rate made 1.9% YoY (in November – 1.8% YoY).

Rosstat updated information points at substantial expansion in the construction industry in 2018. They also correspond to the investments positive dynamics to the fixed assets (4.1% YoY in January – September), whose growth rate in the 3rd Quarter of 2018 exceeded the estimations made by the Ministry of the Economic Development of Russia subject to operation data and analyst's expectations.

The construction industry made a key contribution to the GDP dynamics improving in 2018 compared to the previous year. Subject to the estimations the construction contribution to the GDP growth rate in 2018 made 0.3 pp (-0.1 pp in 2017). Industry was another driver of the economic growth accelerating and its contribution made 0.6 pp, which is twice as much as the previous year. The industry growth rates increasing also had positive influence on the related transport industry (contribution – 0.2 pp). Just the other way round, commerce evidenced a slowdown a little, however, following the year's results made a positive contribution to the GDP dynamics (0.2 pp). During 2018 the services sector also provided support for the GDP growth. Agriculture contribution to the GDP dynamics in 2018 was slightly negative in the context of decrease in the harvest of certain key cultures (in the first instance, grains) and lowering the cattle breeding turnout growth slowdown.

Industrial manufacturing growth in 2018 accelerated up to 2.9% (from 2.1% in 2017).

Turnout growth in the industry last year was rather smooth. Following the year's results all integrated industry branches showed positive dynamics. The growth in minerals extraction and manufacturing continued, electric energy and water supply growth rates returned to positive figures after the fall in 2017.

Source: Ministry of Economic Development of Russia (<http://economy.gov.ru/minec>).

Subject to the Report made by the World Bank: “After the period of respectively active growth in the first six months of 2018 in the 3rd quarter the economic growth stopped. Such slowdown of the growth rates happened in the context of low harvest, manufacturing and construction industry weak figures and fading effects of the World Football Cup. As from 2014, the growth in export of non-energy sectors goods was ahead of the growth of energy resources export that promoted certain export diversification. To form a more diversified export base a further strengthening of institutes is required being able to govern the volatility of macroeconomic environment and render public services in the sphere of health care, education and infrastructure. Now, when a floating exchange rate and a new budget rule are introduced in the country the latest economic initiatives aimed at investing into human capital and infrastructure are the steps in the right direction”.

Source: World Bank (<http://www.vsemirnyjbank.org>).

Subject to the recent reports of SO UES, JSC, power consumption in the Russian Unified Energy System in 2018 made 1,055.5 billion kW*h that is 1.5% more than the consumption volume in 2017. Power consumption in whole throughout Russia in 2018 made 1,076.1 billion kW*h that is 1.6% higher than in 2017.

Power production in Russia in 2018 made 1,091.6 billion kW*h that is 1.7% more than in 2017. UES Russia power plants produced 1,079.9 billion kW*h that is 1.6% more than in 2017.

The basic load to meet the demand for power in the Russian UES in 2018 was carried by thermal power plants (TPP) whose production made 620.1 billion kW*h that is 1.4% less than in 2017. HPP production for 2018 made 183.8 billion kW*h (2.7% more than in 2017). NPP in 2018 produced 204.1 billion kW*h that is 0.7% higher than the power volume produced in 2017. Power plants at industrial factories for 2018 produced 62.0 billion kW*h (3.0% more than in 2017).

The maximum of electric capacity consumption in the Russian UES in 2018 took place on December 24. Its figures amounted to 151,877 MW that is 0.5% more than the similar figures in 2017.

Power and capacity consumption increasing in Russian UES in 2018 was due to the temperature factor: in March and December 2018 the energy system faced sufficient average monthly temperature of outdoor air reducing compared to the similar figures of 2017, by 6.4 and 4.7 °C respectively. Much lower average temperature compared to the figures of 2017 was also fixed in February and November 2018.

Power consumption in the Russian Unified Energy System in 2018 made 103.3 billion kW*h that is 3.8% more than the consumption volume in December 2017. Power consumption in whole throughout Russia in December 2018 made 105.4 billion kW*h that is 3.8% higher than in December 2017.

In December 2018, power production in Russia in whole made 107.5 billion kW*h that is 4.7% more than in December 2017. Russian UES power plants in December 2018 produced 105.4 billion kW*h of power that is also by 4.7% more than the production achieved in December 2017.

The basic load to meet the demand for power in the Russian UES in December 2018 was carried by TPP whose production made 65.4 billion kW*h that is 5.2% more than in December 2017. HPP production for the same month made 14.2 billion kW*h (by 1.1% less than in December 2017), NPP made 20.0 billion kW*h (by 8.3% more than in December 2017), power plants at industrial factories made 5.7 billion kW*h (by 2.6% more than the figures in December 2017).

The maximum of capacity consumption in the Russian UES in December 2018 amounted to 151,877 MW that is more than the maximum of capacity consumption in December 2017 by 3.7%.

Power and capacity consumption increasing in December 2018 compared to the same month in 2017 was due to the temperature factor: the average monthly temperature of outdoor air in December 2018 in general throughout the Russian EUS made -10.8 °C that is lower than the temperature in December 2017 by 4.7 °C.

According to the current data of Interregional Dispatching Office of the South (IDO South), branch of SO UES JSC, the power consumption in Unified Energy System of the South (UES South) in January-December 2018 was 102,282 million kW*h, which exceeds by 3.2% the consumption in 2017.

The power plants of the UES South from January to December 2018 produced 104,735.4 million kW*h of power that is by 4.7% more than the production in 2017. Power production growth may be explained by putting into operation Unit No. 4 of the Rostov NPP.

Power consumption in the Unified Energy System of the South in December 2018 made 9,996.5 million kW*h that is by 5.7% more than the consumption volume for the same period in 2017. Power consumption growth in the UES South in December was due to consumption increase by the population, small-motor load and similar consumers groups because of much lower average daily temperature compared to 2017 (by 2.9 °C lower).

Power generation by power plants of UES South in December 2018 amounted to 10,008.6 million kW*h, which is 7.1% less than in December 2017.

For the twelve months of 2018, the net power flow from UES South made 2,453.6 million kW*h, including via transnational lines 3,249.7 million kW*h was transferred. In December, the net power flow from UES South made 12.2 million kW*h and via transnational lines 350.6 million kW*h was transferred.

Source: SO UES JSC (<http://so-ups.ru/>), IDO South (http://www.so-cdu.ru/index.php?id=odu_south).

The stock market of Russian Power Industry Companies: the focus of attention is dividends profile and working to improve operations fundamental indices.

MICEX PWR (MICEX-power industry) index in the reporting year in general had a sideways trend and eventually lost 11.4% by the end of the year. MOEX index for 2018 rose by 12.3%. Market capitalization of IDGC of the Northern Caucasus, PJSC also decreased by 25.9%. In 2018, the power industry sector offered not so much news for investors. According to some analysts, MICEX-power industry index dynamics decrease was mainly due to the ruble weakening and investors refocusing from the domestic market.

The average monthly volume of transactions with shares made by IDGC of the Northern Caucasus, PJSC, made 2.24 million rubles that is less than the similar figures for 2017 by 80.6%. Shares issued by IDGC of the Northern Caucasus, PJSC, were listed lower than the MICEX-power industry and MOEX indices for the most part of the period. For the greater part of 2018 the market value of the shares issued by IDGC of the Northern Caucasus, PJSC, showed negative variety of trends with the tendency to lowering following the overall tendency of MICEX-power industry index by the end of the year ensuring more sufficient lowering.

Despite the fact that the shares of IDGC of the Northern Caucasus, PJSC could not offer growth to investors, IDGC of the Northern Caucasus, PJSC together with Rosseti, PJSC made a significant step forward to improve the dividend profile of the company and its dividend prospects. Thus, in early 2018, the Board of Directors of IDGC of the Northern Caucasus, PJSC approved an updated Regulation on the Company's Dividend Policy. The new version of the document presents and describes in detail the Company's new approach to the calculation of dividends, one of the key changes is the determination of the amount of dividends as at least 50% of the net profit determined according to the financial reports, including consolidated financial reports, prepared in accordance with the International Financial Reporting Standards.

Earlier, on December 22, 2017, the Board of Directors of Rosseti, PJSC approved the version of the regulation on the dividend policy of subsidiaries of Rosseti, PJSC.

Source: estimates of IDGC of the Northern Caucasus, RBC.

Growth of the market value of the company's shares faced during February 15 – 19 happened in the context of the news that General Director of Rosseti, PJSC, P.A. Livinskiy addressing to the Russian Investment Forum (in Sochi) officially presented the project of the strategy for the "digital" power grid complex development in Russia up to 2030 having notified that such grid "digitalization" enables Rosseti Group to substantially improve its manufacturing and financial and economic results, and consequently, to become more attractive for investors.

Source: http://www.rosseti.ru/press/news/index.php?ELEMENT_ID=32582.

Growth of the market value of the company's shares faced during April 16 – 24, 2018 happened upon receiving the information that Deputy Head of the Ministry of Economic Development of Russia M.A. Rasstrigin declared that the Ministry supports the idea of fixing the tariffs of power companies with a certain profit margin that may be sent to pay dividends.

Source: <http://www.finmarket.ru/news/4759111>.

Certain support for the market value of the company's shares was provided by the information that subject to the meeting held by the Government Commission arranged to deal with the matters of the North Caucasian Federal District social and economic development headed by Chairman of the Government of the Russian Federation D.A. Medvedev on July 11, 2018 instructed the regions of the North Caucasian Federal District to repay their debts to Gazprom and Rosseti due to assigning to them their grid assets.

Source: <https://www.kommersant.ru/doc/3694734>.

The support for the market value of the company's shares was provided by the information that following the results of the meetings chaired by Deputy Chairman of the Government of the Russian Federation D.N. Kozak suggestions of the Ministry of Energy of the Russian Federation were supported to switch to long-term tariffs, to payment of the grid reserve not used by consumers and to introduce economically reasonable payment for technological connection of consumers at a reduced price.

Source: https://www.kommersant.ru/doc/3745912?from=doc_vrez.

Besides, one of the positive news is the information that Russian President V.V. Putin has ratified the list of instructions (published at web site <http://www.kremlin.ru/acts/assignments/orders/59270> on November 29, 2018). Among other things it says that the Russian Federal Antimonopoly Service [FAS] shall take measures ensuring bringing to correspondence with the reasonable prices (tariffs) values for electric power, prices for natural gas and tariffs for heating energy (heating) within the Republic of Dagestan.

Regional Development in 2018

The North Caucasian Federal District occupies 1.0% of the territory of Russia, accounting for 6.7%¹ of the country's population.

¹ According to a preliminary estimate of the population as of January 1, 2019.

The turnover of companies of the federal district for all types of activity in 2018 amounted to 2.7 trillion rubles, or 105.6% as compared to the level of the corresponding period of the previous year.

Producer price index for industrial goods¹ made 111.5%. **Agricultural production index** compared to 2017 made 98.0%.

The share of the North Caucasian Federal District in the **total agricultural output of all agricultural manufacturers** in Russia (agricultural organizations, peasant/farm households, individual entrepreneurs, households of the population) in 2018 was 8.8%.

Producer price index for Agricultural Products¹ made 115.8%.

Consumer price index¹ made 103.7%, including for food products – 103.5%, non-foods products – 103.7%, services – 104.1%.

The **wholesale trade turnover of wholesale traders** in 2018 amounted to 0.7 trillion rubles and decreased in comparison with 2017 by 1.7% in comparable prices.

Foreign trade turnover in January – September 2018 was marked by positive trade surplus making 0.2 billion USD (export – 1.0 billion USD, import – 0.8 billion USD) and made 0.4% of the all-Russia foreign trade turnover.

To develop economics and social sphere of the North Caucasian Federal District in January – September 2018 281 billion rubles of **investments to the fixed capital** were used or 109.5% to the respective period of the previous year.

Scope of investments to the district made 2.8% of all Russian investments. Relative share of investments out of its own funds made 52.0%, raised funds – 48.0%, including 23.3% out of the federal budget funds.

The total scope of **financial investments** in January – September 2018 made 538.8 billion rubles. In the structure of financial investments received by the North Caucasian Federal District for the expired period, 52.2% are short-term financial investments.

The **consolidated budget** of the constituent units of the North Caucasian Federal District in 2018 was implemented with a surplus of 21.7 billion rubles. Expenses made 426.4 billion rubles, income – 448.1 billion rubles.

Subject to the data of the FTS of Russia in the North Caucasian Federal District, the return of taxes, dues and other binding payments in January – September 2018 compared to the similar period in 2017 increased by 10.0% and made 144.9 billion rubles. The debt for taxes, dues, fines and tax penalties to the budgetary system of the Russian Federation as for October 1, 2018 throughout the district made 39.4 billion rubles.

Throughout the district (subject to the preliminary data), the number of born children increased the number of dead by 1.9; **natural increase rate** amounted to 6.8‰. Population migration outflow made 25.2 thousand persons.

¹ December 2018 compared to December 2017.

Work-force size aged 15 and more subject to the work-force sample survey in 2018 made 4.7 million persons or 62.0% of the total population in the district of a respective age group.

Population welfare level is first of all determined by **population money income** that in per capita terms (subject to the preliminary data) throughout the North Caucasian Federal District made 24,019 rubles per month (in whole within Russia – 32,598 rubles per month).

The average monthly nominal accrued salary of companies employees in 2018 (subject to preliminary data) made 26,721 rubles and was increased compared with 2017 by 9.9%, **actual accrued salary** increased by 7.4%.

Source: Federal State Statistics Service (<http://www.gks.ru>).

Area of Responsibility and Regional Policy

IDGC of the Northern Caucasus, PJSC, operates throughout the North Caucasian Federal District. The district was created by Decree of the President of the Russian Federation dated January 19, 2010. The district's territory makes 170.4 thousand sq. km (1% of the entire Russian territory).

The region has specific social and economic, political and natural characteristics, which may pose threats for formation and operation of economically stable and investment-attractive entities of the power markets. However, we believe that the mentioned features of the district are the opportunities of the company, making it possible to acquire a unique experience in solving issues of the power industry. The main conditions for turning threats into opportunities may include persistent pursuing of the strategic benchmark for achievement and maintenance of operating efficiency, as well as responsible and honest company management.

Factors of region investment attractiveness:

- special governmental support measures;
- special institutes of development for the district;
- opportunity to develop any types of tourism;
- transport accessibility;
- wide opportunities for industrial complex development;
- unique natural and climatic conditions.

Order of the Government of the Russian Federation dated April 15, 2014 No. 309 approved the State Program of the Russian Federation "Development of the North Caucasian Federal District until 2025".

By Order of the Government of the Russian Federation No. 148 dated February 27, 2016 the revised version of the [state program of the Russian Federation "Development of the North Caucasian Federal District for the Period until 2025"](#) (Program), developed under supervision of the Ministry of the North Caucasian Affairs of the Russian Federation (current document's version dated March 30, 2018).

As was noted by Chairman of the Government of the Russian Federation, D.A. Medvedev, at the meeting of the Government Commission on the social and economic development of the North Caucasian Federal District on March 11, 2016: "The revised version of the state program is a plan aimed at improving the situation in the economy of the North Caucasus. It pays much more attention to attracting extra-budgetary sources, creating more comfortable conditions for the implementation of promising business projects, especially in the field of tourism, recreation, and

agrobusiness. I hope this will provide a more comprehensive approach to solving the tasks of the district development and will make it possible to use organizational and financial resources more efficiently."

The Program's Executive in Charge: the Ministry of the North Caucasian Affairs of the Russian Federation

Implementation Terms for the Program shall be **2013–2025**.

Total amount of budgetary allocations from the federal budget for the implementation of the Program: **29,556,624 thousand rubles**.

The Program goals are to develop competitive industry sectors, agricultural complex, tourism in the North Caucasian Federal District and to raise the efficiency thereof as well as to raise the investment attractiveness level of the North Caucasian Federal District.

District Geography

The district has borders with:

- by land – with the South Federal District, Abkhazia, Azerbaijan, Georgia and South Ossetia;
- by water borders – Iran, Kazakhstan and Turkmenistan;
- it is bound by the Caspian Sea in the east, the Greater Caucasus Range and Georgian and Azerbaijani borders in the south, and Russian internal political borders in the west and north.

The district enjoys a unique combination of balneological resources – mineral drinking waters, thermal waters and therapeutic muds (about 30% of mineral water resources and over 70% of thermal water resources of Russia are concentrated here). The Greater Caucasus mountain range occupies about 50% of the area of the North Caucasian Federal District.

Value for the Region:

- favorable conditions for permanent residence and development of the tourist and recreation complex;
- promising site for development of high mountain tourism.

Value for Power Engineering:

- commissioning of new capacities for power supply of the North Caucasus resorts;
- growth of revenues for power transmission services and technological connection to the grid infrastructure.

Constituent units of the Russian Federation included into the area of responsibility of IDGC of the Northern Caucasus, PJSC, are characterized by rather weak development of the territory. However, the developed infrastructure, including power engineering, is the necessary condition for territory development and the city growth. Understanding our responsibility in this area, the company applies every effort to build a high-technology, reliable and safe grid infrastructure.

Mission, Strategic Objectives and Development Prospects

Presidential Decree dated November 22, 2012 No. 1567 "On Joint Stock Company Russian Networks" provided for design of the development strategy of Rosseti, PJSC, and the power grid complex of Russia as a whole. Such **Power Grid Complex Development Strategy** of Russia was approved by Order of the Government of the Russian Federation dated April 3, 2013 No. 511-r.

As an integral part of Energy Holding Rosseti, IDGC of the Northern Caucasus, PJSC, follows the overall strategy of the power grid complex (see section of the website of Rosseti, PJSC “About the Company/Mission and Strategy”).

The **mission** of IDGC of the Northern Caucasus, PJSC is the reliable and high-quality satisfaction of the growing needs of the economy and the social development of constituent units of the Russian Federation falling within the Company's area of responsibility, with a reasonable fee for services for the consumers.

The main tasks of the strategic development of IDGC of the Northern Caucasus, PJSC are as follows:

- maintenance of the overall reliability, safety and stable operation of the regional distribution power grid complex;
- increase in the efficiency of the Company's operations, as well as the power companies controlled by it;
- expansion and modernization of power grid assets as a result of an innovative large-scale technological upgrade;
- development of socially responsible business practices;
- improvement of the investment attractiveness of the Company.

IDGC of North Caucasus, PJSC will never sacrifice its **values** for the sake of profit perceiving thereof as an interlink between all areas of business expecting the same attitude from its business partners.

Corporate values of IDGC of the Northern Caucasus, PJSC are as follows:

1. Reliability. The Company seeks to ensure the most reliable and uninterrupted power supply to satisfy the needs of the Russian Federation economy and social sector by implementing a whole range of all necessary organizational and technical activities ensuring the reliable performance of the power grid infrastructure facilities and taking necessary steps to ensure the safety of power facilities.
2. Human resources. The key asset of the Company is its employees, owing to whom the Company has been creating, preserving and building up its value and authority over a long span of time.
3. Efficiency. The Company recognizes its duties towards its shareholders, investors and partners, for which reason the efficiency of its operations is viewed as the basic value.
4. Safety. The Company employs a strictly regulated and balanced approach to the implementation of safety measures intended to prevent any potential offenses against law.
5. Social responsibility. IDGC of the Northern Caucasus, PJSC is a socially responsible company paying much attention to issues of health, safety, environment protection and social programs.

Within the implementation of the Power Grid Complex Development Strategy of Russia in IDGC of the Northern Caucasus, PJSC, the following results were obtained and the following measures were implemented:

A) For achieving the benchmark "increase in the reliability and quality of power supply up to the level corresponding to the consumer needs", including:

- to improve the consumers' services quality (including reducing the number of stages required for technological connection to power grids) an automated system was put into operation for technological connection management of power consumers to the grids of IDGC of the Northern Caucasus, PJSC, and controlled companies by typical platform 1C: Enterprise 8. Power Industry. Distribution Grid Company Management. The number of stages necessary for technological connection to the power grid, according to the results of 2018, was 3.

- as to the index “power non-delivery lowering” in whole at the Company (not taking into consideration the figures at Dagestan Grid Company, JSC and Chechenenergo, JSC) positive dynamics is evidenced as to the power non-delivery index that is lowered by 49.6% from 0.884 million kW*h in 2017 to 0.445 million kW*h in 2018 (lowering compared to 2017 by 0.438 million kW*h).

- in terms of reduction in the cost of technological connection for small and medium-sized enterprises – in accordance with Article 23.2 of Federal Law "On the Power Industry" dated October 1, 2017, the fee for technological connection of power receivers with a maximum capacity of not more than 150 kW does not include expenses for the construction of power grid facilities – from the existing power grid facilities to the connected power receivers and/or power facilities.

B) For achieving the benchmark "increase in the efficiency of the power grid complex", including:

- for the enhancement of the safety of power supply, including the reduction in the total number of accidents, including unaccounted accidents, a set of actions aimed at reducing injuries is being implemented.

- to reduce investment costs per unit when drafting the investment program of IDGC of the Northern Caucasus, PJSC, the project documents quality is checked as to complying with the assignment for projecting and standard documents, construction and installation works performing is controlled subject to the approved project documents and project decisions implementation is supervised in connection with equipment delivery subject to the approved project documents. At the same time, no objects of more than 35 KW were put into operation in 2018.

- Decrease in controlled operating expenses in 2018 as compared to 2012, for implementing the Power Grid Complex Development Strategy of the Russian Federation approved by Decree of the Government of the Russian Federation No. 511-r dated April 3, 2013, amounted to 21.66%.

- Level of power losses for 2018 made 13.58%, which is below the planned indicator by 0.57%. In this area, the power losses reduction program is being implemented.

C) As compared to 2012, the number of TGCs is reduced by 18%. As from 2016, the criteria for inclusion of power facilities owners to territorial grid companies came into effect, as approved by Decree of the Government of the Russian Federation dated February 28, 2015 No. 184 "On the Inclusion of Power Facilities Owners into Territorial Grid Companies"

Prospects for the Development of IDGC of the Northern Caucasus, PJSC

Today, IDGC of the Northern Caucasus, PJSC is a dynamically developing company. In the subsequent years, the Company intends to target its efforts at successful implementation of objectives within the chosen course. Development of IDGC of the Northern Caucasus, PJSC in the priority areas of activities will make it possible in the long run to become the competence leader, the largest infrastructural company and the center of responsibility for reliable supply to consumers within the territory of the North Caucasian Federal District. Besides, strategic objectives of its development for the future year and longer run are seen by IDGC of the Northern Caucasus, PJSC as provision of systemic reliability, safety and stable functioning of the distribution power grid complex of North Caucasian Federal District, improved efficiency of Company's business, as well as subordinate power companies, upgrade of power grid assets as a

result of innovative large-scale technological upgrade, development of socially responsible business practice, considerable increase of Company's profitability, as well as generation of an investment-attractive image.

Development prospects for IDGC of the Northern Caucasus, PJSC, are specified in the sections of Annual Report "Manufacturing Report" (as to the forecasting dynamics of power loss indices in distribution grids, technological connection, information about services quality increasing as to technological connection, developing the schemes and programs for power development in the constituent units of the Russian Federation for the period of 5 years, environment policy implementation), "Investment Activity and Capital Construction" (as to the information about long-term investment program), "Information about the Grids Technical State" (as to the equipment certification and unified scientific and technical policy implementation), "Public Relations, Connections with Public Authorities and Mass Media" (as to information about cooperation with mass media) and in Section "Corporate Governance" and Appendix No. 6 to the Russian version of the "Annual Report about Complying by IDGC of the Northern Caucasus, PJSC, with the Principles and Recommendations provided by the Code of Corporate Governance" there is information about the measures the company schedules to take to improve the corporate governance.

Priority Areas of Activities and Report of the Board of Directors and Results of the Company's Development in the Priority Areas of Activities

In 2018, the Board of Directors of IDGC of the Northern Caucasus, PJSC, did not make decisions on determining the priority areas of the Company's activities.

In 2018, IDGC of the Northern Caucasus, PJSC, was developing in the following priority areas of activities:

Area of business	Minutes of meeting of the Board of Directors, where the area of business was identified as a priority	Brief report on the results of the company's development in priority areas	Section of the Annual Report of IDGC of the Northern Caucasus, PJSC, which contains a more detailed information on results of company development along the specified priority areas of business
Power Grid Assets Consolidation	Minutes No. 121 dated December 27, 2012, Minutes No. 129 dated April 12, 2013	Since the entry into force of Decree No. 184 of the Government of the Russian Federation dd. February 28, 2015, within the territory of the NCFD 18 TGCs have been deprived of the status. As from 2018 the property of Electroset, MUE (Kizilyurt, Republic of Dagestan) deprived of the TGS status in 2016 was let on lease to Dagestan Grid Company, JSC. In 2018 certain measures for power grid assets consolidation were implemented in 2018 Based on the results of 2018, as of January 1, 2019, the share of RGP of IDGC of the Northern Caucasus, PJSC (including subsidiaries and controlled companies) in RGP of the constituent units of the North Caucasian Federal District was 79%.	"Power grid assets consolidation"

Ensuring of the accessibility of the power supply infrastructure and the quality of technological connection to power grids of IDGC of the Northern Caucasus, PJSC	Minutes No. 174 dated September 11, 2014	The target model "Technological Connection to Power Grids" was approved by Decree of the Government of the Russian Federation No. 147-r dated January 31, 2017. It includes the implementation of 19 measures, 10 of which were implemented with the assistance of IDGC of the Northern Caucasus, PJSC (Rosseti, PJSC) in all regions of presence: In 2018 experts of IDGC of the Northern Caucasus, PJSC performed actions for technological connection of large facilities that are of importance for economic development of constituent units of the North Caucasian Federal District. To raise the services quality regarding with technological connection a number of measures is implemented, including automation of the procedure of technological connection. Internet Services are functioning.	"Technological connection"
Provision of the established level of reliability and quality of services provided	Minutes No. 80 dated September 15, 2011	Following the results of 2018, all branches of IDGC of the Northern Caucasus, PJSC, happened to achieve reliability level indices fixed by regional services for tariffs. Based on the results of activities of IDGC of the Northern Caucasus, PJSC for 2018, the indices of reliability level and customer service quality level and quality level of implemented technological connection are achieved within the permissible deviations from the planned values stipulated by Order No. 1256 of the Ministry of Energy of Russia dated November 29, 2016.	"Mission, Strategic Objectives and Development Prospects", "Communications with Services Consumers", "Information on the Technical Condition of Grids"
Implementation of the integrated program of activities for reducing excessive power losses in the distribution grids on the territory of North Caucasus; reduction of level of losses in networks and development of metering systems	Minutes No. 72 dated April 21, 2011, Minutes No. 183 dated January 12, 2015	For reducing commercial power losses in grids of IDGC of the Northern Caucasus, PJSC in the territory of the Republic of Dagestan, the Republic of Ingushetia and Chechen Republic, the Comprehensive Program of Actions for Reduction in Excessive Losses is being implemented. The program is being implemented as from 2011. The Comprehensive Program within the territory of the Republic of Ingushetia is completed and commissioned in full in 2015. The Comprehensive Program within the territory of the Chechen Republic is completed and commissioned in full in 2016.	"Investment Activities and Capital Construction"
Generation and implementation of programs financed with federal budget funds, as well as funds of the National Welfare Fund of Russia (NWF) and pension savings; provision of targeted and effective usage of funds from the federal budget, NWF	Minutes No. 176 dated October 22, 2014	Full cost of the project in accordance with the investment program of the Company for 2016–2022 approved by Order of the Ministry of Energy of Russia dated December 20, 2018 No. 24@ amounted to 5,250.4 million rubles, VAT included. The total number of metering points covered by the program is 636,126 pieces. No works subject to the Comprehensive Program within the territory of the	"Investment Activities and Capital Construction"

and pension savings		Republic of Dagestan were implemented in 2018. In 2018, the financing of the measures included to the Comprehensive Program amounted to 242.9 million rubles, VAT included. From the start of implementation of the Comprehensive Program, its performance amounted to 3,707.8 million rubles. Financing amounted to 5,181.4 million rubles. Implementation of the Comprehensive Program was carried out through: - federal budget funds – 3,384.3 million rubles, without VAT; - Company's own funds – 322.9 million rubles, net of VAT; - other funds – 0.6 million rubles, net of VAT. The Comprehensive Program was funded out of the following sources: - at the expense of the federal budget – 4 748.9 million rubles, VAT included; - out of the Company's own funds – 429.9 million rubles, VAT included; - out of other funds – 2.65 million rubles, VAT included.	
Implementation of the IT, Automation and Telecommunications Strategy of IDGC of the Northern Caucasus, PJSC, improved efficiency of works for introduction of state-of-the-art information technologies	Minutes No. 18 dated 11 January 2008, Minutes No. 108 dated July 26, 2012	- decisions of the Board of Directors of the Company dated April 24, 2012 (Minutes No. 108 dd. July 26, 2012) ratified the Information Technologies, Automation and Telecommunications Strategy of IDGC of the Northern Caucasus, PJSC, for the period up to 2016 (Company's IIT Strategy). The aforementioned document was the key document of the strategic level governing the operations in the sphere of information technologies and telecommunications (IT operations) in the Company. The Company's ITT Strategy was developed subject to the Strategy of Rosseti, PJSC, and its subsidiaries and affiliates in the sphere of information technologies, automation and telecommunications for the period up to 2016 (ITT Strategy of the Group of Companies ratified by the Board of Directors of Rosseti, PJSC, Minutes No. 36 dd. July 2, 2012). Due to updating the business goals set by Rosseti, Group of Companies the Policy of Rosseti, PJSC, in the sphere of information technologies, automation and telecommunications (ITT Policy) was developed and ratified by the Decision made by the Board of Directors of Rosseti, PJSC (Minutes No. 276 dd. September 8, 2017). The aforementioned decision made by the Board of Directors of Rosseti, PJSC claimed as void the ITT Strategy of the Group of Companies.	"Information Technologies and Telecommunications" (as to the ITT Policy)

Activity to monitor and coordinate procurement system	Minutes No. 3 dated October 31, 2006	Procurement activity of IDGC of the Northern Caucasus, PJSC, is governed by the Common Standard for Procurement Activity adopted by Rosseti, PJSC (Regulations about Procurement) approved by the Company's Board of Directors (December 21, 2015 No. 220), Order No. 114 made by IDGC of the Northern Caucasus, PJSC, on February 28, 2017 "About Procurement Activity Arranging". Procurements procedural regulation is applied to ensure the intended and effective expenditure of the Company's monetary funds and to receive economically feasible costs and prevent any possible improper use by the Customer (Procurements Organizer). Subject to Para. 3 of the Procurements Common Standard the information about regulated procedures held and the report about the results thereof are posted at the official web site www.zakupki.gov.ru.	"Procurement Activities"
Improvement of the level of anti-terrorist and anti-subversion protection of the power grid complex facilities of IDGC of the Northern Caucasus, PJSC	Minutes No. 61 dated August 17, 2012	77 power facilities of the Company are under physical protection, security is provided by the companies, announced as the winners of the tenders held. 400 audits were performed on status of anti-terrorist protection of power facilities, 12 training sessions were provided for actions of employees of security firms in case of emergencies; sessions and briefings are provided on a weekly basis for employees of security firms. Interaction was organized with territorial law enforcement authorities.	"Information on the Technical Condition of Grids"
Attestation of equipment, materials and systems at the Company's facilities	Minutes No. 169 dated July 9, 2014	The implementation of a unified scientific and technical policy that ensures the development of power grid facilities and the efficient operation of the power grid complex of IDGC of the Northern Caucasus, PJSC, is carried out through, in particular, the arrangement by Rosseti, PJSC and IDGC of the Northern Caucasus, PJSC, of the certification of equipment, technologies, materials and systems for preventing the use of equipment that does not meet the technical requirements for reliability, safety, performance characteristics and conditions of use. The necessary organizational work was carried out by IDGC of the Northern Caucasus, PJSC, in previous periods. During 2018, additional measures were not taken to organize the certification of equipment. Current lists of certified equipment, materials and systems are available on the official website of Rosseti, PJSC and are freely available at the following link: http://www.rosseti.ru/investment/science/attest	"Information on the Technical Condition of Grids"

Perfection of the internal control and risk management system, development of internal audit function	Minutes No. 172 dated August 4, 2014	ation/. The Company has the Risk Management System (RMS) aimed at ensuring the sustainable continued operation and development of the Company by the timely identification, assessment and effective management of risks that threaten the effective performance of economic activities and reputation of the Company, workers' health, the environment, and ownership interests of shareholders and investors. For developing RMS in the Company, the Board of Directors approved the Risk Management Policy (Minutes No. 231 dated March 25, 2016). The Company's internal control system (ICS) is an element of the Company's general management system aimed at providing reasonable guarantees for achieving the objectives. The ICS participants' functions are enlisted in the Policy of the Company's Internal Control approved by the Decision made by the Board of Directors on March 14, 2016 (Minutes No. 230), regulations about business units. To ensure implementation and support of the effective system of the internal control functioning complying with generally accepted practices and performance standards in the sphere of internal control and with the requirements made by controllers and assisting to achieve the Company's operations goals the Decision made by the Board of Directors on March 14, 2016 (Minutes No. 230) ratifies the Internal Control Policy of IDGC of the Northern Caucasus, PJSC (as amended). The Company has the Procedure for Implementation of the Requirements of the Internal Control Policy, which explains the practical aspects of the application of the standards established by the Internal Control Policy. Business unit responsible for the implementation of the internal audit function in the Company is the Internal Audit and Control Directorate. Targets and objectives, main principles of organization and operation of internal audit, functions and responsibilities of internal audit are defined in the Internal Audit Policy of IDGC of the Northern Caucasus, PJSC (as amended), approved by the Board of Directors on February 28, 2017 (Minutes No. 285 dated March 3, 2017). The Company approved the following documents that regulate internal audit function:	"Risk Factors and Risk Management System", "Internal Control System", Appendix No. 9 to the Russian version of the Annual Report
Adoption of a system	Minutes No. 103	In accordance with the decision of the	"Information on the Technical

for management of production assets	dated June 1, 2012	Board of Directors of IDGC of the Northern Caucasus, PJSC dated April 25, 2018 (Minutes No. 346 of May 28, 2018) approved the Development Action Plan for the Production Assets Management System of IDGC of the Northern Caucasus, PJSC, for 2016-2019. Within the Action Plan for Development of the Production Assets Management System of IDGC of the Northern Caucasus, PJSC, for 2016-2019, in 2018 actions were implemented on the following key objectives.	Condition of Grids”
Organization of work for recording data on maximum allowable capacity of consumers previously connected to the Company’s power grids	Minutes No. 135 dated June 20, 2013	In 2018, the number of connection (supply) points – 6,362 pieces, the number of connection (supply) points specified in the signed technological connection certificates – 6,362 pieces, the number of connection (supply) points specified in the signed certificate of delineation of balance sheet attribution (CDBSA) – 6,362 pieces, the maximum capacity specified in the technological connection certificates or CDBSA – 154,760.8 kW, performance per cent – 100%.	Appendix No. 4 to the Russian version of the Annual Report

Risk Factors and Risk Management System

The Company has the **Risk Management System (RMS)** aimed at ensuring the sustainable continued operation and development of the Company by the timely identification, assessment and effective management of risks that threaten the effective performance of economic activities and reputation of the Company, workers’ health, the environment, and ownership interests of shareholders and investors.

For developing RMS in the Company, the Board of Directors approved the Risk Management Policy (Minutes No. 231 dated March 25, 2016).

RMS Participants

The main participants in the risk management process are set forth in the table:

Participant name	Main functions in the field of RMS
Board of Directors	- approves bylaws of the Company that define the organization and operation of the Company's risk management system; - reviews reports of the executive bodies of the Company on organization, operation and efficiency of RMS, as well as assesses its operation and elaborates recommendations for its improvement;
Authorized Committee at the Board of Directors	monitors the effectiveness of risk management procedures, as well as assesses the effectiveness of risk management and RMS improvement activities
Executive officers (Management Board, General Director)	- establish the requirements for the format and completeness of information on risks of the Company; - determine the areas and elaborate plans for development and improvement of RMS; - perform analysis of risk portfolio and elaborate measures for a

Participant name	Main functions in the field of RMS
	response strategy and reallocation of resources for management of the relevant risks;
Risk owners	are responsible for the timely identification and assessment of risks, selection of a method for risk response, timely development and organization of risk management activities, regular monitoring of risks
Persons responsible for the implementation of risk management measures	are responsible for the timely identification and/or minimization of risks, implementation of activities aimed at risk management in a timely manner and in full
Internal Audit and Control Business Unit	- carries out internal independent assessment of the risk management system efficiency and issues recommendations on the increase of efficiency and effectiveness of the risk management system; - performs functions of overall coordination of risk management processes

Major Risk Factors

Risk significance – combination of probability of risk occurrence and value of impact for the Company in monetary and other terms. Assessment of risk significance is carried out with due regard for available risk data sheets or by experts in accordance with the following scale:

Level of significance	
<i>Critical</i>	
<i>Significant</i>	
<i>Moderate</i>	

Level of Risk Significance

Dynamics of the risk significance vs the previous year and during the reporting year is reflected with due regard for the available risk data sheets or by expert method with the help of arrows: ↑ (risk significance growth) ↓ (risk significance reduction).

Assessment of Risk Significance

Item No.	Risk name	Risk description	Actions to minimize risk effects	Assessment of risk significance and dynamics
Industry risks				
1	Tariff risks	The tariff regulation policy implemented by the government takes into account the need to control inflation and provides for a change in the regulated tariffs of grid companies in 2017-2019 below the actual inflation index with an outrunning growth in prices in the wholesale market, which	1. Provision of support materials to regulatory bodies (Regional Tariff Services of regions) that confirm the level of economically justified costs 2. Preparation and submission to regulatory bodies of materials with the justification of the required level of costs of IDGC as a systemically important company	

Item No.	Risk name	Risk description	Actions to minimize risk effects	Assessment of risk significance and dynamics
		causes the risk of establishment by regulatory bodies of tariff options that do not ensure the collection of economically justified revenue.	in the region.	
2	Risk of reduction in the scope of power transmission services	The risk is caused by the possibility of reducing the demand for power and optimizing by major consumers of external power supply schemes.	1. Regular analysis of the current dynamics of power consumption taking into account the previous periods. 2. Preparation of the forecast of productive supply to the business unit taking into account the actual dynamics of power consumption. 3. Implementation of measures under the power losses reduction program.	
3	Risks associated with the provision of technological connection services to applicants	Risks are caused by the possible emergence of a deficit of the funding source for measures for the fulfillment of technological connection contracts; non-fulfillment by the applicants of obligations under technological connection contracts; the applicants' failure to utilize the capacity received as a result of technological connection. Due to the influence of these factors, the Company's revenues from technological connection may be reduced.	1. Submission to regulatory bodies of materials on the justification of fees for an individual project. 2. Submission to regulatory bodies (Regional Tariff Services of regions) of additional supporting materials confirming the cost of individual connection. 3. Preliminary holding of a conciliatory meeting (before filing a tariff application) attracting the applicant and representatives: regional RTS, MES, RDU, ministries being in charge of the power industry to optimize the application individual tariff.	
4	Risks associated with the acceptance of the last resort supplier status and functions	Growth of accounts receivable of last resort supplier for supplied power and accounts payable of last resort supplier to wholesale market for electricity and power	1. Cooperation with the government of RF constituent entity on the issue of power payment by utility enterprises and budget-dependent organizations. 2. Claims work. 3. Implementation of measures for introducing a procedure for disconnection (limitation) of consumers in default of payment in accordance with the current law. 4. Implementation of measures to apply the provisions of Federal Law dated November 3, 2015 No. 307-FZ "On Amending Certain Regulations of the Russian Federation for Enhancing the Payment Discipline of Power Consumers" in terms of the provision by consumers of the performance guarantee (bank guarantees).	
5	Risk associated with non-payment for power transmission services	The risk is caused by the inadequacy of the current incentive mechanisms for	1. Holding of meetings of the Interdepartmental Working Group on the Fuel and Energy Complex	

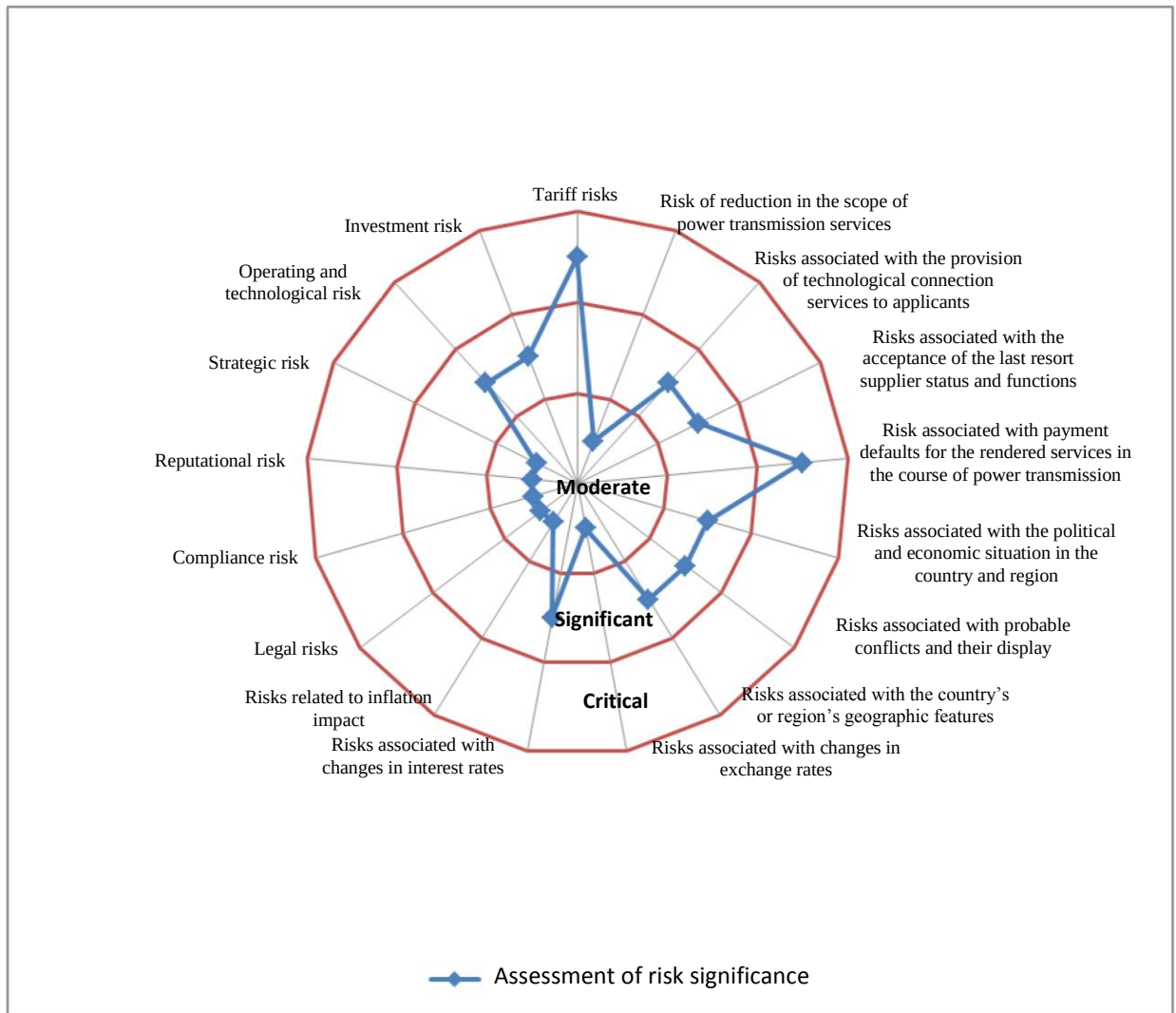
Item No.	Risk name	Risk description	Actions to minimize risk effects	Assessment of risk significance and dynamics
	provided (incurring of disputed and undisputed overdue receivables) by consumers of services	ensuring the timely settlements by consumers of services for power transmission services, as well as the impact of macroeconomic factors (reduction in the solvency of consumers).	of the North Caucasian Federal District at the Government Commission for the Social and Economic Development of the North Caucasian Federal District, including issues on payment discipline for energy resources supplied. 2. Compliance with the operating procedures for recovery of accounts receivable for power transmission services rendered, accounted for on the balance sheet of the Company: - monthly submission of claims to counterparties for the principal debt and imposition of penalties for late payment for the power transmission services rendered; - conclusion of compromise agreements, debt repayment agreements, debt restructuring agreements; - restriction of the consumption mode for "direct" consumers; - measures for resolving disagreements; - litigation.	
Country and regional risks				
6	Risks associated with the political and economic situation in the country and region	Risks are caused by a decrease in the economic activity of the constituent units of the Russian Federation in the regions of presence, an increase in the cost of credit, which in its turn may be caused by the instability in external conditions, international sanctions, decrease in credit ratings and increase in inflationary pressures. The influence of these factors may result in reduction in the Company's revenues and its shareholder value.	1. Continuous monitoring of the borrowed capital market and counterparty banks and, if possible, debt restructuring. 2. Continuous optimization of the borrowing portfolio taking into account changed market indicators. 3. Monitoring of the credit resource market for revealing more favorable crediting conditions. Increase in the share of fixed-rate instruments at a level acceptable to the Company. 4. Search for alternative sources of borrowing, including bond borrowing.	
7	Risks associated with possible conflicts and their manifestations, announcement of the state of emergency and strikes in the regions	Risks are caused by possible acts of unlawful interference in activities, including terrorist acts, including by international terrorists, as well as by nationalists of certain states. Such acts may have a negative impact on the activities of the Company.	1. Provision of physical, engineering and technical protection and security of power facilities of IDGC of the Northern Caucasus, PJSC. 2. Planning of financial costs in the business plan for the purchase of security services, introduction and maintenance in good working order of engineering and technical protection equipment.	
8	Risks related to geographical features of a	Risks are caused by natural and climatic emergency situations	Permanent readiness of emergency units (EU) of IDGC of	

Item No.	Risk name	Risk description	Actions to minimize risk effects	Assessment of risk significance and dynamics
	country and a region, including higher risk of disasters, potential stoppage of transport connection	(impact of hurricanes, torrential rains, freshets and floods, snowdrifts, icing, power supply failure due to fires, household explosions, etc.). As a result, power supply, transport communication in the region can be interrupted.	the Northern Caucasus, PJSC, for elimination of emergency situations within the territory of the Company's power grid complex: – inspection of EU provision with materials and equipment; – EU training.	
Financial risks				
9	Risks associated with changes in exchange rates	Negative impact on the results of the financial and economic activities of the Company due to changes in foreign exchange rates. Currently the whole revenue, the majority of operating and investment expenses of the Company are nominated in rubles. Besides, the Company has no debts on credits and loans in foreign currency. Therefore, variation of currency exchange rates has no significant impact at results of financial and economic activity of the Company. In addition, Decree of the Government of the Russian Federation dated September 16, 2016 No. 925 establishes the priority of goods of Russian origin, works, services provided by Russian entities, when purchasing goods, works, services by a competition, auction and other methods of procurement, apart from procurement from a single supplier (contractor), with respect to goods originating from a foreign state, works, services provided by foreign entities.	Implementation by the Company of the corporate import substitution plan in Rosseti Group in terms of improving the rules and requirements for the procurement of products, conducting the mandatory analysis of the possibility to replace imported products in the production and technological processes.	
10	Risks associated with changes in interest rates	The Company attracts borrowed funds for its activities as one of funding sources for operating activities. In this regard, the Company is exposed to the risk of increasing interest rates on loans and borrowings.	Work is carried out with credit institutions (banks) not only for raising borrowed funds at minimum interest rates with the most convenient borrowing conditions (including through competitive selection procedures for creditors), but also by negotiations for reducing interest rates on the existing loan agreements.	
11	Risks related to inflation impact	Impact of the consumer price index growth on the amount of interest expenses, the level of costs, the level of profitability and, as a result, the financial	1. Monitoring of the compliance with the business plan parameters. 2. Optimization of controlled operating expenses.	

Item No.	Risk name	Risk description	Actions to minimize risk effects	Assessment of risk significance and dynamics
		standing and the possibility of fulfillment of the Company's obligations.		
Legal risks				
12	Legal risks	Risks associated with changes in the legislation, judicial practice on the issues of the Company's activities, balance of interests with other power industry entities.	1. Due diligence of conducted business operations for the compliance with the current law and interests of the Company. 2. Timely monitoring of changes introduced into the legislation of the Russian Federation, study of judicial practice.	
13	Compliance risk	Risks associated with sanctions of regulatory bodies in connection with possible non-compliance of the Company's activities with the requirements of laws, local regulations, and other binding regulatory documents.	1. Prevention of the presence in the Company's regulatory documents of provisions allowing the corrupt practices. 2. Expert review of the local regulations and the organizational and executive documentation adopted by the Company for the absence of provisions creating prerequisites for involvement in fraudulent or corrupt activities and the presence of the relevant preventive measures therein. 3. Development and implementation of local regulations and organizational procedures in the Company for combating fraud and corruption. 4. Compliance of all employees of the Company with the requirements of regulatory documents. 5. Performance of awareness-raising activities for the compliance with the requirements of the law and regulatory documents of the Company. Informing of the general public of the degree of introduction and progress in implementation of anti-corruption measures (publication of the relevant information on official websites, in the mass media and other sources). 6. Introduction of anti-corruption standards of employees' behavior in the corporate culture of the Company. Anti-Corruption Policy was approved by the Board of Directors of IDGC of the Northern Caucasus, PJSC, on January 26, 2017 (Minutes No. 278 dated January 27, 2017).	
Risk of business reputation loss				
14	Reputational risk	Risk is associated with possible non-fulfillment of all	For minimizing the consequences of this risk, the requirements for	

Item No.	Risk name	Risk description	Actions to minimize risk effects	Assessment of risk significance and dynamics
		obligations to clients and counterparties.	the unified communication policy of Rosseti Group and the unified communication policy of IDGC of the Northern Caucasus, PJSC, are complied with. In addition, the Regulation on the Implementation of the Unified Communication Policy of IDGC of the Northern Caucasus, PJSC approved at the meeting of the Board of Directors of IDGC of the Northern Caucasus, PJSC on August 30, 2017 was developed and put into effect (Minutes No. 314 dated September 1, 2017)	
Strategic risk				
15	Strategic risk	Risk of failure to achieve the Company's strategic goals and objectives due to potential changes in the internal and external environment of the Company's operation.	For minimizing the strategic risk, the Company arranges its activities in accordance with strategic documents of Rosseti Group.	
Risks related to business of IDGC of the Northern Caucasus, PJSC				
16	Operating and technological risk	Deterioration in reliability of power supply of consumers caused by such factors as natural and man-made emergency situations resulting in disruption of the operation of power grid equipment; high share of equipment with an excess lifetime; non-compliance with the regulatory and technical requirements in terms of exceeding the established permissible values of technological parameters of operation of power grid equipment.	1. Timely implementation of technical and organizational activities developed on the basis of investigation of technological faults (accidents). 2. Effective arrangement of emergency and recovery works allowing to reduce the duration of interruption of power supply to consumers due to technological faults (accidents). 3. Timely fulfillment of the requirements established by the Methodological Guidelines for Calculation of the Level of Reliability and Quality of Supplied Goods and Provided Services for the Company Related to Management of the Unified National (All-Russian) Power Grid and Territorial Grid Companies approved by Order of the Ministry of Energy of the Russian Federation dated November 29, 2016 No. 1256.	
17	Investment risk	Reduction in funding sources for the Company's investment programs in the event of deterioration of its financial and economic standing and, consequently, reduction in the tariff revenue when investment programs are not implemented. Failure to comply with the planned dates of commissioning of facilities under the	1. Timely approval of investment programs in the Ministry of Energy of Russia. 2. Monitoring of timely fulfillment of contractor agreements. 3. Monitoring of timely acceptance of performed works and facilities commissioning.	

Item No.	Risk name	Risk description	Actions to minimize risk effects	Assessment of risk significance and dynamics
		investment programs sue to non-fulfillment/untimely fulfillment by contractors and suppliers of their obligations.		



Assessment of Risk Significance

3. Management Report

Analysis of Financial Condition and Business Results

Revenue earned by IDGC of the Northern Caucasus, PJSC, from sale of products (services) as of the end of 2018 amounted to 17,040.5 million rubles, which is by 905.6 million rubles, or 5.6%, higher than the level of 2017, including revenue from power transmission service – 14,009.8 million rubles, which is by 450.9 million rubles, or 3.3%, higher than the level of 2017, from power sales – 1,951.1 million rubles, which is 283.0 million rubles or 17% higher than the level of 2017.

Increase in revenue is caused by the increase in productive supply and growth of the average tariff for transmission services.

The net cost (taking into consideration commercial and management expenses) amounted to 16,176.7 million rubles, which is 1,006.7 million rubles or 6.6% higher than the level of 2017. The main factor in the increase in cost is the increase in the cost of services of FGC UES, PJSC, and power to compensate losses.

Following the results of 2018 the balance of miscellaneous income and expenses amounted to (-3,075.2) million rubles that is 680.6 million rubles or 18.1% higher than the actual in 2017, mainly due to reducing the interests due.

Based on the results of activities of 2018, IDGC of the Northern Caucasus, PJSC, had the financial result of (-2,270.3) million rubles, which is by 115.8 million rubles, or 4.9%, higher than the level of 2017.

Main Financial Indices (according to Russian Accounting Standards)

Item No.	Index Name	2018	2017	2016
		million rubles		
1	Proceeds	17,040.5	16,134.9	15,701.2
1.1.	From power transmission	14,009.8	13,559.0	13,258.8
1.2.	From technological connection	40.6	98.7	127.7
1.3.	From power sale	1,951.1	1,668.1	1,490.2
1.4.	From other activities	1,039.0	809.2	824.6
2	Net cost of products (services)	15,653.1	14,576.5	14,289.8
3	Gross profit	1,387.4	1,558.4	1,411.4
4	Managerial expenses	51.1	82.9	203.2
5	Business expenses	472.5	510.7	468.0
6	Profit (loss) from sales	863.8	964.9	740.2
7	Interests receivable	320.5	175.6	136.6
8	Interests payable	964.2	1,473.4	873.2
9	Income gained from participation in other organizations	0.0	0.0	0.0
10	Other income, total	4,750.1	2,790.0	2,024.7
11	Other expenses, total	7,181.7	5,248.0	3,352.2
12	Profit (loss) before taxation	- 2,211.4	- 2,791.0	- 1,323.8

13	Profit tax and other payments	-58.9	404.9	89.7
14	Net profit	- 2,270.3	- 2,386.1	- 1,234.2
15	EBITDA	612.2	659.3	1,611.0

Analysis of Change to Accounts receivable*, million rubles

Index	as of December 31, 2018	as of December 31, 2017	as of December 31, 2016
Accounts receivable, including:	7,977	6,217	4,491
Buyers and customers	5,673	4,584	3,919
for power transmission	2,909	3,503	2,663
for power sales	696	391	394
Bills receivable	-	-	-
Advances paid	23	16	14
Other accounts receivable	2,281	1,617	558

* Indices are provided in accordance with the Company's accounting reports for the reporting period.

Accounts receivable of IDGC of the Northern Caucasus, PJSC, as for December 31, 2018 made 7,977 million rubles. For the reporting period the accounts receivable increased by 1,760 million or by 28.3%.

The growth of accounts receivable is caused by a low level of payment:

- for the services in connection with power sales – 51.8% (debt growth made 305 million rubles);
- for the services in connection with property letting on lease – 2.6%

Share of accounts receivable of the Company for settlements for power transmission services rendered was 36.5%.

Due to the claims work performed by IDGC of the Northern Caucasus, PJSC, to recover the outstanding accounts receivable for the service in connection with power transmission in 2018 250 suits were filed for the amount of 1,893.2 million rubles. For the aforementioned period, 181 suits were sustained for the amount of 2,694.2 million rubles (taking into consideration transition suits in 2017). The part of claims sustained to the Company's benefit in 2018 in relation to those filed during the aforementioned period made 72.4%, some filed suits are pending.

The coverage of overdue debt with measures aimed at its reduction is at a stable high level and as of December 31, 2018 is 99.1%.

For the similar period of 2017, 205 suits were filed for the amount of 3,269.9 million rubles. In 2017, 139 suits were sustained for the amount of 1,771.5 million rubles (taking into consideration transition suits in 2016). The part of claims sustained to the Company's benefit in 2017 in relation to those filed during the aforementioned period made 67.8%, some filed suits were considered by courts in the next reporting period.

The coverage by claims work to recover the outstanding accounts receivable in 2017 made 97%.

Thus, compared to the similar figures of 2017 the claims work performed by the Company to recover the accounts receivable show positive dynamics.

The part of claims sustained to the Company's benefit in 2018 increased by 4.6 pp that complies with the positive economic effect amounting to 922.7 million rubles. The coverage by claims work in 2018 increased by 2.1 pp assisting the Company's achievement the maximal coefficient for such index.

During the reporting period unreal outstanding accounts receivable amounting to 31,863.8 million rubles were debited, including for rendered services in connection with power transmission for the amount of 0 million rubles.

Analysis of Changes in Accounts Payable*, million rubles

Index	as of December 31, 2018	as of December 31, 2017	as of December 31, 2016
Accounts payable, including:	9,489	7,174	6,917
Suppliers and Contractors	7,047	5,354	5,401
Bills payable	-	-	-
Advances received	533	166	199
Taxes and dues	436	414	439
Other accounts payable	1,473	1,240	878

* Indices are provided in accordance with the Company's accounting reports for the reporting period.

Accounts receivable as for December 31, 2018 made 9,489 million rubles. For the reporting period the accounts receivable increased by 2,315 million or by 32.3%, including:

- for supplier and contractors – by 1,693 million rubles. Debt growth for power and capacity to be purchased at the wholesale market made 315.4 million rubles, for the services of repair and construction companies – 709 million rubles, for raw and other materials – 322.1 million rubles;
- for advances received – by 367 million rubles. Such growth is due to advances increasing for technological connection of consumers' power receivers to power grids of IDGC of the Northern Caucasus, PJSC;
- for taxes and dues – by 22 million rubles;
- other accounts payable – by 233 million rubles.

Overdue accounts payable of IDGC of the Northern Caucasus, PJSC, based on the results of 2018 amounted to 2,378 million rubles.

Status of Net Assets, million rubles

Index Name	as of the end of 2018	as of the end of 2017	as of the end of 2016
Net assets	21,555	15,761	15,696
Authorized capital (in accordance with the Company's Charter)	155	155	155

Net assets of IDGC of the Northern Caucasus, PJSC during the last three years exceed the authorized capital of the company.

Net assets amount increasing in 2018 compared to 2017 was due to accounts receivable increasing and funds balance at the concurrent lowering of the Company's long-term borrowed assets.

Operating Performance Improvement and Expenses Reduction Program

In order to improve quality of the services provided, the Company is implementing a program to improve operational efficiency and reduce costs. The Operating Performance Improvement and Expenses Reduction Program of IDGC of the Northern Caucasus, PJSC, was approved by the Company's Board of Directors on December 29, 2017 as the Company's business plan for 2018-2022 (Minutes No. 327 dated January 9, 2018).

A set of measures to manage the efficiency of activities was implemented:

- efficiency of the procurement and supply chains management system has been improved in accordance with the requirements of the current law of the Russian Federation;
- organisational and functional structure has been improved, the administrative and managerial functions are centralized on the basis of the executive office of the Company;
- targeted and cost-effective expenditure of funds for acquisition of goods, works, services and implementation of measures aimed at reducing customer costs is ensured.

Performance indicators of the Program take into account the benchmarks established by the Power Grid Complex Development Strategy of the Russian Federation (approved by Decree of the Government of the Russian Federation No. 511-p dated April 3, 2013) and Directive of the Government of the Russian Federation No. 2303π-II13 dated April 16, 2015.

Reduction in the operating expenses per unit in 2018 compared to 2017 for the purpose of implementing the Directive of the Government of the Russian Federation dated April 16, 2015 No. 2303π-II13 made 2%.

Distribution of Net Profit and Dividend Policy

Dividend Policy

The Company's dividend policy is aimed at increasing the Company's investment attractiveness and increasing its market capitalization. The policy is based on the balance of interests of the Company and its shareholders.

The Company's dividend policy is determined by the Regulation on the Dividend Policy approved by the Decision of the Board of Directors of the Company on February 5, 2018 (Minutes No. 330 dated February 6, 2018). The text of the Regulation is published on the website of the Company in the section "For Shareholders and Investors/Charter and Bylaws/Dividend Policy Documents".

Basic Principles of the Dividend Policy of the Company:

- compliance of the practice of accrual and payment of dividends in the Company with the law of the Russian Federation and corporate governance standards (Decree of the Government of the Russian Federation No. 1094-r dated May 29, 2017);
- optimal combination of interests of the Company and shareholders;
- determination of the amount of dividends as at least 50% of the net profit determined according to the financial reports, including consolidated financial reports, prepared in accordance with the International Financial Reporting Standards and calculated in the manner established by the Regulation;

- ensuring of the possibility of dividend payments on a quarterly basis, if the relevant criteria are met;
- ensuring of the maximum transparency (clarity) of the mechanism for determining the amount of dividends and the procedure for their payment;
- ensuring of the positive dynamics of the amount of dividend payments subject to the growth of the Company's net profit;
- availability of information for shareholders and other stakeholders on the dividend policy of the Company;
- need to maintain the required level of financial and technical condition of the Company (implementation of the investment program), ensuring of the Company's development prospects.

Distribution of Profit for 2015–2017, million rubles*

	for 2015 (AGMS 2016)	for 2016 (AGMS 2017)	for 2017 (AGMS 2018)
Retained profit (loss) in the reporting period, including:	-3,018.404	-1,234.179	-2,386.138
Reserve fund			
Profit for development	-	-	-
Dividends	-	-	-
Coverage of losses from previous years			
For reference: Retained profit with due regard for retrospective reflection of changes in the accounting policy of the Company			

* Information on profit distribution in accordance with resolutions of Annual General Meetings of Shareholders (AGMS)

AGMS 2016 (for 2015) – Minutes of AGMS dated June 22, 2016 No. 16

AGMS 2017 (for 2016) – Minutes of AGMS dated June 19, 2017 No. 18

AGMS 2018 (for 2017) – Minutes of AGMS dated May 29, 2018 No. 19

Report on Paid Dividends for 2012 and 2013

Date of making decision on dividend payment (AGMS date)	Reporting period, for which dividends were calculated and paid	Dividends calculated		Share of announced dividends in net profit of reporting year, %	Dividends paid as of December 31, 2018 million rubles	Share of paid dividends*, %
		total, million rubles	per 1 share, rubles			
June 19, 2013	2012	160.3	2.8586	25	158.2	98.7
June 24, 2014	2013	134.4	0.8695	25	133.7	99.5

* Unclaimed dividends are recovered due to the payment term expiration

In the period from 2015 to 2018 IDGC of the Northern Caucasus, PJSC, made no decisions on the payment of dividends in connection with the Company operating at a loss.

The decision on distribution of the Company's net profit (loss) following the results of 2018 will be made at the annual General Meeting of Shareholders taking into account the recommendations of the Board of Directors of the Company.

Loans Raised upon Bonds (exchange bonds)

In accordance with the Listing Rules of MICEX Stock Exchange CJSC, Order of the General Director of MICEX Stock Exchange, CJSC No. 995-p dated August 14, 2015 the following decisions were made: to assign identification number to the Program of exchange bonds of IDGC of the Northern Caucasus, PJSC, in connection with receiving of a relevant application.

Assigned identification number: 4-34747-E-001P-02E dd. August 14, 2015

Basic Information on the Exchange Bonds Program

Identification characteristics of the Exchange Bonds Program	Program of non-convertible interest-bearing certificated exchange bonds subject to mandatory deposit
Maximum amount of the nominal value of exchange bonds, which may be placed within the exchange bonds Program:	total nominal value of all issues of exchange bonds placed under open subscription within exchange bonds Program, not more than 6,000,000,000 RUB inclusive
Maximum term of repayment of exchange bonds placed within the exchange bonds Program:	With the repayment term not later than in 3,640 days of the placement of exchange bonds of a separate issue placed within the exchange bonds Program
Term of the Exchange Bonds Program:	open ended

By Order of General Director of IDGC of the Northern Caucasus, PJSC, dated April 20, 2016 No. 230, within the Exchange Bonds Program (identification number 4-34747-E-001P-02E dated August 14, 2015), the conditions of issue of exchange bonds were approved – non-convertible interest-bearing certificated exchange bonds in bearer form subject to mandatory deposit, series BO-001P-01 in the number of 1,350,000 pieces, with a nominal value of 1,000 rubles each, with a total nominal value of 1,350,000,000 rubles with the repayment term in 1,820 days from the date of commencement of exchange bonds placement under open subscription.

On April 22, 2016, by Order of the General Director of MICEX Stock Exchange CJSC No. 498-p, the issue of exchange bonds of IDGC of the Northern Caucasus, PJSC of series BO-001P-01 placed within the exchange bonds Program was included into the “Third Level” section of the official listing of MICEX Stock Exchange CJSC with the assignment of identification number 4B02-01-34747-E-001P dated April 22, 2016.

During placement of exchange bonds of IDGC of the Northern Caucasus, PJSC, with series of BO-001P-01, which took place on April 28, 2016, IDGC of the Northern Caucasus, PJSC, received funds in the amount of 1,350,000,000.00 rubles.

On October 27, 2016, the first coupon yield on bonds was paid in the total amount of 87,507,000.00 rubles.

On April 27, 2017, the second coupon yield on bonds was paid in the total amount of 87,507,000.00 rubles.

On October 26, 2017, the third coupon yield on bonds was paid in the total amount of 87,507,000.00 rubles.

On October 30, 2017, the accrued coupon yield on bonds for the period from October 27, 2017 to October 30, 2017 was paid in the total amount of 1,917,000.00 rubles.

Obligations for the payment of coupon yield on issues of circulating bonds during 2017 were fulfilled in full and in a timely manner.

The authorized management body of the issuer – General Director of IDGC of the Northern Caucasus, PJSC, on October 26, 2017 (Order No. 725 dated October 26, 2017) made the decision on early repayment of purchased exchange bonds in accordance with Para. 10 of the Conditions of Issue and the Exchange Bond Program.

On October 30, 2017, exchange bonds (identification number 4B02-01-34747-E-001R dated April 22, 2016) were repaid in full.

As of December 31, 2018, the Company does not have any outstanding obligations to issue exchange bonds, Identification Number 4B02-01-34747-E-001P dated April 22, 2016.

Information on Issues with All Securities Repaid

Kind, series (type), form and other identification characteristics of securities	Bearer interest-bearing inconvertible certified exchange bonds with mandatory centralized storage, Series BO-001P-01, ISINRU000A0JWF06, bearer certified.
The state registration number of the securities issue and the date of its state registration (identification number of the issue and the date of its assignment in case the issue of securities was not subject to state registration)	Identification number 4B02-01-34747-E-001R dated April 22, 2016.
The registration authority carrying out the state registration of the securities issue (the organization that assigned the identification number to the securities issue, in case the securities issue was not subject to state registration)	MICEX Stock Exchange CJSC.
Quantity of securities in the issue	1,350,000.
Amount of the securities issue at a nominal value or note that, in accordance with the law of the Russian Federation, a nominal value for this type of securities is not provided for	1,350,000,000.00 rubles.
Repayment term (date) for the securities issue	October 30, 2017.
Ground for repayment of the securities in the issue (fulfillment of obligations under securities, conversion in connection with the placement of securities of another issue, recognition of the issue of securities as null and void, otherwise)	Decision of the issuer's authorized government body – General Director of IDGC of the Northern Caucasus, PJSC, on October 26, 2017 (Order No. 725 dated October 26, 2017) on early repayment of purchased exchange bonds in accordance with Para. 10 of the Conditions of Issue and the Exchange Bond Program. Date of early redemption of the issuer's bonds is October 30, 2017.

In accordance with the Listing Rules of MICEX Stock Exchange CJSC, the General Director of MICEX Stock Exchange, CJSC, on September 23, 2016, made the following decisions: 1. To

assign identification number to Exchange Bonds Program series 002P of IDGC of the Northern Caucasus, PJSC, due to receiving a respective application.

Assigned identification number: 4-34747-E-002P-02E dd. September 23, 2016.

Basic Information on the Exchange Bonds Program

Identification characteristics of exchange bonds that may be placed within the Exchange Bonds Program	Non-convertible interest-bearing certificated exchange in bearer form subject to mandatory deposit placed under open subscription
Maximum amount of the nominal value of exchange bonds, which may be placed within the exchange bonds Program:	up to 25,000,000,000 rubles, inclusive
Maximum term of repayment of exchange bonds placed within the exchange bonds Program:	not later than on day 10,920 from the date of start of placement of exchange bonds within exchange bonds program
Term of the Exchange Bonds Program:	open ended

As of December 31, 2018, the exchange bonds of IDGC of the Northern Caucasus, PJSC, within 002P Program (Identification Number 4-34747-E-002P-02E) were not placed.

Assets Management

Subsidiaries

Dagestan Grid Company, JSC (until April 3, 2015 – Energoservice, OJSC) was founded in 2011 on the basis of the decision of the Board of Directors of IDGC of the Northern Caucasus, PJSC, (Minutes No. 68 dated December 24, 2010). Energoservice, OJSC was called upon to increase the power efficiency of IDGC of the Northern Caucasus, OJSC and other grid companies in the North Caucasian Federal District. In June 2015, an agreement was signed between the Republic of Dagestan and IDGC of the Northern Caucasus, PJSC, on cooperation in the implementation of the project on establishment of joint venture company Dagestan Grid Company, and a Roadmap was signed for establishment of the joint power grid company and consolidation of the power grid complex of the Republic of Dagestan (Roadmap). Dagestan Grid Company, JSC emerged as a result of renaming of Energoservice, OJSC (100% subsidiary of IDGC of the Northern Caucasus, OJSC), to which the new name, new location and new codes of OKVED (including 40.10.2 “Power Transmission”) were assigned. Within the framework of the Roadmap, the power grid assets of IDGC of the Northern Caucasus, PJSC, located in the territory of the Republic of Dagestan, was leased to Dagestan Grid Company, JSC, from July 1, 2015.

Dagenergoset, OJSC was established on January 27, 2010. From April 1, 2010, the power grid assets of the branch of IDGC of the Northern Caucasus, PJSC – Dagenargo was leased to Dagenergoset, OJSC. The creation of a subsidiary company of IDGC of the Northern Caucasus, PJSC, was an initiative of the company's management dictated by the desire to bring the electric power industry of the North Caucasus out of its financial crisis, and to provide dividend income to shareholders. The implemented measures made it possible to isolate the problem area of the power grid complex for its point-based sanitation and eliminate the negative impact of the negative results of Dagenargo activities at the company's overall reporting indicators. As a result, after two years IDGC of the Northern Caucasus, PJSC, was able to pay dividends to shareholders for the first time. Dagenergoset, OJSC carried out activity on power transmission in the territory of the Republic of Dagestan from 2010 to 2015.

Subsidiaries of IDGC of the Northern Caucasus, PJSC

Item No.	Company name	Region of activity	Core activity	Share of participation of IDGC of the Northern Caucasus, PJSC, in authorized capital, %	Revenue for 2018, thousand rubles	Net profit (loss) for 2018, thousand rubles
1.	Joint Stock Company Dagestan Grid Company (Dagestan Grid Company, JSC)	Republic of Dagestan	OKVED 35.12 "Power Transmission and Technological Connection to Distribution Grids"	100	3,807,030	-6,805,285
2.	Open Joint Stock Company "Dagenergoset" (Dagenergoset, OJSC)	Republic of Dagestan	OKVED 35.12 "Power Transmission and Technological Connection Distribution Grids", this type of production activity is not carried out	100	No data available	No data available

Sale of Non-Core Assets

To comply with Decree No. 596 adopted by the President of the Russian Federation on May 7, 2012, Directives No. 4863п-П13 adopted by the Government of the Russian Federation on July 7, 2016 and Decree No. 894-p adopted by the Government of the Russian Federation on May 10, 2017 the Decision made by the Board of Directors of IDGC of the Northern Caucasus, PJSC, on February 26, 2018, (Minutes No. 335 dd. February 27, 2018) approved the Program of Non-Core Assets Disposal as amended (the Program).

The Program determines the basic approaches, principles and mechanism for identifying and selling non-core assets of IDGC of the Northern Caucasus, PJSC, establishes the criteria for assigning the assets to non-core assets, the procedure for maintaining the register of non-core assets and the basic provisions for disposal of non-core assets, the procedure for submission of reports on the progress of implementation of the register of non-core assets.

In accordance with the Decision of the Board of Directors of IDGC of the Northern Caucasus, PJSC, dated April 11, 2019 (Minutes No. 369 dd. February 13, 2019) the actual register of non-core assets of IDGC of the Northern Caucasus, PJSC, formed subject to the Program requirements was approved.

The information about non-core assets sale for 2018 is provided in Appendix No. 7 to the Russian version of the Annual Report.

Tariff Policy

Tariffs for power transmission services

Core activities of IDGC of the Northern Caucasus, PJSC (power transmission by distribution grids with voltage from 110 kV to 0.4 kV, technological connection of consumers to the grid infrastructure) refer to regulated activities.

Regulation is carried out in accordance with:

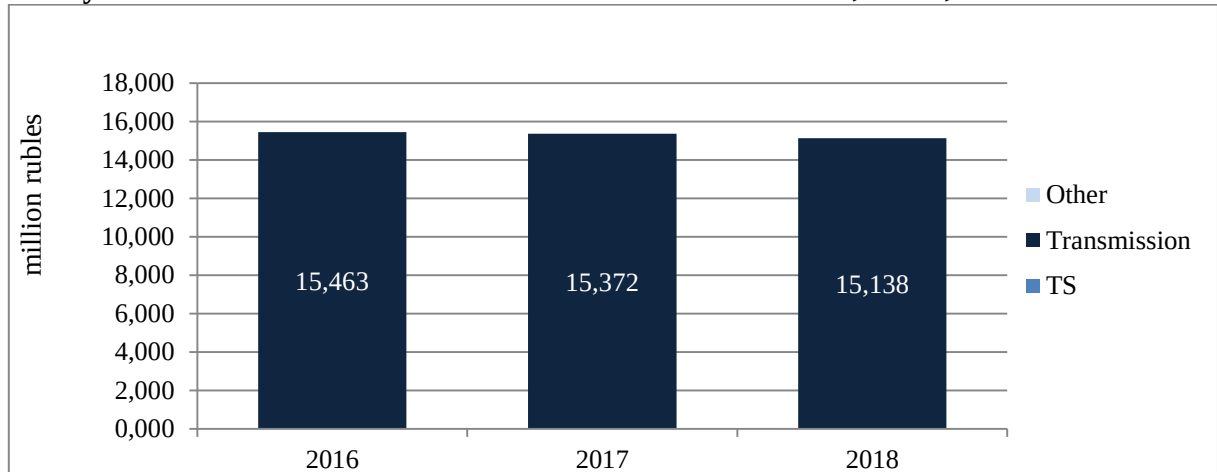
- Federal Law No. 35-FZ dated March 26, 2003 "On the Power Industry";

- Rules of Non-Discriminatory Access to Power Transmission Services and Provision of These Services (approved by Decree of the Russian Government No. 861 dated December 27, 2004);
- Decree of the Government of the Russian Federation No. 1178 dated December 29, 2011 "On Pricing in the Field of Regulated Prices (Tariffs) in the Power Industry";
- Decree of the Government of the Russian Federation dated May 4, 2012 No. 442 "On the Operation of Retail Power Markets, Full and/or Partial Limitation of the Power Consumption Mode";
- Order of the Federal Tariff Service No. 20-e/2 dated August 6, 2004 "On the Approval of Methodological Guidelines for Calculation of Regulated Tariffs and Prices for Electricity and Heat in the Retail (Consumer) Market";
- Order of the Federal Tariff Service No. 98-e dated February 17, 2012 "On the Approval of Methodological Guidelines for Calculation of Tariffs for Power Transmission Services Established Using the Method of Long-Term Indexation of the Required Gross Proceeds";
- Order of the Federal Tariff Service No. 228-e dated March 30, 2012 "On the Approval of Methodological Guidelines for Tariff Regulation Using the Return on Investment Method";
- Order of the Federal Antimonopoly Service of August 29, 2017 No. 1135/17 "On the Approval of Methodological Guidelines for Determination of the Amount of Fee for Technological Connection to the Power Grids";
- Decree of the Government of the Russian Federation No. 24 dated January 21, 2004 "On the Approval of Information Disclosure Standards by Wholesale and Retail Power Market Entities";
- Order of the Federal Tariff Service No. 215-e/1 dated September 11, 2014 "On the Approval of Methodological Guidelines for Determination of the Shortfall in Income Related to Technological Connection to Power Grids";
- Order of the Federal Tariff Service No. 1442-e dated September 16, 2014 "On the Approval of Methodological Guidelines for Calculation of Tariffs for Power (Capacity) for the Population and Equivalent Categories of Consumers, Tariffs for Power Transmission Services to the Population and Equivalent Categories of Consumers";
- Order of the Ministry of Energy of the Russian Federation No. 1256 dated November 29, 2016 "On the Approval of Methodological Guidelines for Calculation of the Level of Reliability and Quality of Supplied Goods and Provided Services for the Company Related to Management of the Unified National (All-Russian) Power Grid and Territorial Grid Companies";
- Order of the Federal Tariff Service No. 421-e dated March 18, 2015, "On the Approval of the Methodological Guidelines for Determination of the Basic Level of Controlled Operating Expenses of Territorial Grid Companies Required for the Implementation of Regulated Activities and the Efficiency Index of Controlled Operating Expenses Using the Comparative Method";
- Decree of the Government of the Russian Federation No. 534 dd. April 30, 2018 "About Amendments Making to Certain Decrees Adopted by the Government of the Russian Federation Due to Prolonging the Performance Features of Wholesale and Retail Markets within Separate Pricing Zones of the Wholesale Market".

Regulation of activities of IDGC of the Northern Caucasus, PJSC, branches (Kabbalkenergo, Karachayevo-Cherkesskenenergo, Sevkavkazenergo, Stavropolenergo), from 2011 to 2017, was carried out using the method of return on invested capital (RAB). As for Stavropolenergo branch, the period was prolonged up to 2022. The activities of Kabbalkenergo, Karachayevo-Cherkesskenenergo, Sevkavkazenergo branches from 2018 are regulated using the method of long-term indexation of required gross proceeds. Regulation period is from 2018 to 2022.

As from 2014, the activities of the branch of IDGC of the Northern Caucasus, PJSC, – Ingushenergo are regulated using the method of long-term indexation of the required gross proceeds. The first period of regulation was from 2014 to 2016. As from 2017, the second five-year long-term period of regulation started to last till 2021.

Dynamics of Revenues of IDGC of the Northern Caucasus, PJSC, for 2016-2018

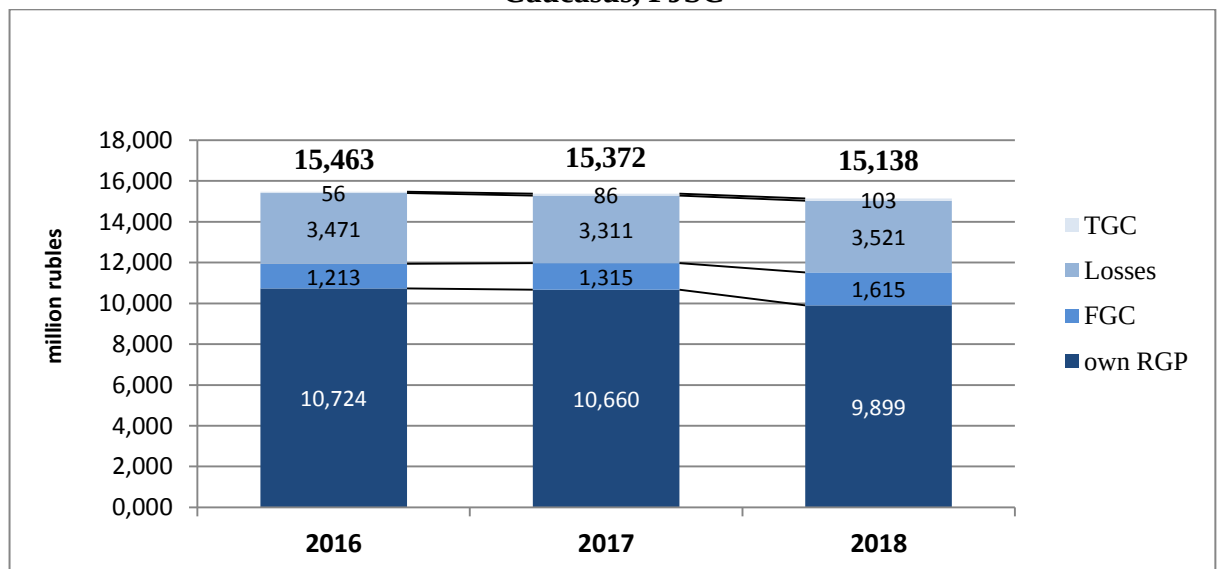


2018 reporting year

Approved required gross proceeds of IDGC of the Northern Caucasus, PJSC, in 2018 lowered by 1.5% compared to 2017.

Uniform (common pot) tariff for transmission approved by the RTS of the Republic of North Ossetia – Alania for the 1st six months of 2018 were lowered by 1% compared to the level of the 2nd six months of 2017, tariffs for the 2nd six months of 2018 were reviewed to increase by 9% that level subject to Decree No. 534 made by the Government of the Russian Federation on April 30, 2018 and provided for the estimated value of Sevkavkazenergo branch own revenue in 2018 in the amount of 2,855 million rubles (growth compared to 2017 by 9.7% or 251 million rubles). At the same time in Minutes No. 46 of the Meetings of the RTS Government of the Republic of North Ossetia – Alania dd. December 28, 2017, the Branch's revenue is specified to amount to 1,965 million rubles (reduced compared to the similar index of 2017 by 638 million rubles or 24.5%). To the Supreme Court of the Republic of North Ossetia – Alania on August 29, 2018 an administrative report of claim was sent to claim Decrees made by the RTS Government of the Republic of North Ossetia – Alania No. 47 dd. December 28, 2017, No. 6 dd. February 28, 2018 and No. 13 dd. May 10, 2018.

Dynamics of the Structure of the RGP for Power Transmission of IDGC of the Northern Caucasus, PJSC



2018 reporting year

Due to the termination of lease agreements with Stavropolenergoinvest JSC and Essentukskaya Grid Company, JSC with Stavropolenergo branch, the reduction in the required gross proceeds for power transmission services of IDGC of the Northern Caucasus, PJSC, in 2017 amounted to 0.6%, RGP for its own maintenance is 0.6%, the amount of losses is 4.6%. Growth in the cost of FGC services amounted to 8.5%.

Due to the required gross proceeds lowering approved for 2018 for Sevkavkazenergo branch compared to 2017 RGP of IDGC of the Northern Caucasus, PJSC, lowered by 1.5%, including RGP for own maintenance lowered by 7.1%. Growth in the cost of FGC services amounted to 22.8%, losses cost made 6.4%.

Dynamics of Required Gross Revenue for Power Transmission Services Broken Down by Branches, million rubles

Branch	2016		2017		2018	
	total	own	total	own	total	own
Kabbalkenergo	2,166	1,634	2,247	1,642	2,261	1,636
Karachayevo-Cherkessenergo	1,569	1,168	1,569	1,145	1,671	1,208
Sevkavkazenergo	2,463	1,874	2,603	1,957	1,965	1,296
Stavropolenergo	8,140	5,230	7,750	5,102	8,068	5,012
Ingushenergo	1,124	817	1,203	815	1,171	747
Total for IDGC of the Northern Caucasus, PJSC	15,463	10,724	15,372	10,660	15,137	9,899

Due to the termination of lease agreements with Stavropolenergoinvest, JSC and Essentukskaya Grid Company, JSC with Stavropolenergo branch, the reduction in the required gross proceeds for power transmission in 2017 made 390 million rubles or 4.8%. RGP of IDGC of the Northern Caucasus, PJSC, in 2017 lowered by 0.6% Own RGP lowered by 2.4% or 0.6% respectively.

In 2018, the required gross proceeds for the services in connection with power transmission of Sevkavkazenergo branch lowered by 24.5%, and its own required gross proceeds lowered by 33.8%. To the Supreme Court of the Republic of North Ossetia – Alania on August 29, 2018 an administrative report of claim was sent to claim Decrees made by the RTS Government of the Republic of North Ossetia – Alania No. 47 dd. December 28, 2017, No. 6 dd. February 28, 2018 and No. 13 dd. May 10, 2018. Own RGP of IDGC of the Northern Caucasus, PJSC, in 2018 lowered by 7.1%.

Analysis of Changes in the Average Tariff for Power Transmission Services Broken Down by Branches, rubles/kW*h

Branch	2016	2017	2018
Kabbalkenergo	169.7	172.1	163.3
Karachayevo-Cherkessenergo	156.2	160.7	161.9
Sevkavkazenergo	189.5	198.8	149.7
Stavropolenergo	133.5	124.0	124.7
Ingushenergo	205.0	216.3	211.6
Total for IDGC of the Northern Caucasus, PJSC	151.2	147.7	140.8
Growth, %	107.1%	0.98%	0.95%

2018 reporting year

Lowering the average tariff for the services in connection with power transmission estimated due to approved required gross proceeds for power transmission and the amount of ratified net electricity supply for IDGC of the Northern Caucasus, PJSC, in 2017 made 2.7%, in 2018 – 4.7%.

However, from the second six months of 2018 the approved tariffs growth for the services in connection with power transmission in all republics of the North Caucasian Federal District corresponds to the rates approved by Decree No. 534 adopted by the Government of the Russian Federation dd. April 30, 2018.

Growth Rates of Tariffs for the Services in Connection with Power Transmission in Accordance with Decree No. 534 of the Government

Constituent entity of the Russian Federation	Growth Rates from July 1, 2018
Republic of Dagestan	15%
Republic of Ingushetia	9%
Kabardino-Balkarian Republic	3%
Karachay-Cherkess Republic	3%
Chechen Republic	3%
Republic of North Ossetia – Alania	9%

Technological Connection Fee

Basic provisions on calculation of the fee for technological connection of power devices of power consumers, facilities for power generation to the grid infrastructure of the branches of IDGC of the Northern Caucasus, PJSC, in 2018 were determined in accordance with the Methodological Guidelines for Determination of the Amount of Fee for Technological Connection to the Power Grids, approved by Order of the Federal Tariff Service of Russia dated August 29, 2017 No. 1135/17 “On the Approval of the Methodological Guidelines for Determination of the Amount of Fee for Technological Connection to the Power Grids”.

Executive authorities of the Russian Federation in the field of state regulation of tariffs for the calculation of payment for technological connection to territorial distribution grids approve the following:

1) the payment for an Applicant submitting an application for technological connection of power receivers having maximal capacity not exceeding 15 kW (together with any capacities of other power receivers connected to the same point) in the amount of 550 rubles or less, when connecting any objects referred to the third reliability category (to one power source) provided the distance from the Applicant’s plot’s borders to the power grid facilities at the level of voltage up to 20kV inclusive required to the Applicant as to the level of grid facility where the application is filed is within 300 meters in cities and urban settlements and at within 500 meters in the country;

2) for the regulation period:

- standardized tariff rates;
- rates per unit of maximum power (rubles/kW);
- formula of payment for technological connection;

3) subject to the application by a grid facility:

- the fee for technological connection to territorial distribution electric network of power receivers of individual consumers with maximum capacity of at least 8,900 kW at voltage level of at least 35 kV;
- the fee for technological connection to territorial distribution electric network of any power-producing facilities;
- the fee for technological connection subject a special project in the cases provided by the Rules for Technological Connection approved by Decree No. 861 made by the Government of the Russian Federation on December 27, 2004.

A person intending to effect technological connection to power grids may independently choose the kind of fee for such technological connection provided the distance from the Applicant's plot's borders to the power grid facilities at the level of voltage up to 20kV inclusive required to the Applicant as to the level of grid facility where the application is filed is within 10 kilometers and the maximal capacity of connected power receivers is less than 670 kW. Selection of the fee is carried out by the Applicant at the stage of execution of the technological connection contract.

If the applicant does not choose the type of the fee, the grid facility may choose such fee at its own discretion and calculate the amount of payment for technological connection.

In regions of presence of the branches of IDGC of the Northern Caucasus, PJSC, executive authorities in the field of state regulation of tariffs in 2018 established the standardized tariff rates, rates per a unit of maximal power and formulae for calculation of the fee for technological connection of the applicants' power receivers:

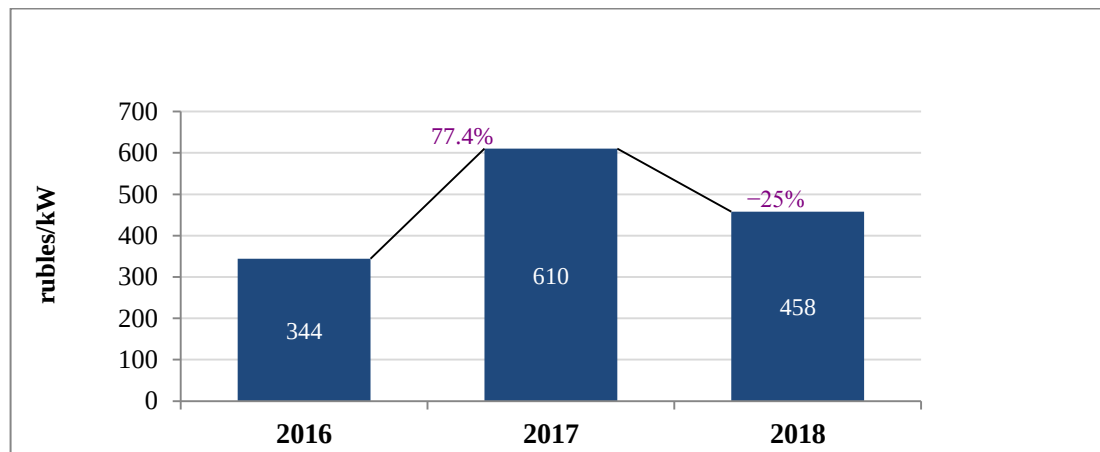
- by Order of the State Committee for Power Industry, Tariffs and Housing Supervision of the Kabardino-Balkarian Republic dated December 29, 2017 No. 86 "On the Approval of Standardized Tariff Rates, Rates per a Unit of Maximal Power, Formulae for Calculation of the Fee for Technological Connection and Establishment of the Fee for Technological Connection to Distribution Power Grids of Grid Companies within the Territory of the Kabardino-Balkarian Republic for 2018" (as amended);
- by Resolution of the Main Directorate for Tariffs and Prices of the Karachaevo-Cherkess Republic of December 29, 2017, No. 160 "On Establishing Fees for Technological Connection of Power Receivers of Applicants to Power Grids of Territorial Grid Organizations of the Karachaevo-Cherkess Republic";
- by Decree of the Regional Tariff Service of the Republic of North Ossetia-Alania dated December 28, 2017, No. 48 "On the Establishment of the Amount of Fee for Technological Connection of Power Receivers of Power Consumers to Power Grid Facilities of Territorial Grid Companies of the Republic of North Ossetia-Alania for 2018" (as amended);
- by Decree of the Regional Tariff Commission of the Republic of Ingushetia on December 29, 2017 No. 27 "On the Establishment of Standardized Tariff Rates, Rates per a Unit of Maximal Capacity and Formulae for Calculation of the Fee for Technological Connection of Applicant's Power Receivers to Power Grid Facilities of Territorial Grid Companies of the Republic of Ingushetia for 2018" (as amended).
- by Decree of the Regional Tariff Commission of the Stavropol Territory on December 27, 2017 No. 65/9 "On the Establishment of Standardized Tariff Rates, Rates per a Unit of Maximal Capacity and Formulae for Calculation of the Fee for Technological Connection of Applicants'

Power Receivers to Power Grid Facilities of Territorial Grid Companies of the Stavropol Territory for 2018".

Subject to Order No. 1135/17 adopted by the FAS of Russia on August 29, 2017, the fees are fixed depending on the kind of used materials and (or) means of all works performing in the prices of the period under regulation common for all territorial grid companies throughout each constituent unit of the Russian Federation.

The chart displays dynamics of variation of average fees per unit of capacity in total in the Company in the power range from 15 kW to 670 kW.

Dynamics of the Average Amount of Fee for TC



2018 reporting year

4. Production Report

Power Transmission and Distribution

Results of Production Activities for 2018

Branch name	Power supply to the grid, million kW*h	Power supply from the grid to consumers and adjacent TGCs within the limits of the balance and operating responsibility, million kW*h	Power losses	
			million kW*h	%
Kabbalkenergo	1,525	1,304	221	14.50
Karachayevo-Cherkessenergo	1,163	984	179	15.36
Sevkavkazenergo	1,531	1,218	313	20.47
Stavropolenergo	7,360	6,623	737	10.01
Ingushenergo	769	542	227	29.52
Total	12,347	10,670	1,677	13.58

According to business results of IDGC of the Northern Caucasus, PJSC, in 2018 the volume of power output from the grid to consumers and adjacent territorial grid companies within the borders of balance and operation responsibility amounted to 10,670 million kW*h, which compared to 2017 figures is by 104 million kW*h or 1.0% more.

Actual Power Losses in 2017-2018

Branch name	Power losses						
	Actual 2017			Actual 2018		Change**	
	million kW*h	%	% under comparable conditions*	million kW*h	%	million kW*h	percentage points
1	2	3	4	5	6	$7 = 5 * 8 / 100\%$	$8 = 6 - 4$
Kabbalkenergo	227	14.71	-	221	14.50	3%	-0.21
Karachayevo-Cherkessenergo	188	15.69	-	179	15.36	-4	-0.33
Sevkavkazenergo	317	20.47	-	313	20.47	0	0.00
Stavropolenergo	756	10.41	-	737	10.01	-29	-0.40
Ingushenergo	229	31.25	-	227	29.52	-13	-1.73
Total	1,717	13,98	-	1,677	13.58	-49	-0.40

* The level of power losses estimated for the provisions compared to the subsidiaries and affiliates (subsidiaries and affiliates branch) operation as to the number of consumers, components and operating conditions of maintained electric grids.

** Changes of relative value of power losses in percent points is estimated as the difference between the losses levels in 2018 and 2017 taking into consideration the changes among consumers, of components and operating conditions of maintained electric grids; absolute value of power losses changing is estimated as the product of losses relative value changes by the power output value to the grid in 2018.

By 2023, it is planned to reduce power losses in branches of IDGC of the Northern Caucasus, PJSC, to the level of 10.38%.

Technological Connection

Information on participation in the implementation of the target model for technological connection by the constituent units of the Russian Federation

Target model "Technological Connection to Power Grids" was approved by Decree of the Government of the Russian Federation No. 147-p dated January 31, 2017, and includes the implementation of 19 measures, thereof:

- 10 measures, which were implemented with the assistance of IDGC of the Northern Caucasus, PJSC (Rosseti, PJSC) in all regions of presence:
- Internet portal Портал-ТП.рф [Portal-TP.rf] was created (as a common regional),
- on a regular basis, the information is communicated to the widest range of concerned parties:
- at Портал-ТП.рф [Portal-TP.rf], TC cost calculator is located,
- framework agreements are made to perform construction (reconstruction) works (to render services) in connection with power grids for the assumed volumes of technological connection,
- standard algorithm for making power supply (power (capacity) purchase and sale (supply)) agreements was developed and approved (by Order No. 443 dd. July 14, 2017) with power suppliers of last resort before the completion of the procedure for technological connection of power receivers of power consumers to power, including in electronic form.

There is no confirmation of implementing the 9 following measures of the Target Model:

- 2.2.1 “amendments coming into force made to the regional laws (2.2 “Simplified Procedure for Construction Works Performing”) – no statutory or regulatory enactment is issued, no reply from the Ministry of Construction of the Republic of Dagestan is received regarding the impropriety of amendments making to the law of the Republic of Dagestan.

During the period from 2015 to 2018 Dagenergoset, OJSC (later Dagestan Grid Company, JSC) appealed to the executive authorities trice to ask for assistance in issuing a statutory or regulatory enactment, and it received a reply suggesting it to be governed by the current version of the Town Planning Code of the Russian Federation. Two requests were made to the Government of the Republic of Dagestan to make amendments to the statutory and regulatory enactments.

Subject to Letter No. 11-012.-3209/17 issued by the Ministry of Construction of the Republic of Dagestan on May 12, 2017, the reply was received that is it deemed improper to make any amendments to Act No. 26 of the Republic of Dagestan dd. May 5, 2006 “About Town Planning Activities in the Republic of Dagestan”. Cooperation with public authorities is continued in the context of joint working commission formed by Order No. 371 issued by IDGC of the Northern Caucasus, PJSC, on June 13, 2017.

- 2.4.1 “Certain practical options arising for network arrangements for construction (reconstruction) agreement at land plots being the state or municipal property, power grid facilities, for which no construction permit or any other authorizing documents for the works performing in connection with power grid facilities construction on one-contact basis is required” (2.4 “Optimizing the procedure for permits receiving for the works performing”) – there is no such possibility.
- 2.4.2 “Forming at the regional and municipal level the commission for construction projects coordination of linear facilities consisting of the representatives of all owners of such linear facilities located at the territory of linear objects scheduled construction and representatives of local authorities” (2.4 “Optimizing the procedure for permits receiving for works performing”) – commissions are not formed.

- 2.4.3 “Providing the access by local authorities of municipal structures in the revision mode to grid and infrastructure companies to the information system of town planning activities ensuring” (2.4 “Optimizing the procedure for a permit receiving for works performing”) – such access is not provided.

- 4.1.1 “Synchronization is provided for the scheme of territorial planning of the constituent unit of the Russian Federation with the scheme and program of power development of such constituent unit of the Russian Federation and investment programs for power supply subjects” (4.1 “Availability of Approved Procedure (Regulations) for Schemes and Programs Synchronization for Power Development”) – there is no information about synchronization.

- 4.1.2 “Synchronization is provided for investment programs for power supply subjects with the scheme and program of power development of a constituent unit of the Russian Federation” (4.1 “Availability of Approved Procedure (Regulations) for Schemes and Programs Synchronization for Power Development”) – actual S&PD is neither developed nor approved for the Republic of Dagestan for 2019-2023.

- 4.1.3 “Acceleration of updating the scheme of territorial planning of the constituent unit of the Russian Federation is provided (4.1 “Availability of Approved Procedure (Regulations) for Schemes and Programs Synchronization for Power Development”) – there is no information about updating the scheme of territorial planning.

Information on the technological connection of socially significant major infrastructure applicants

In 2018 experts of IDGC of the Northern Caucasus, PJSC, performed actions for technological connection of large facilities that are of importance for economic development of constituent units of the North Caucasian Federal District. Socially important facilities were connected: kindergartens, schools, out-patient clinics, polyclinics, other institutions. Some agroindustrial facilities were connected to grids within the agreements concluded with the constituent units of NCFD to support domestic agricultural manufacturers.

In the Stavropol Territory, new state budgetary health care institutions were connected to power supply grids being the Georgievskaya District Hospital at Nezlobnaya station having the maximal capacity of 1.5 MW and Petrovskaya District Hospital at settlement Prikalausskiy having the maximal capacity of 40kW, a school at settlement Mirniy with the maximal capacity of 150 kW. The town hall at Maryinskaya station with the maximal capacity of 25 kW was also connected.

In the Kabardino-Balkarian Republic in Nartkala the greenhouse complex owned by Crypton, LLC, was connected to power supply grids with the maximal capacity of 1MW and purification facilities with the maximal capacity of 0.5 MW, in the settlement of Psynabo a fruit storage was connected with maximal capacity of 1MW. In Nalchik a pumping station with the maximal capacity of 0.5 MW and hatching unit owned by KabInc, LLC, with the capacity of 434 kW. In the settlement of Anzorey, the hospital for 120 patients was connected owned by ASRCR, LLC, with the maximal capacity of 520 kW.

In the Karachay-Cherkess Republic in Storozhevaya Stanitsa, the Town Hall was connected with the maximal capacity of 40kW, in Ust-Dzheguta a workshop processing solid household wastes with the maximal capacity of 40kW was connected, in the settlement of Pravokubanskiy a kindergarten was connected with the maximal capacity of 74 kW, in the settlement of Marukha a multi-purpose sports ground with the maximal capacity of 40 kW was connected.

In the North Ossetia in Vladikavkaz, new facilities were connected being an out-patient clinic of SBHI Republican Oncology Center with the maximal capacity of 100 kW, multiple dwelling unit of City Group Centre of Property, LLC, with the maximal capacity of 70kW, a block for infectious patients of MMD Head Construction Government RSO-A with the maximal capacity of 355 kW, a school being BSEI Republican Physics and Mathematics Boarding Lyceum with the maximal capacity of 80 kW. In the settlement of Kizlyar, a kindergarten was connected with the maximal capacity of 159.3 kW.

In the Republic of Ingushetia in Nazran, power supply grids were connected to SBHI Nazran Municipal Hospital with the maximal capacity of 150 kW, SBI State Ensemble of Folk Dance with the maximal capacity of 150 kW. In Magas and Sunzha, the MIA of the RF was connected to the grids with the maximal capacity of 1.04 MW.

Information on improvement of the quality of services for technological connection

For improving the quality of services for technological connection, the following activities are implemented:

Automated system of consumers' technologic connection management was implemented at typical platform 1C: Enterprise 8. Power Industry.

At branches and UO ASUTP was implemented:

- in Stavropolenergo branch since September 1, 2017;
- in Kabbalkenergo branch since January 1, 2018;
- in Sevkavkazenergo branch since July 2, 2018;
- in Karachayevo-Cherkesskenenergo branch since July 2, 2018;
- in Ingushenergo branch since July 2, 2018.

Up to April 1, 2019, the integration with module "Technological Connection" of automated system of reports collection and review of Rosseti, PJSC (ASRCR):

- at the first stage data uploading is scheduled from ASUTP to ASRCR (in the context of instructions performing provided by Order No. 547p dd. December 11, 2018, "About Developing the Corrective Actions Plans"), test works are scheduled for February 15, 2019;
- at the second stage complete integration with ASRCR is intended (uploading to ASRCR, downloading from ASRCR any requests submitted via Портал-ТП.рф [Portal-TP.rf]) enabling to automate statistics reports generation and data and documents exchange with Портал-ТП.рф [Portal-TP.rf]), test works are scheduled for March 15, 2019.

Internet services

In 2018, 78 applications for technological connection were submitted via Internet services (0.03% of the total number of applications):

- 18 applications for technological connection to power grids of Stavropolenergo branch;
- 28 applications for technological connection to power grids of Kabbalkenergo branch;
- 13 application for technological connection to power grids of Karachayevo-Cherkesskenenergo branch;
- 8 application for technological connection to power grids of Sevkavkazenergo branch;
- 11 applications for technological connection to power grids of Ingushenergo branch.

The Number of Requests for Technological Connection to the Company Electricity Grid

Branch name	Number of applications, pcs	For total power, MW
2016		
Stavropolenergo	3,449	197.33
Sevkavkazenergo	2,084	148.41
Kabbalkenergo	1,426	39.83
Karachayevo-Cherkessskenergo	1,288	75.84
Ingushenergo	986	57.76
Total	9,233	519.17
2017		
Stavropolenergo	3,827	226.84
Sevkavkazenergo	2,237	162.22
Kabbalkenergo	1,487	41.78
Karachayevo-Cherkessskenergo	1,249	94.79
Ingushenergo	1,207	64.64
Total	10,007	590.27
2018		
Stavropolenergo	3,265	129.39
Sevkavkazenergo	2,071	129.04
Kabbalkenergo	1,509	39.51
Karachayevo-Cherkessskenergo	1,046	211.19
Ingushenergo	763	150.18
Total	8,654	659.32

Number of Made Agreements for Technological Connection to the Company's Electric Power Grids

Subdivision name	Number of concluded agreements, pcs	Volume of executed agreements, MW	Volume of cash receipts, million rubles
2016			
Stavropolenergo	3,343	103.94	85.26
Sevkavkazenergo	1,519	35.84	5.78
Kabbalkenergo	1,423	35.60	7.07
Karachayevo-Cherkessskenergo	1,107	28.57	1.23
Ingushenergo	918	48.89	2.96
Total	8,310	252.83	102.30
2017			
Stavropolenergo	3,745	234.16	29.92
Sevkavkazenergo	1,612	52.57	18.24
Kabbalkenergo	1,470	29.88	3.04
Karachayevo-Cherkessskenergo	1,049	23.91	8.62
Ingushenergo	816	26.33	1.33
Total	8,692	366.85	61.15
2018			
Stavropolenergo	3,064	69.56	44.63
Sevkavkazenergo	1,742	53.98	26.75
Kabbalkenergo	1,443	49.49	195.45
Karachayevo-Cherkessskenergo	1,015	36.37	7.00
Ingushenergo	589	119.17	69.45
Total	7,853	328.57	343.28

Number of Connections Made to the Company's Power Grids

Subdivision name	Number of connections made, pcs	Volume of connected capacity, MW	Volume of revenue, million rubles
2016			

Stavropolenergo	2,735	81.36	99.72
Sevkavkazenergo	1,273	31.01	11.25
Kabbalkenergo	1,240	61.15	5.53
Karachayevo-Cherkesskenenergo	1,210	170.25	10.47
Ingushenergo	630	22.17	0.72
Total	7,088	365.94	127.69
2017			
Stavropolenergo	3,271	105.91	65.38
Sevkavkazenergo	1,314	20.48	25.15
Kabbalkenergo	1,316	56.24	5.27
Karachayevo-Cherkesskenenergo	1,083	39.17	2.03
Ingushenergo	473	12.63	0.83
Total	7,457	234.43	98.66
2018			
Stavropolenergo	2,985	88.85	26.32
Sevkavkazenergo	1,098	19.25	5.13
Kabbalkenergo	950	19.41	2.94
Karachayevo-Cherkesskenenergo	1,050	18.63	1.21
Ingushenergo	306	8.62	5.01
Total	6,362	154.76	40.62

Expected Dynamics of Indicators in Part of Activities for Technological Connection of Companies for Period from 2019 to 2023

Item No.	Index	Units of measurement	2019 Plan	2020 Forecast	2021 Forecast	2022 Forecast	2023 Forecast
1	2	3	6	13	14	15	16
I	REVENUE	thousand rubles					
1.	TECHNOLOGICAL CONNECTION SERVICES	thousand rubles	611,924.62	44,723.19	38,286.07	45,619.88	29,551.01
1.1.	Applicants for the maximum capacity up to 15 kW inclusive (with due regard for the previously connected power receivers)	thousand rubles	8,977.06	4,024.24	4,169.64	4,319.68	4,471.23
1.2.	From 15 to 150 kW	thousand rubles	19,007.90	5,515.82	5,674.36	5,835.92	6,006.39
1.3.	From 150 to 670 kW	thousand rubles	59,106.87	16,482.72	17,314.67	21,331.19	18,964.39
1.4.	At least 670 kW	thousand rubles	249,934.17	13,075.45	239.27	16.66	108.99
1.5	Power generating facilities	thousand rubles	274,898.63	5,624.96	10,888.13	14,116.43	0.00
2	SALES						
2.1.	Number of completed agreements, signed technological connection certificates	pcs	10,913	6,514	6,722	6,918	7,122
2.1.1.	Applicants for the maximum capacity up to 15 kW inclusive (with due regard for the previously connected power receivers)	pcs	9,654	5,916	6,097	6,286	6,471
2.1.2.	From 15 to 150 kW	pcs	957	470	488	501	514
2.1.3.	From 150 to 670 kW	pcs	251	113	120	126	132
2.1.4.	At least 670 kW	pcs	50	14	13	4	5
2.1.5.	Power generating facilities	pcs	1	1	4	1	0
2.2.	Volume of the connected capacity (completed agreements, signed technological connection certificates)	kW	430,955.6	198,962.3	276,145.4	176 157.2	161 105.8

2.2.1.	<i>Applicants for the maximum capacity up to 15 kW inclusive (with due regard for the previously connected power receivers)</i>	kW	80,088.9	53,799.1	55,779.6	57,854.1	59,894.9
2.2.2.	<i>From 15 to 150 kW</i>	kW	61,189.4	33,308.3	34,171.0	35,007.3	35,871.4
2.2.3.	<i>From 150 to 670 kW</i>	kW	82,470.2	43,269.1	44,754.8	48,185.8	48,745.5
2.2.4.	<i>At least 670 kW</i>	kW	197,207.2	66,221.9	35,840.0	10,210.0	16,594.0
2.2.5.	<i>Power generating facilities</i>	kW	10,000.0	2,364.0	105,600.0	24,900.0	0.0

Development of the Power Grid Complex in the Constituent Units of the Russian Federation in the Area of Activities of the Company

Power development planning within the constituent units of the Russian Federation is regulated by Decree No. 823 made by the Government of the Russian Federation on October 17, 2009 “About Schemes and Programs for Power Future Development” approving the “Rules to Develop and Approve the Schemes and Programs for Power Future Development”.

For proper development subject to the requirements specified in Decree No. 823 made by the Government of the RF dd. October 17, 2009 (annually up to May 1) by executive authorities of the constituent units of the North Caucasian Federal District of the Schemes and Programs for Power Development in the constituent units of the Russian Federation for 5 years (S&PD) within the NCFD coordination councils are working, and IDGC of the Northern Caucasus, PJSC, is taking active part in its operations.

Within the NCFD, the following coordination bodies are currently working supervising the S&PD development:

- in the Stavropol territory – the Power Supply Safety Headquarters (approved by Direction No. 226-p of the Governor of the Stavropol territory dd. April 26, 2016);
- in the Karachay-Cherkess Republic – the Coordination Council for the Development of the Power Industry (approved by Decree of the Government of the Karachay-Cherkess Republic dated August 25, 2016 No. 223);
- in the Kabardino-Balkarian Republic – the Power Supply Safety Headquarters (approved by Decree of the Head of the Kabardino-Balkarian Republic dated December 7, 2016 No. 152-UG);
- in the Republic of Dagestan – a working group at the Ministry of Transport, Energy and Communications of the Republic of Dagestan (approved by Order of the Ministry of Energy of the Republic of Dagestan on February 15, 2016 No. 15 PV);
- in the Republic of Ingushetia – the Coordination Council for the Development of the Power Industry (approved by Decree of the Government of the Republic of Ingushetia dated November 16, 2007 No. 196);
- in the Republic of North Ossetia – Alania – the Coordination Council for the Development of the Power Industry (approved by Decree of the Government of the Republic of North Ossetia-Alania dated March 2, 2017 No. 99).

In 2018, executive authorities of all constituent units of the North Caucasian Federal District approved all Schemes and Programs for Power Development subject to the requirements

provided by Decree No. 823 of the Government of the Russian Federation for the period from 2019 to 2023.

Constituent unit of the Russian Federation	Document on the approval of S&PD
Kabardino-Balkarian Republic	Decree of the Head of the Kabardino-Balkarian Republic dated April 25, 2017 No. 47-YT
Karachay-Cherkess Republic	Order No. 107-p of the Head of the KHR dated April 28, 2018
Republic of Dagestan	Decree No. 25 of the Head of the Republic dated February 7, 2018
Republic of Ingushetia	Order No. 164-pr of the Head of the Republic dated April 28, 2018
Republic of North Ossetia – Alania	Decree No. 129-p of the Government of the Republic dated April 17, 2018
Stavropol Territory	Approved by Decree of the Governor of the Stavropol Territory dated April 28, 2018 No. 213-p

To perform methodological support IDGC of the Northern Caucasus, PJSC, annually develops and before March 1 submits to the executive authorities of the NCFD as initial data to develop S&PD Comprehensive Programs for Power Grids Development of 35 kW and higher. In 2018 subject to the aforementioned procedure, all initial data and CDP were timely sent to the constituent units of the RF.

Interaction with Consumers of Services

1. Policy pursued by IDGC of the Northern Caucasus, PJSC, in the field of communication with consumers of the services is customer-oriented and aimed at facilitating interaction between service consumers and the Company. Customer orientation of the Company is implemented by creation and operation of the system for centralized servicing of consumers. The customer service system is based on the following guidelines:

- Sufficient awareness of consumers about the company and services. Complete and reliable information on all procedures of interaction with the Company is public and available in an accessible form for service consumers.
- Territorial accessibility and comfort of the on-site service of the Company. Location of infrastructure facilities of the on-site service ensures the coverage of the responsibility area and the availability of customer service.
- Availability and efficiency of correspondence and interactive services of the company. Channels of correspondence communication with customers provide for round the clock access to correspondence service and efficiency of the company's response to user requests.
- Qualified service. Organization of all forms of service ensures the high level of qualification and competence of the company's personnel.
- Transparency of the customer service business processes and objectivity of consideration of customers' complaints. The grid company provides for an objective and impartial examination of complaints in a timely manner, possibility of appealing the decisions, the procedure of which is communicated to consumers in accordance with the principle of sufficiency of information.

2. The customer service system includes three forms of consumer service: live service, correspondence service and interactive service (that can be attributed to the form of

correspondence service). Information exchange between the Company and service consumers is carried out by means of communication channels.

- Full-time form provides for immediate applications of consumers to branches of IDGC of the Northern Caucasus, PJSC, to Customer Service Centers opened in accordance with the requirements of the Service Quality Standards for service consumers of IDGC of the Northern Caucasus, PJSC, as well as Customer Service Outlets. The Customer Service Center is located in Vladikavkaz, as well as 62 CSO (on the basis of DPG branches).

The main form of service when rendering services is on-site customer service using the elements of on-site infrastructure of CSO and CSC: 39 457 complaints were made in person. In 2018 in the context of holding the Consumer's Day meetings were arranged and held in person of services consumers and heads of branches and DPG to deal with the points' of consumers' interests. The Consumer's Day is held regularly each second Thursday of each month, appointment is fixed via Interactive Service "Consumer's Day, Registration for Appointment" that may be found at the home page of corporate web site www.mrsk-sk.ru.

- In the distance form in 2018 the service consumers could communicate with IDGC of the Northern Caucasus, PJSC, in particular, through a call centre and "Hot Line" for service consumers by phone 8-800-775-91-12 (24/7 during operator's working hours). During 2018, 2,775 incoming consumers' calls were received and more than 2,500 outgoing calls were made to provide information to consumers, 1,475 were received via written applications via the Company's branches chancery.
- Interactive service form

Interactive services are located on the main page of the corporate website in the banner area at http://www.mrsk-sk.ru/customer_new/elektronnie-servisy/:

- [Registration for appointment in the service office](#) (implemented in 2017);
- [at the Consumer's Day, registration for appointment](#) (implemented in 2017);
- [Customer's Personal Account;](#)
- [Calculator of the cost of technological connection;](#)
- [Assess the quality of technological connection;](#)
- [Web Reception of the General Director;](#)
- [Internet Reception for TPU;](#)
- [Online consultation](#) (implemented in 2017);
- [Поправ-ТП.рф \[Portal-TP.rf\];](#)
- [Portal for feedback with consumers of Services "Svetlaya Strana" \[Lighted Country\].](#)

Through interactive service "Web Reception" in 2018, 160 consumer complaints were received, and timely reasoned response to them was sent by feedback.

The Online Consultation Service is provided on the main page of the official website of the Company www.mrsk-sk.ru from 09:00 to 18:00 on working days.

Consumer consultations through interactive messengers What's app, Viber, Telegram are carried out by corporate number 8-928-230-12-49 by operators of the Contact Center around the clock.

In 2018, IDGC of the Northern Caucasus, PJSC, received 49,821 applications and complaints from consumers, including:

- 27,038 applications for provision of services;
- 8,657 applications for technological connection;
- 160 complaints on power disconnection;
- 136 complaints for power transmission;
- 28 complaints on commercial power metering;
- 21 complaints for technological connection;
- 44 complaints for maintenance of power grid facilities;
- 3 complaints for quality of the customer service;
- 24 complaints for other issues.

Number of complaints received in 2018 increased vs 2017 by 11%, and the number of applications for technological connection services increased by 14.4%. All received complaints and applications were considered within time specified.

In 2018, for improving the quality and availability of services of IDGC of the Northern Caucasus, PJSC, and for analysis of the consumer satisfaction with the quality of provided services and support, IDGC of the Northern Caucasus, PJSC performed survey in June and November by written poll of consumers. Research of consumer satisfaction was carried out by anonymous written poll. A total of 1,146 respondents were surveyed, 184 Stavropolenergo, 250 Sevkavkazenergo, 392 Karachayevo-Cherkessskenergo, 220 Kabbalkenergo, 100 Ingushenergo. The following results were obtained:

- 65% of respondents, or 745 consumers surveyed, in general are satisfied with the Company's work,
- 25% of respondents, or 286 consumers surveyed assess the Company's work as satisfactory,
- 10% of the respondents, or 115 consumers have expressed wishes aimed at improvement of quality of customer service;

In Section of the website "For Customers" there is information on the list of areas of activity of the Company's branches.

3. Implemented in 2018 and scheduled changes:

- In terms of improvement of the quality of on-site customer service, including the opening of new and reconstruction of the existing service offices, the renewed Customer Service Center was opened in Vladikavkaz.
- With regard to the development and modernization of equipment of telephone service centers, the personnel of IDGC of the Northern Caucasus, PJSC, upgraded the software and functional capabilities of the Contact Center of IDGC of the Northern Caucasus, PJSC.

- In terms of enhancement of consumer confidence in 2018, round tables were held, including with the participation of representatives of the business community, where actual issues were raised.
- For increasing the information availability and openness of the Company's activities, the official website www.mrsk-sk.ru of IDGC of the Northern Caucasus, PJSC, was upgraded.
- In the context of holding the Consumer's Day meetings were arranged and held in person of services consumers and heads of branches and DPG to deal with the points' of consumers' interests.
- In the context of additional services Order No. 525 was issued by IDGC of the Northern Caucasus, PJSC, on August 14, 2018, "About Additional Services Rendering" and the price list was approved for such additional services rendering.
- Portal for feedback with consumers of Services "[Svetlaya Strana](#)" of [Rosseti](#) Group of Companies started its operation.

The following measures are scheduled:

- conducting service consumer surveys in writing;
- consumers informing in mass media and via online services to communicate them the required information;
- Internet services promotion to increase the number of services consumers interactive applications;
- extending the list of additional services rendered by consumers.

4. The quality of customers communication of IDGC of the Northern Caucasus, PJSC, may be also assessed by analyzing the achievement of planned targets of the service quality established by the competent executive authorities in the field of state regulation of tariffs for 2018.

IDGC of the Northern Caucasus, PJSC, in the period from 2016 to 2018 used the return on investment method (RAB) providing for the establishment of long-term parameters for regulating the reliability and quality of services provided as a part of long-term regulatory parameters by the return on investment method.

By the decision of the competent authorities in the field of state regulation of tariffs for the period from 2017-2018, the following planned values of reliability and quality of rendered services were established:

Name of the grid company in the constituent unit of the Russian Federation (name of IDGC of the Northern Caucasus, PJSC branch)	year	Level of reliability of goods (services) sold			Level of quality of goods (services) sold	
		pp, hour	Saidi, hour	Saifi, pcs	Indicator of quality level of implemented TC	Indicator of quality level of consumer care
Stavropolenergo	2017	0.0279	-	-	1	0.8975
	2018	0.0134	-	-	1	0.8975
Kabbalkenergo	2017	0.00443	-	-	Not approved	1.0102
	2018	-	0.490	0.673	Not approved	1.0102
Karachayevo-Cherkessenergo	2017	0.0275	-	-	Not approved	1.0102
	2018	-	2.6914	1.0993	Not approved	1.0102

Sevkavkazenergo	2017	0.0724	-	-	1	0.8975
	2018	-	1.00962	0.49671	1	0.8975
Ingushenergo	2017	0.0076	-	-	1	0.8975
	2018	0.0075	-	-	1	0.8975

Based on the results of activity of IDGC of the Northern Caucasus, PJSC on the achievement of the established planned indicators of reliability and quality of provided services, the following actual results were achieved in the period from 2017 to 2018:

Name of the grid company in the constituent unit of the Russian Federation (name of IDGC of the Northern Caucasus, PJSC branch)	year	Level of reliability of goods (services) sold			Level of quality of goods (services) sold	
		pp, hour	Saidi, hour	Saifi, pcs	Indicator of quality level of implemented TC	Indicator of quality level of consumer care
Stavropolenergo	2017	0,0069	-	-	1.005	0.8235
	2018	0.0056	-	-	1.011	0.8661
Kabbalkenergo	2017	0.00064	-	-	Not approved	0.8934
	2018	-	0.337	0.783	Not approved	0.9544
Karachayevo-Cherkessenergo	2017	0.0053	-	-	Not approved	0.8918
	2018	-	1.4656	1.0310	Not approved	0.8835
Sevkavkazenergo	2017	0.0041	-	-	1.049	0.804
	2018	-	0.34770	0.24354	1.03	0.862
Ingushenergo	2017	0.0001	-	-	1	0.9069
	2018	0.0001	-	-	1	0.8865

Note: The calculations were made in accordance with the calculation procedure approved by Order of the Ministry of Energy of Russia dated November 29, 2016 No. 1256.

Based on the results of activities of IDGC of the Northern Caucasus, PJSC for 2018, the indices of reliability level and customer service quality level and quality level of implemented technological connection are achieved within the permissible deviations from the planned values stipulated by Order No. 1256 of the Ministry of Energy of Russia dated November 29, 2016.

Power Grid Assets Consolidation

Implementation of the strategy for power property consolidation located within the constituent units of the North Caucasian Federal District shall be made by IDGC of the Northern Caucasus, PJSC, in the following directions:

consolidation of property of TGC debtors (acquisition / lease of power grid assets to repay debts, recovery of debtors' property by enforcement proceedings, bankruptcy of TGC debtors and acquisition of their property at tenders held within bankruptcy proceedings),

Consolidation of abandoned power grid assets (to be carried out in accordance with the consolidation roadmaps signed with the authorities of republics of the North Caucasian Federal District in 2014, as well as in accordance with local regulations of the Company).

Besides, since the entry into force of Decree No. 184 of the Government of the Russian Federation dd. February 28, 2015, within the territory of the NCFD 18 TGCs have been deprived of the status. As from 2018 the property of Electroset, MUE (Kizilyurt, Republic of Dagestan) deprived of the TGS status in 2016 was let on lease to Dagestan Grid Company, JSC.

Implementation of agreements on power grid assets consolidation with executive authorities of the constituent units of the Russian Federation and other power industry entities.

In July and August 2014, the updated roadmaps were signed with the heads of the republics of the North Caucasian Federal District for consolidation of the power grid complex of the entities. The roadmap of the authorities of the Stavropol Territory was not signed due to disagreement of the regional authorities with the proposed concept of consolidation; the roadmap for the consolidation of assets of the Chechen Republic in 2014 was not developed due to the implementation of the roadmap signed in 2012.

The signed roadmaps provide for inventory audit of power property in the constituent units to discover unregistered municipal and abandoned property and further execution thereof.

Inventory audit is now completed in all constituent units of NCFD. The inventory audit has discovered 1,489 objects. However, later 199 objects were excluded from the list (owners were found, demounted).

IDGC of the Northern Caucasus, Group of Companies in 2018 started the proceedings to declare the title for movable unowned objects in the court of law:

- the court of law has declared the title of IDGC of the Northern Caucasus, PJSC, for 4 unowned movable objects within the Stavropol Territory;
- the proceedings were started to declare the title of IDGC of the Northern Caucasus, PJSC, for 1 object within the RSO-Alania (pilot project),
- the title of Dagestan Grid Company, JSC, was declared for 3 unowned movable objects within the Republic of Dagestan. Besides, the measures were held required for Dagestan Grid Company, JSC, applying to court with a suit to declare the title for 852 movable property objects. Completing the titles registration for Dagestan Grid Company, JSC, for such objects is scheduled up to June 30, 2019.

The authorities of the Kabardino-Balkarian, Karachay-Cherkess, Chechen Republics, Republic of Ingushetia and Stavropol Territory are independently registering the municipal property title for the discovered unowned property.

Implemented measures for power grid assets consolidate in 2018

- As from July 1, 2018 the Ministry of Property and Land Relations of the Karachay-Cherkess Republic made a lease agreement for power grid property located in the territory of Arkhyz, VTRK for the new term (3 years).
- Following the results of the tender to the uncompensated use of IDGC of the Northern Caucasus, PJSC, the property of the Prigorodniy District (Northern Part of the settlement of Chermen) of the RSO-Alania and station Pavlodolskaya of the RSO-Alania was transferred.
- On May 19, 2018, based on the results of the tender held by State Enterprise of the Republic of Dagestan "Infrastructure Facilities Management Company of the Republic of Dagestan", a lease agreement was made for the republican power grid facilities – PS 110/10 Oruzba, 110 kV OL, 10 kV OL.
- As from January 1, 2018, the property of Electroset, MUE (Kizilyurt) and Dagennergoset, OJSC (SS Bereg) was let on lease to Dagestan Grid Company, JSC.

Scope of the power grid assets consolidation

Monitoring of the Scope of the Power Grid Assets Consolidation

Name	2016			2017			2018		
	Scope of the power grid assets consolidation for the period			Scope of the power grid assets consolidation for the period			Scope of the power grid assets consolidation for the period		
	MVA	km	C.u.	MVA	km	C.u.	MVA	km	C.u.
IDGC of the Northern Caucasus, PJSC	1,024	4,943	41,535	688	2,690	15,163	712	3,751	18,507
Purchase of power grid assets	0	0	0	0	0	0	0	0	0
Lease of power grid assets	1,024	4,943	41,535	437	2,499	12,772	437	2,489	12,772
Other (permanent ownership and usage)	0	0	0	0	0	0	0	0	0
Other (temporary ownership and usage)	0	0	0	251	191	2,391	275	1,262	5,735
Dagestan Grid Company, JSC	519	2,774	19,732	519	2,774	19,732	576	2,919	20,870
Purchase of power grid assets	0	0	0	0	0	0	0	0	0
Lease of power grid assets	519	2,774	19,732	519	2,774	19,732	517	2,825	19,944
Other (permanent ownership and usage)	0	0	0	0	0	0	0	0	0
Other (temporary ownership and usage)	0	0	0	0	0	0	59	94	926
Chechenenergo, JSC	220	865	3,637	340	1,365	5,769	234	865	3,826
Purchase of power grid assets	0	0	0	120	500	2,132	14	0	189
Lease of power grid assets	220	865	3,637	220	865	3,637	220	865	3,637
Other (permanent ownership and usage)	0	0	0	0	0	0	0	0	0
Other (temporary ownership and usage)	0	0	0	0	0	0	0	0	0

In 2018 IDGC of the Northern Caucasus, PJSC, used the power grid property of the following third-party owners on a leasehold basis:

- SELKO, LLC (SS Dzhegonas, Ust-Dzheguta), Karachay-Cherkess Republic
- Stavropolelectroset JSC (Zelenchukskiy and Ust-Dzhegutinsky districts), Karachay-Cherkess Republic
- Ministry of Property and Land Relations of the Karachay-Cherkess Republic (settlement of Arkhyz);
- Alaniyaelectroset JSC (Vladikavkaz); RSO-Alania
- NPC Nedra JSC (transformer for the needs of 35 kV Substation Dalnyaya, Kabardino-Balkarian Republic).

In 2018 IDGC of the Northern Caucasus, PJSC, used the power grid property on a leasehold basis:

- Ministry of Property and Land Relations of the Republic of Ingushetia (Power grid complex of the Republic of Ingushetia);
- Administration of Digora (Digora, Republic of North Ossetia-Alania).
- Administration of Prigorodniy District (Northern Part of the settlement of Chermen), RSO-Alania;

- Administration of station Pavlodolskaya, RSO-Alania
- 7 municipal districts of the Kabardino-Balkarian Republic (Baksan, Baksan District, Urvanskiy District, Mayskiy District, Cherekskiy District, Zolskiy District, Terskiy District).

In 2018 subsidiaries and controlled companies of IDGC of the Northern Caucasus, PJSC, used the power grid property of the following third-party owners on a leasehold basis:

Dagestan Grid Company, JSC

- Makhachkalgorelectroseti, JSC (Makhachkala);
- MGESK LLC (Makhachkala);
- IGES LLC (Izberbash);
- Stavropolelectroset JSC (Khasavyurt);
- Electroset, MUE (Kizilyurt);
- ST of the RD IFMC of the RD (power grid complex PS Oruzhba);
- Dagenergoset, OJSC (PS Bereg).

As from January 1, 2018 power grid property of Sulakskiy HydroKaskad, JSC, was transferred for maintenance of Dagestan Grid Company, JSC.

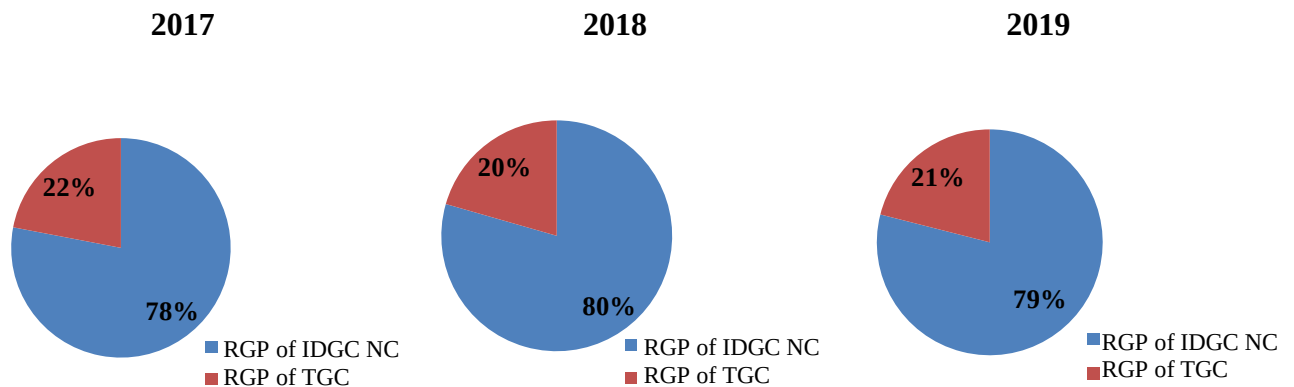
Chechenenergo, JSC:

- Nurenergo, OJSC (power grid complex of the Chechen Republic).

Share of IDGC of the Northern Caucasus, PJSC in the required gross proceeds (RGP) of the North Caucasian Federal District

Based on the results of 2018, as of January 1, 2019, the share of RGP of IDGC of the Northern Caucasus, PJSC (including subsidiaries and controlled companies) in RGP of the constituent units of the North Caucasian Federal District was 79%.

Share of IDGC of the Northern Caucasus, PJSC, GRR in GRR of North Caucasian Federal District constituent units



Investment Activities and Capital Construction

Parameters of the Investment Activities

Investment planning is an integral part of the business planning and budgeting system at IDGC of the Northern Caucasus, PJSC. During compilation of investment program, impact of its implementation on the Company's entire economic activity is assessed. In the pursuit of investment policy, whose implementation is reflected in annual investment programs, the following activities are fulfilled:

- maintaining and operating equipment necessary for sufficient, reliable, and uninterrupted power supply to consumers;
- lowering production costs, in particular, through improvement of equipment efficient performance;
- upgrading fixed assets;
- ensuring safe operation of equipment;
- commissioning new capacities in case of necessity to cover load deficiency or create capacity margin.
- unconditional measures implementing in connection with consumers technological connection;
- preparation for completion passport receiving by autumn and winter period;

The Investment Program of IDGC of the Northern Caucasus, PJSC for 2018 was approved by Order No. 24@ made by the Ministry of Energy of Russian on December 20, 2018 “About Amendments Approval Made to the Investment Program of IDGC of the Northern Caucasus, PJSC” approved by Order No. 1035 made by the Ministry of Energy of Russia on December 25, 2015”.

In 2018 IDGC of the Northern Caucasus, PJSC, has used capital investments in the amount of 1,312.96 million rubles net of VAT, added to fixed assets within its investment activity 878.58 million rubles, financed 1,400.95 million rubles, VAT included. Besides, 47.41 MVA transformer capacities and 146.58 km transmission lines were launched.

Major Investment Program Indicators

IDGC of the Northern Caucasus, PJSC	2018				
	Deployment	Adding to FA	Funding	New power	
	million rubles, net of VAT	million rubles, net of VAT	million rubles, VAT included	MVA	km
Stavropolenergo	292.25	327.20	387.25	16.99	99.92
Dagenergo	572.44	111.69	418.22	10.00	1.24
Kabbalkenergo	24.34	50.31	29.75	0.00	2.64
Sevkavkazenergo	112.81	183.77	125.52	1.70	35.59
Karachayevo-Cherkessenergo	130.27	169.67	124.04	11.37	7.18
Ingushenergo	139.06	35.94	223.05	7.35	0.00
Executive Office	41.79	0.00	93.11	0.00	0.00
Total for IDGC of the Northern Caucasus, PJSC	1,312.96	878.58	1,400.95	47.41	146.58

Stavropolenergo branch

In 2018 capital investments used are in the amount of 292.25 million rubles net of VAT, added to fixed assets within its investment activity 327.20 million rubles, financed 387.25 million rubles, VAT included. Besides, 16.99 MVA transformer capacities and 99.92 km transmission lines were launched.

Dagenergo branch

In 2018 capital investments used are in the amount of 572.44 million rubles net of VAT, added to fixed assets within its investment activity 111.69 million rubles, financed 418.22 million rubles, VAT included. Besides, 10.00 MVA transformer capacities and 1.24 km transmission lines were launched.

Kabbalkenergo branch

Actually in 2018 capital investments used are in the amount of 24.34 million rubles net of VAT, added to fixed assets within its investment activity 50.31 million rubles, financed 29.72 million rubles, VAT included. Besides, 2.64 km transmission lines were launched.

Sevkavkazenergo branch

In 2018 capital investments used are in the amount of 112.81 million rubles net of VAT, added to fixed assets within its investment activity 183.77 million rubles, financed 125.52 million rubles, VAT included. Besides, 1.70 MVA transformer capacities and 35.59 km transmission lines were launched.

Karachayevo-Cherkessenergo branch

In 2018 capital investments used are in the amount of 130.27 million rubles net of VAT, added to fixed assets within its investment activity 169.67 million rubles, financed 124.04 million rubles, VAT included. Besides, 11.37 MVA transformer capacities and 7.18 km transmission lines were launched.

Ingushenergo branch

Actually in 2018 capital investments used are in the amount of 139.06 million rubles net of VAT, added to fixed assets within its investment activity 35.94 million rubles, financed 223.05 million rubles, VAT included. Besides, 7.35 MVA transformer capacities were launched.

Executive Office

Actually in 2018 capital investments used are in the amount of 41.79 million rubles net of VAT, financed 93.11 million rubles.

Pattern and Structure of funding for capital investments in 2018

In 2018, IDGC of the Northern Caucasus, PJSC, carried out activities targeted at enhancing reliability and non-interruption of electric energy supply to consumers, as well as at increasing installed capacity to enable connection of additional loads and prolonging operation term of power facilities.

Financing of capital investments of IDGC of the Northern Caucasus, PJSC, in 2018 amounted to 1,400.95 million rubles, VAT included, where technical modernization and reconstruction – 894.76 million rubles, new construction – 182.80 million rubles, other measures aimed at increasing the energy reliability of power grid facilities – 323.39 million rubles, including branches:

Stavropolenergo branch: financing amounted to 387.25 million rubles, where technical re-equipment and reconstruction – 187.32 million rubles, new construction – 96.23 million rubles, other activities – 103.70 million rubles.

Major facilities are as follows:

- ✓ Construction of OL 10kV, CCTS 10-0.4 kV (recloser installing) to provide technological connection of power receivers of a hypermarket located in the settlement of Vinsady of the Stavropol Territory at Dorinda, LLC with the maximal capacity of 2.14 MW;
- ✓ Technical re-equipping of SS 110/10 kV Water-Parting (arranging the scheme for ice melting with OL of 110 kV L-149 and OL 110 kV L-49). Measures implementing to change the ice melting schemes of OL from the Kuban power plants chain is due to the necessity to perform the instructions subject to Minutes No. ЧА-440np of the meeting chaired by the Minister of Energy of the RF Mr. A.V. Cherezov dd. September 26, 2016. The object implementation is provided by S&PD 2019-2023 (Decree of the Governor of the Stavropol Territory dated April 28, 2018 No. 213-r). Technical re-equipping of SS 110/10 kV Water-Parting shall improve the production and technical conditions of the substation to raise the operations efficiency, increase the equipment servicing safety and prevent emergency situations arising;
- ✓ Construction of two PTL-10 kV and PKU-10 kV to arrange technological connection of power receivers of Vesna, LLC, a greenhouse complex under construction located in the Predgorniy District of the Stavropol Territory (settlement of Podkumok with the maximal capacity of 1.2 kW).
- ✓ Reconstruction of 110 / 10-6 kV Substation Severnaya is part of a set of measures for improving 110 kV grid. Within the framework of the project, for increasing the reliability of power supply for own needs and operational circuits, the local distribution board and direct current board in the substation control house were replaced, reconstruction of feeder cubicles and cubicles of 6 kV bus-section switch (replacement of current transformers), installation of current-limiting reactors to limit short-circuit currents on 10 kV side. Upon completion of the reconstruction of 110/10 kV Substation Severnaya, the technical state of the substation has significantly improved, which results in increase in the reliability of the equipment operation and the safety of its maintenance, reduction in the risk of emergencies and, in general, increase in the reliability of power supply to consumers.

Dagenergo branch: financing of capital investments amounted to 418.22 million rubles, where technical re-equipment and reconstruction – 399.97 million rubles, new construction – 1.78 million rubles, other activities – 16.46 million rubles.

Among the major Re-equipping and modernization objects put in operation in 2018 the following measures may be noted:

- ✓ Technical re-equipment of SS 35/10kV “Greenhouse Complex” with transformer T-2 changing;
- ✓ Technical re-equipment of SS 110 kV Aktash, PS 110 kV Babayurt SS 110 kV Yaryksu with installation of principal selective fast-operating protective devices for OL 110 kV “Aktash – Kurush” – “Sulevkent – Babauyrt” (OL 110-139-169), “Aktash – Yaryksu” (OL 110-132). The works on the objects were performed subject to Order No. 1125 made by the Ministry of Energy of the RF on November 28, 2017 “About

Approving the List of Power Systems and Power Districts Characterized by the Mode of High Risks of Power Supply Interruption in 2017-2022 and the List of Measures to Lower Risks of Power Supply Interruption in Such Power Systems and Power Districts”.

Kabbalkenergo branch: financing of capital investments amounted to 29.75 million rubles, where technical re-equipment and reconstruction – 23.02 million rubles, new construction – 4.56 million rubles, other activities – 2.17 million rubles.

Among the most important facilities implemented in 2018, the following should be noted:

- ✓ Remodeling the system of information collection and transfer by Kabardino-Balkarian branch at SS 110 kV Psygansu. Measures implementation is aimed at raising the power grids observability by means of arranging the collection, processing and transfer to respective dispatching centers and centers for technological information grids control to comply with the requirements made by SO UES, JSC to the information exchange by technological information.

Sevkavkazenergo branch: financing of capital investments in 2018 amounted to 125.52 million rubles, where technical re-equipment and reconstruction – 49.79 million rubles, new construction – 57.85 million rubles, other activities – 17.88 million rubles.

In the reporting year the top-priority investment project was put into operation:

- ✓ Reconstruction of SS 110 35/6 kV “Zaramag” for technological connection to Mamison GRK (2nd stage). The measures were implemented to connect Mamison GRK to the power grids of IDGC of the Northern Caucasus, PJSC, branch, Sevkavkazenergo, and putting into operation of fast-operating protective devices for SS “Severniy Portal” being under construction.

Karachayevo-Cherkesskenenergo branch: financing of capital investments amounted to 124.04 million rubles, where technical re-equipment and reconstruction – 112.99 million rubles, new construction – 7.85 million rubles, other activities – 3.20 million rubles.

Among the most important facilities implemented in 2018, the following should be noted:

- ✓ Widening with reconstruction SS 35/10 kV “Arkhyz” (Installation of additional linear pit with power transformer for 4MVA, replacing the old transformer of 2.5 MVA for 4 MVA, KRUN-10kV pits changing). As for today SS 35/10kV Arkhyz is one-transformer substation and the only power center for Arkhyz mountain and recreation complex. At present in Arkhyz settlement there are 14 recreation centers and new objects are actively being erected in the settlements that in the nearest future will be connected with available KTSS. The project implementation enabled to lower the costs for substation maintenance and liquidate the overloading and the equipment physical wear and tear and raise the quality of consumers power supply;
- ✓ Reconstruction of 110 kV Substation Yuzhnaya. Reconstruction of substation in Cherkessk enabled to break the tension in the substation’s power transformers loading, raise the quality of consumers power supply, decrease the risk of accidents and reduce the time for power supply restoring. The substation’s capacity increasing provides options for connecting to the power system’s power grids of new consumers power capacities and for receiving additional income for power transmission services.

Ingushenergo branch: financing of capital investments in 2018 amounted to 223.05 million rubles, where technical re-equipment and reconstruction – 46.30 million rubles, new construction – 14.52 million rubles, other activities – 162.23 million rubles.

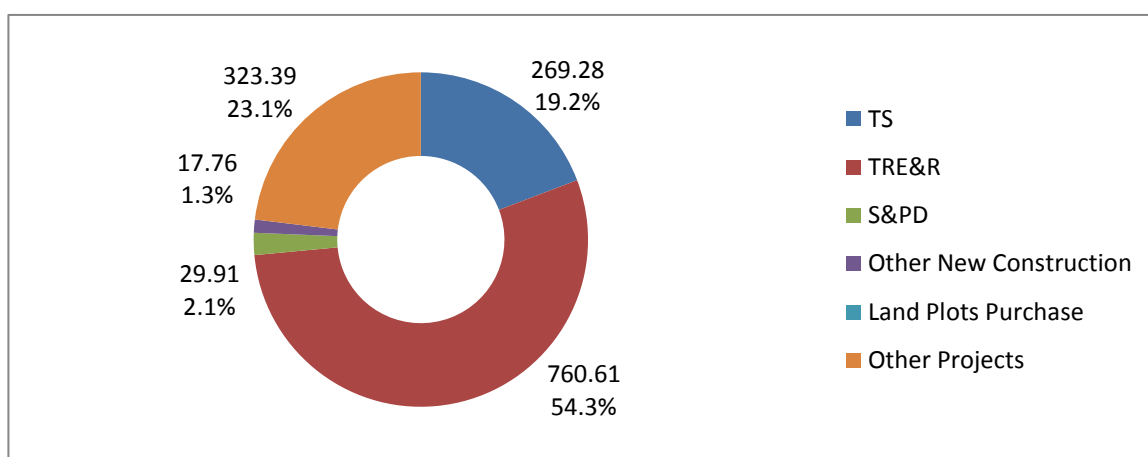
In 2018 within the Republic of Ingushetia the following significant measures were implemented:

✓ Modernization of power metering devices in the context of the Program for Power Losses Lowering at the Branch of IDGC of the Northern Caucasus, PJSC, being Ingushenergo”. The measures are implemented subject to the development plan for IDGC of the Northern Caucasus, PJSC, approved by the Board of Directors of Rosseti, PJSC on June 9, 2016 (Minutes No. 232), to arrange qualitative and transparent power metering. The projects implementation shall provide for perfecting the systems of estimation and technical power metering to increase the information reliability about the structure of power balances in power grids, electric power business losses lowering.

Executive office: financing of capital investments amounted to 93.11 million rubles, where technical re-equipment and reconstruction – 75.36 million rubles, other activities – 17.75 million rubles.

Structure of capital investment financing, million rubles, VAT included

IDGC of the Northern Caucasus, PJSC	2016	2017	2018
Total	1,707.0	1,640.8	1,400.95
Technological Connection	360.4	283.1	269.28
Reconstruction, modernization, technical re-equipment	839.7	789.5	760.61
Investment projects, the implementation of which is determined by schemes and programs for the future development of the power industry	85.1	385.1	29.91
Other new construction of power grid facilities	30.8	20.9	17.76
Purchase of land plots for the implementation of investment projects	0	0	0.00
Other investment projects	391.0	162.2	323.39

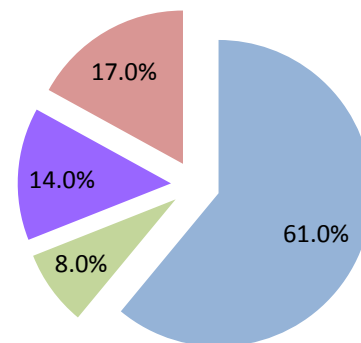
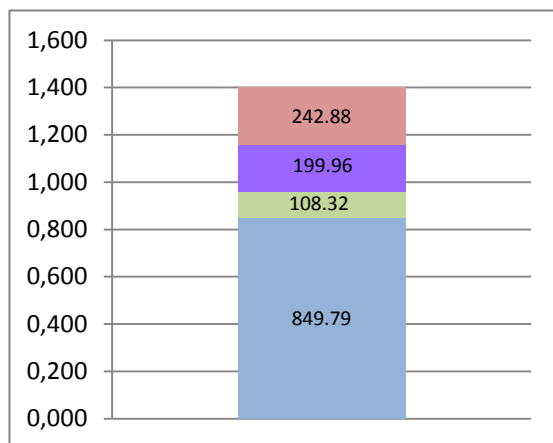


Structure of Funding for Capital Investments in 2018

1. Funding sources for the investment program subject to the diagram:

Structure of funding sources for capital investments in 2018

million rubles



Fixed Assets	Payment for Technological Connection	Financing from the Budget	Other
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Following the results of 2016 capital investment financing in 2016 made 1,792.8 million rubles, in 2017 – 1,640.8 million rubles, VAT included. Following the results of 2018 the investment activity financing amounted to 1,400.95 million rubles, including financing of the Comprehensive Program to Reduce Excessive Losses out of the federal budget assets that amounted to 242.88 million rubles.

**Information about the Actual Financing and Capital Investment Forming for the Objects Implemented Using the Federal Budget Assets,
million rubles, VAT included**

No.	Action name	Current Status	Source	Full Value	Capital Investments Forming Volume as for December 31, 2018	before January 1, 2018	12 months of 2018	% of execution for forming	volume of financing as for December 31, 2018	before January 1, 2018	12 months of 2018	% of execution for financing
1	Comprehensive Program for Excessive Losses Reducing, Republic of Dagestan	CIW, CW	Total	2,888.0	2,001.2	2,001.2	0	69%	2,819.0	2,651.5	167.5	98%
			Federal Budget		1,793.3	1,793.3	0		2,548.7	2,381.1	167.5	
2	Comprehensive Program for Excessive Losses Reducing, Chechen Republic	-	Total	1,784.2	1,784.2	1,784.2	0	100%	1,784.2	1,708.8	75.4	100%
			Federal Budget		1,666.3	1,666.3	0		1,666.3	1,590.9	75.4	
Total for the Company			Total	4,672.2	3,785.4	3,785.4	0	81%	4,603.2	4,360.3	242.9	99%
			Federal Budget		3,459.6	3,459.6	0		4,215.0	3,972.0	242.9	

Appendix No. 3 to the Russian version of the Annual Report also provides information about lowering the relative indicators of construction objects cost put into operation in 2018.

Implementation of the integrated program of activities for reducing excessive power losses in the distribution grids on the territory of North Caucasus; reduction of level of losses in networks and development of metering systems

For reducing commercial power losses in grids of IDGC of the Northern Caucasus, PJSC in the territory of the Republic of Dagestan, the Republic of Ingushetia and Chechen Republic, the Comprehensive Program of Actions for Reduction in Excessive Losses is being implemented. The comprehensive program provides for actions to organize, upgrade and automated metering of power in all points of commercial metering, and in key supply centers, where technical metering of power is required, which will make it possible to reduce commercial losses to the level of normative values. The program is being implemented as from 2011. The Comprehensive Program within the territory of the Republic of Ingushetia is completed and commissioned in full in 2015. The Comprehensive Program within the territory of the Chechen Republic is completed and commissioned in full in 2016.

Full cost of the project in accordance with the investment program of the Company for 2016–2022 approved by Order of the Ministry of Energy of Russia dated December 20, 2018 No. 24@ amounted to 5 250.4 million rubles, VAT included.

The total number of metering points covered by the program is 636,126 pieces.

No works subject to the Comprehensive Program within the territory of the Republic of Dagestan were implemented in 2018.

In 2018, the financing of the measures included to the Comprehensive Program amounted to 242.9 million rubles VAT included.

From the start of implementation of the Comprehensive Program, its performance amounted to 3,707.8 million rubles. Financing amounted to 5,181.4 million rubles:

Name	Implementation 2011–2018, million rubles, net of VAT	Financing 2011, million rubles, VAT included
Republic of Dagestan	1,702.2	2,819.0
Republic of Ingushetia	491.3	578.2
Chechen Republic	1,514.3	1,784.2
Total	3,707.8	5,181.4

Implementation of the Comprehensive Program was carried out through:

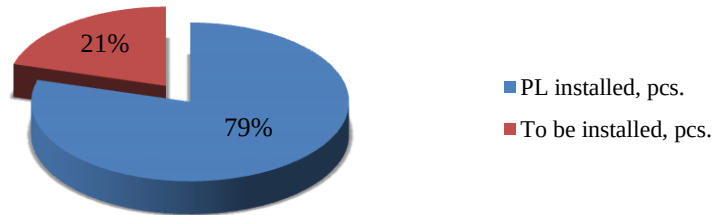
- federal budget funds – 3,384.3 million rubles, net of VAT;
- Company's own funds – 322.9 million rubles, net of VAT;
- other funds – 0.6 million rubles, net of VAT.

The Comprehensive Program was funded out of the following sources:

- out of the federal budget – 4 748.9 million rubles, VAT included;
- out of the Company's own funds – 429.9 million rubles, VAT included;
- out of other funds – 2.65 million rubles, VAT included.

For the period of implementation of the Comprehensive Program as of January 1, 2018, 505.5 meters were installed (according to works completion certificates in the form KS-2).

Name	Fact of meter installation, pcs	Meters to be installed, thousand pcs
Republic of Dagestan	322.1	130.7
Republic of Ingushetia	45.4	-
Chechen Republic	138.0	-
Total	505.5	130.7



Performance of Target Indicators of Comprehensive Program

Name	2011	2018
Republic of Dagestan (without Makhachkala)	38%	26.05%
Republic of Ingushetia	40%	29.52%
Chechen Republic (without Grozny, Argun, Gudermes)	34%	23.57%

Since the beginning of implementation of the Comprehensive Program, effect of installation of meters and operation of the entire system in general has been expressed in reducing commercial power losses and, as a consequence, increasing the productive supply.

In quantitative and monetary terms it is as follows:

- losses in the Republic of Dagestan decreased from 38% in 2011 to 26.05% in 2018, while the economic effect as of December 31, 2018 amounted to 783.3 million kW*h, or 1,128 million rubles;
- losses in the Republic of Ingushetia decreased from 40% in 2011 to 29.52% in 2018, while the economic effect as of December 31, 2018 amounted to 101.8 million kW*h, or 257.6 million rubles;
- losses in the Chechen Republic decreased from 34% in 2011 to 23.57% in 2018, while the economic effect as of December 31, 2018 amounted to 188.0 million kW*h, or 353.3 million rubles.

Results of investment program implementation

Information on the results achieved in 2018 through the implementation of activities included in the investment program, in accordance with Order of the Ministry of Energy of Russia dated March 14, 2017 No. 177:

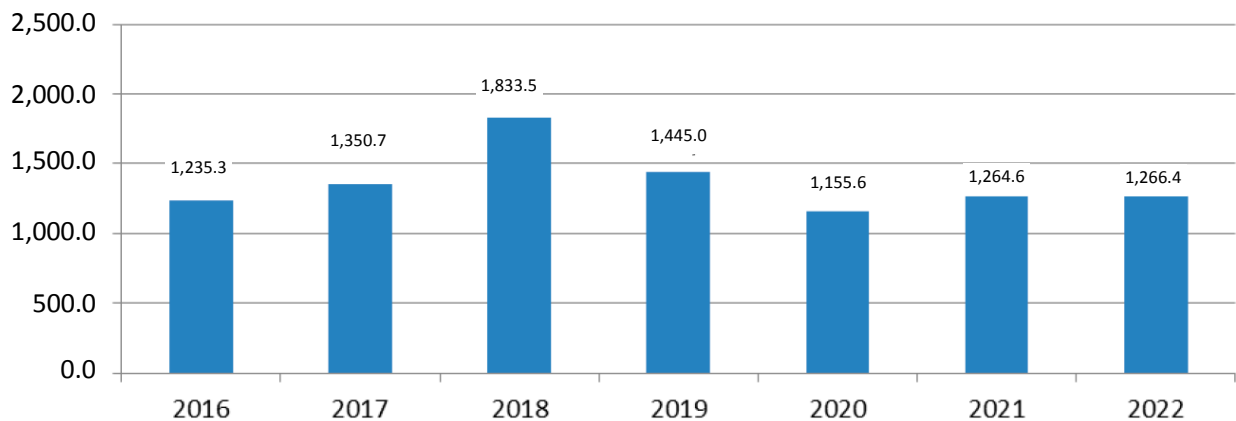
- the following affected the degree of loading of the transformer substation in 2018:

- ✓ widening with the reconstruction of SS 35/10 kV “Arkhyz” – 0.86;
- no facilities that affect the indicator assessing the change in the share of the productive power supply generated by power meters included in the data collection and transmission system;
- no facilities that affect the indicator assessing the change in the average duration of interruption in the power transmission to service consumers;
- no facilities that affect the indicator assessing the change in the average duration of interruption in the power transmission to service consumers;
- indicator of the total number of obligations fulfilled by the grid company within the investment program for the implementation of technological connection made – 726 pcs;
- indicator of the maximum capacity of the connected power consumers, power generation facilities, power grid facilities owned by other grid companies or other individuals – 58.55 MW.

Long-Term Investment Program

The project of the investment program of IDGC of the Northern Caucasus, PJSC, was approved by the Board of Directors of IDGC of the Northern Caucasus, PJSC, on February 22, 2018 (Minutes No. 334 dd. February 26, 2018) and submitted to be approved to the Ministry of Energy of the Russian Federation. The long-term Investment Program of IDGC of the Northern Caucasus, PJSC, for 2016-2022 was approved by Order No. 24@ made by the Ministry of Energy of the Russian Federation on December 2018 “About Amendments Approval Made to the Investment Program of IDGC of the Northern Caucasus, PJSC” approved by Order No. 1035 made by the Ministry of Energy of Russia on December 25”.

Amount of funding for the Investment Program for 2016–2022, million rubles, VAT included



The planned structure of funding for the investment activities for the period from 2018 to 2022 is volatile to some extent. This is caused by limited opportunities for planning of activities aimed at technological connection of applicants for a long period. Thus, the share of funding of technological connection facilities in 2018 is 19%, in 2019 – 7%, in 2020 – 9%, during 2021-2022 within 3%. In its turn it results in increasing the share of measures financing aimed for objects technical re-equipping and reconstructing from 48% in 2018 to 55% in 2019 and about 80-90% in 2018-2022.

Substantial relative share 30% in 2018, 20% in 2019 of new construction objects is significantly caused by major investment projects implementation within the Development Plan of IDGC of the Northern Caucasus Group, – Plievo-Novaya SS 110/35/10 kV construction. 1 PC (Facility T1 40MVA, construction of ORU 110 kV, ORU 35 kV, OSWG 10 kV), Construction and

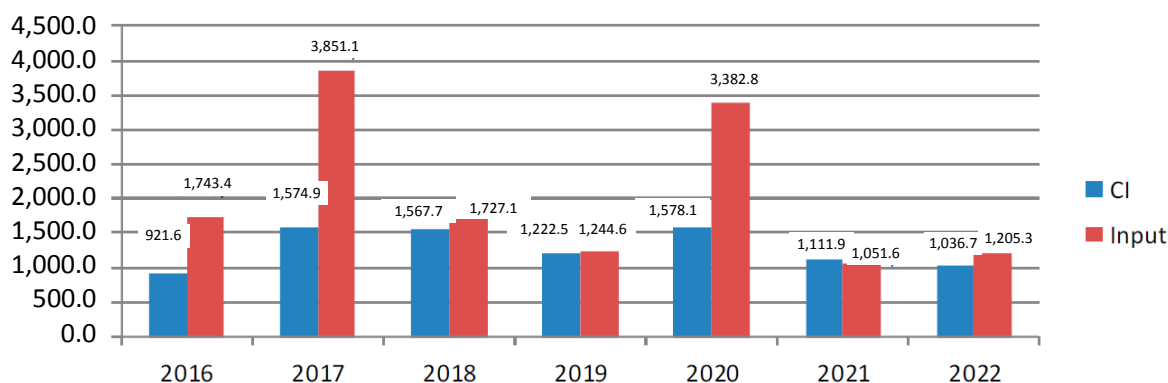
reconstruction of the grid of 10–0,4 kV in the course of the Program for Power Losses Lowering at Ingushenergo, Branch of IDGC of the Northern Caucasus, PJSC”. 1 PC (Facility T1 40MVA, construction of ORU 110 kV, ORU 35 kV, OSWG 10 kV), Construction and reconstruction of the grid of 10–0,4 kV in the course of the Program for Power Losses Lowering at Ingushenergo, Branch of IDGC of the Northern Caucasus, PJSC”.

Substantial relative share of other measures in financing the investment program in 2019 (17%) is caused by measures implementing to carry out pre-project inspection and develop projects to upgrade power metering devices and to construct and reconstruct the grid of 10-0.4 kV in the course of the Plan (Program) for Power Losses Lowering in Electric Grids of the branches of IDGC of the Northern Caucasus, PJSC”.

The investment program of IDGC of the Northern Caucasus, PJSC, for 2016-2022 was developed taking into account the plans for the development of the territories, the technical condition of the power grids, the importance of power supply facilities, the current economic situation in the Russian economy.

The decisions made in the development of the investment program are consistent with the goals and objectives of the Unified Technical Policy in the distribution power grid complex and the provisions of the current law.

Amount of Planned Capital Investments and Scope of Commissioning of Fixed Assets in Accordance with the Investment Program for 2016–2022, million rubles, net of VAT



Capital construction quality management

Within implementation of Decree of the Russian Government dated June 21, 2010 No. 468 “On the Procedure for Construction Supervision during Construction, Reconstruction and Overhaul of Capital Construction Facilities”, for verifying the compliance of work performed in the course of construction, reconstruction, overhaul of capital construction facilities with the requirements of the project documentation, technical regulations, urban development plan of the land plot, results of engineering surveys, following the internal organizational and administrative documents of the Company:

- Order No. 849 dd. December 14, 2016 "On the Approval of the Regulation on the Implementation of Investment Projects of IDGC of the Northern Caucasus, PJSC, Chechenenergo, JSC, Dagestan Grid Company, JSC, in Terms of Design and Survey Works, Issue of Initial Permits and Construction and Installation Works" (as amended by Order No. 85 dd. February 15, 2018);

- Order No. 778 dd. December 14, 2018 “On the Approval of the Procedure for Construction Control and Regulation on the Arrangement and Implementation of the Incoming Control”;
- Order "On the Approval of the Procedure for Verification of the Readiness of Construction Contractors for the Fulfillment of Construction Contracts at the Power Grid Complex Facilities of IDGC of the Northern Caucasus, OJSC dated October 10, 2014 No. 625;
- Order "On the Approval of the Regulation on the Arrangement and Implementation of the Incoming Production Control for the Construction and Reconstruction of Power Grid Facilities" dated March 23, 2017 No. 187;
- Order "On the Approval of the Procedure for Maintenance of the As-Built Documentation and Preparation of Acceptance and Delivery Documentation" dated December 2, 2015, No. 719;
- Order "On the Approval of the Methodology for Confirmation and Acceptance of the Scope and Quality of Construction and Installation Works" dated December 30, 2014 No. 838;
- Order "On the Approval of the Procedure for Commissioning of the Completed Facilities" dated July 2, 2018 No. 390;
- Order “On the Approval of the Procedure for Assessment of Conformity of the Completed Power Grid Complex Facilities of IDGC of the Northern Caucasus, PJSC” dated December 6, 2016, No. 819.
- Order "On the Approval of the Standard Contract for the Provision of Construction Control Services at the Power Grid Complex Facilities of IDGC of the Northern Caucasus, PJSC" dated January 13, 2018 No. 774;

the construction control is carried out at the Company's capital construction facilities.

The structural unit of IDGC of the Northern Caucasus, PJSC arranging the construction control (technical supervision over construction) in accordance with the Regulation on the Capital Construction Department and job descriptions of employees approved on August 1, 2016 is the Company's Capital Construction Department consisting of 38 specialists (including the Head of the Department) subordinate to the Deputy General Director for investment activities.

According to the Regulation on the Implementation of Investment Projects of IDGC of the Northern Caucasus, PJSC, Chechenenergo, JSC, Dagestan Grid Company, JSC, in terms of design and survey works, issue of initial permits, construction and installation works, the construction supervision during construction (reconstruction) of capital construction facilities is carried out by the Capital Construction Groups by regions of the Company's Capital Construction Department consisting of 24 specialists.

The construction control in reporting 2018 was performed by the Company's construction control specialists and one priority object by an engaged subcontracting company subject to an agreement: at Object “Construction of SS 110/35/10 kV Plievo-Novaya” of Ingushenergo Branch by 2 specialists from CTC, JSC, Moscow.

At the same time, the coverage of constructed capital construction facilities under the approved investment program of the Company with independent construction supervision amounted to 50% in 2018.

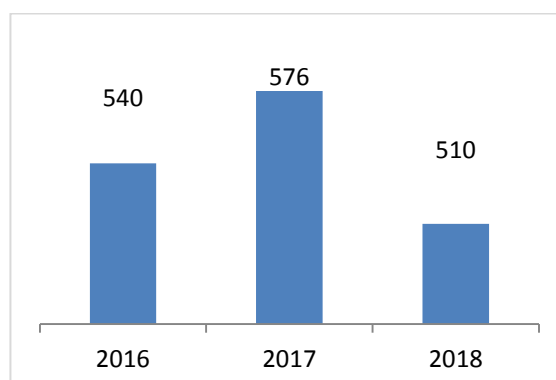
Key Investment Projects Completed by Construction in 2018



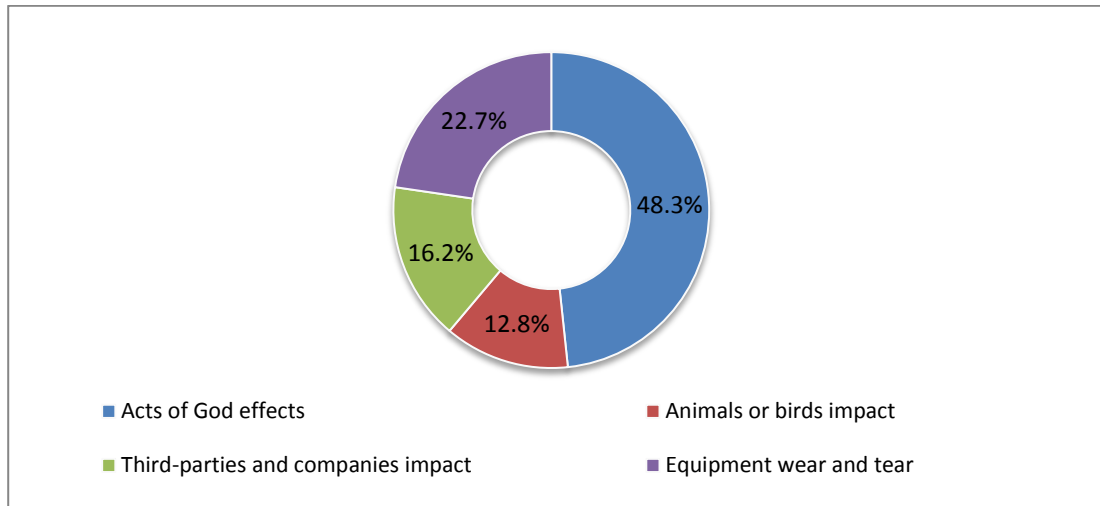
Information on the Technical Condition of Grids

Following the results of the work for 2018 the branches of IDGC of the Northern Caucasus, PJSC, have achieved lowering the number of technological faults (accidents) at power grid objects of 110 kV and more compared to the data of 2017 by 11.5% or 66 accidents.

The principal reasons for technological faults (accidents) at power grid objects of 110 kV and more were: acts of God effects, third-parties and companies impact, including those participating in the technological process, animals or birds impact, and equipment wear and tear (insulation deterioration, cord's mechanical strength loss, materials properties changing, etc.).



Structure of Accidents
Number at the Objects of a Grid of 110 kV and more



Main Causes of Accidents in 2018

Following the results of 2018 all branches of IDGC of the Northern Caucasus, PJSC, happened to **achieve** reliability level indices fixed by regional services for tariffs:

1) as for IDGC of the Northern Caucasus, PJSC, branch being Stavropolenergo – the planned values are established by the Regional Committee for Tariffs of the Stavropol Territory (Decree No. 65/3 dd. December 27, 2017):

- indicator of average duration of interruption in the power transmission (pp, hour) with the target value of **0.0134** is achieved with significant improving (-58%) and made **0.0056**.

2) as for IDGC of the Northern Caucasus, PJSC, branch being Kabbalkenergo – the planned values are established by the State Committee of the Kabardino-Balkarian Republic for Power, Tariffs and Housing Supervision (Order No. 89 dd. December 29, 2017):

- indicator of average duration of interruption in the power transmission to the delivery point (Saidi, hour) with the target value of 0.490 is achieved with significant improving (-31%) and made 0.337.

- indicator of average frequency of interruption in the power transmission to the delivery point (Saifi, pcs) with the target value of 0.673 is achieved with the value of 0.783 (+16%) (made taking into consideration the permitted deviation coefficient of 30%).

3) as for IDGC of the Northern Caucasus, PJSC, branch being Karachayevo-Cherkesskenargo the planned values are established by the Head Department for Tariffs and Prices of the Karachay-Cherkess Republic (Decree No. 161 dd. December 29, 2017):

- indicator of average duration of interruption in the power transmission to the delivery point (Saidi, hour) with the target value of 2.6914 is achieved with significant improving (-46%) and made 1.46564;

- indicator of average frequency of interruption in the power transmission to the delivery point (Saifi, pcs) with the target value of 1.0993 is achieved with the value of 1.03097 (-6%);

4) as for IDGC of the Northern Caucasus, PJSC, branch being Sevkavkazenergo the planned values are established by the Regional Service for Tariffs of the Republic of North Ossetia – Alania (Decree No. 6 dd. February 28, 2018):

- indicator of average duration of interruption in the power transmission to the delivery point (Saidi, hour) with the target value of 1.00962 is achieved with significant improving (-66%) and made 0.34770;

- indicator of average duration of interruption in the power transmission to the delivery point (Saidi, hour) with the target value of 0,49671 is achieved with significant improving (-51%) and made 0,24354;

5) as for IDGC of the Northern Caucasus, PJSC, branch being Ingushenergo – the planned values are established by the Regional Committee for Power of the Republic of Ingushetia (Decree No. 18 dd. December 30, 2016):

- indicator of average duration of interruption in the power transmission (pp, hour) with the target value of 0.0075 is achieved with significant improving (-99%) and made 0.0001.

For reducing the accidents rate and ensuring the reliability of power supply to consumers, in the area of operating responsibility of the branches of IDGC of the Northern Caucasus, PJSC, subject to the repair program of 2018 the following measures implementing is ensured:

- in 110-35 kV high-voltage grids, 3,011 km of PTL were overhauled, 118 hectares of PTL routes were cleared from tree and shrub vegetation;
- in distribution grids with a voltage of 10-0.4 kV, including cable lines, 2,367,5 km of PTL were overhauled, 125 hectares of PTL routes were cleared from tree and shrub vegetation;
- repair of the equipment of 35-110 kV substations was carried out, including overhauling and medium repairs of 48 power transformers, 1,291 switches and 1,795 disconnectors / separators / short-circuits.
- necessary routine maintenance works were carried out at transformer substations (TS) 10(6)/0.4 kV, 2,160 (TS) 10(6)/0.4 kV, as well as 487 transformers were repaired.

The bulk of the work was performed within the preparation of the power grid complex of the North Caucasian Federal District for the autumn-winter period 2018-2019.

In accordance with the decision of the Board of Directors of IDGC of the Northern Caucasus, PJSC dated April 25, 2018 (Minutes No. 346 of May 28, 2018) approved the Development Action Plan for the Production Assets Management System of IDGC of the Northern Caucasus, PJSC for 2016-2019.

Within the Action Plan for Development of the Production Assets Management System of IDGC of the Northern Caucasus, PJSC for 2016–2019, in 2018 actions were implemented on the following key objectives:

- functionality improvement to increase the accuracy of the technical state evaluation estimated based on technical state calculation algorithms (TIS). TIS adjustment to comply with the requirements of the industry methods of the equipment technical state estimation;
- automation of tests/measurements record sheets typical forms for testing objects, equipment groups and kinds;

- automation of the methods to estimate the power subjects fitness to work during the heating season;
- functionality improvement for the Company's automated system of maintenance and repair management subject to the requirements of the accounting policy for maintenance and repair;
- automation of estimating the works volumes and cost performed using its own resources (using costing standards database and separating the accounting for labor costs subject to maintenance and repair);
- automation of the report forms of business plan for maintenance and repair (with optional uploading of business plan report forms from ASU for maintenance and control).

Technical Policy and Regulatory Support

IDGC of the Northern Caucasus, PJSC, in the reporting year was performing the works for whose implementation innovative, advanced, progressive technical solutions were used together with technologies, materials and equipment complying with the technical policy, including the following.

In the reporting period design and survey works were performed to reconstruct SS "Aeroport" (Stavropolenergo branch of IDGC of the Northern Caucasus, PJSC) with the digital grid elements.

To improve the operations efficiency and ensure the reliable accounting of the works implementing results in connection with maintenance and repair due to establishing common approaches to scheduling and recording the works in connection with equipment maintenance and repair and to the report concerning repairs forming, planning and costs thereof the Company has implemented the System of Production Assets Management (SPAM). For the first time in 2018 longstanding and yearly action plans and schedules for maintenance and repair based on SPAM were drafted and when making thereof the program in an automated mode estimates the working hours, costs for POL, materials, etc., that substantially eases the staff's work participating in repairs schedules making for the Company. In the same automated mode the program estimates the conditional units and volume units. Indices of the equipment technical state are estimated and following their results the scheduled repairs types are determined.

To lower the power losses in 2018 the works were performed to arrange the remote data collection from substations 35-110 kV using GSM-modems. The received information is delivered to the server and used to collect information and power values (connection capacity, load current, tyre voltage and metering devices data) to form the power daily balance at substations.

As to technical regulation for the reporting period 6 internal documents were drafted, including in the fields:

- Occupational Health and Safety – 5 documents;
- Maintenance and Repair – 1 document.

The following corporate standard was drafted in 2018 in IDGC of the Northern Caucasus, PJSC, to serve a regulatory technical document in the sphere of technical regulation having the system-

wide significance: “Choosing the External Insulation of Power Installations for 110-750 kV based on field surveys”.

Subject to the effective Agreement on Coordination and Development of the System of Regulatory and Technical Works in the Power Grid Complex made by and between Rosseti, PJSC, IDGC of the Northern Caucasus, PJSC, and other power grid companies No. BP0000003 dd. October 21, 2015 to implement the Technical Policy within IDGC of the Northern Caucasus, PJSC, the List of External and Internal Regulatory and Technical Documents is updated used in the course of production and business operations (subject to the Registry for Regulatory Technical Documents in the Sphere of Technical Regulation of Rosseti, PJSC and subsidiaries and affiliates of Rosseti, PJSC). In 2018 28 regulatory technical documents in the sphere of technical regulation drafted by Rosseti, PJSC, were included to the List.

In 2018 IDGC of the Northern Caucasus, PJSC, participated in the work performed by sections of STC of Rosseti, PJSC:

Item No.	Meeting	Considered Matters
Executive Committee of the Scientific and Technical Council		
Section “Substations Technologies and Equipment”		
1	October 17, 2018	1. Considering the R&D preliminary results in the subject “System of Automated Projecting of the Substation Lightning Protection” 2. Considering the R&D preliminary results in the subject “Automated Monitoring Systems of Linear EVS, Electromagnetic Environment and Excessive Voltage in Substations Secondary Grids” 3. Innovative Development of ENIN, OJSC and scientific and technological development prospects 4. Preliminary results reviewing of the developed standard of Rosseti, PJSC, to use the protection devices from impulse excessive voltage for low-voltage chains of the substation

The Technical Policy of Rosseti, PJSC, by IDGC of the Northern Caucasus, PJSC, is implemented in total compliance with the Corporate Import Substitution Plan (Order No. 711 of IDGC of the Northern Caucasus, PJSC, dd. October 23, 2017 “About Implementing the Measures of the Corporate Import Substitution Plan by Rosseti, PJSC”).

Certification of Equipment

The implementation of a unified scientific and technical policy that ensures the development of power grid facilities and the efficient operation of the power grid complex of IDGC of the Northern Caucasus, PJSC, is carried out through, in particular, the arrangement by Rosseti, PJSC and IDGC of the Northern Caucasus, PJSC, of the certification of equipment, technologies, materials and systems for preventing the use of equipment that does not meet the technical requirements for reliability, safety, performance characteristics and conditions of use.

The objectives are planned to be achieved by preventing the possibility of supplies of equipment that does not meet the requirements of the sectoral scientific and technical documentation, the standards and conditions of application for the arrangement of operating activities and the implementation of investment programs, as well as by ensuring the mandatory Russification of the interface, all inscriptions made on the imported equipment and supplied documentation, bringing operating documents for equipment, materials and systems in line with the scientific

and technical documentation, increasing the level of safety, reducing the risk of environmental damage and financial losses due to technological failures and inefficient equipment operation.

The mechanism for fulfillment of the requirements for equipment certification is implemented by amending the regulation on procurement in terms of establishment of the requirements for the acquisition of certified equipment to prevent the possibility of acquiring, installing and using uncertified power grid equipment, technologies, materials and systems at the facilities.

This organizational work was carried out by IDGC of the Northern Caucasus, PJSC in previous periods. During 2018, additional measures were not taken to organize the certification of equipment.

Control over the fulfillment of the requirement for the application of certified equipment is exercised at the stage of the project documentation approval. Current lists of certified equipment, materials and systems are available on the official website of Rosseti, PJSC and are freely available at the following link: <http://www.rosseti.ru/investment/science/attestation/>.

Security

77 power facilities of the Company are under physical protection, the security is provided by the companies, namely PSC Energiya, LLC, PSC Codex Shchit, LLC, COD STRAZHA, LLC, PSC Energiya-KB, LLC, announced as the winners of the tenders held. The number of employed security personnel is 424 persons.

400 audits were performed on status of anti-terrorist protection of power facilities, 12 training sessions were provided for actions of employees of security firms in case of emergencies, sessions and briefings are provided on a weekly basis for employees of security firms.

Interaction with territorial law enforcement authorities was organized when receiving reports of terrorist act threats, during inspections of anti-terrorist protection of facilities, during anti-terrorist trainings and exercises.

Occupational Health, Safety and Environmental Protection

Occupational Health and Safety

In the reporting period, IDGC of the Northern Caucasus, PJSC, carried out work to implement measures aimed at improving the occupational health and safety:

- competitions of professional skills of the personnel on repair and maintenance of overhead power lines having the voltage of 110 kV were held;
- Days of Labor Protection, Traffic Safety and Fire Safety were held on a monthly basis;
- comprehensive and thematic inspections of the state of labor protection, operation of equipment, fire safety, work with personnel in electrical networks were completed;
- activities were performed within the third party injury prevention program;
- the requirement to include sections on cooperation and mutual responsibility for compliance with the health and safety standards and rules in contracts to be concluded was fulfilled;

- the norm was applied to prohibit the work of contractors in the territory of existing facilities in the event of violations of labor protection requirements and standards, instructions of the responsible employees of IDGC of the Northern Caucasus, PJSC;
- incoming inspection of the delivered personal protective equipment was implemented in order to prevent the purchase and use of poor-quality products by the personnel;
- annual training of personnel was held on rendering first aid to the injured using a training dummy;
- training seminars were held with employees of labor protection units;
- training was held with production personnel without interruption of production;
- measures were taken to work with personnel in accordance with the approved plans and schedules;
- planned inspections of permanent workplaces and working teams were performed by participants in the production and technical councils of the internal technical control system (ITCS) of branches and controlled companies;
- regular training of personnel was held on skills of safe work and first aid rendering to the injured;
- status and compliance with the scheme of dispatching names on the equipment of electrical installations were checked;
- off-schedule checks of working teams and workplaces were carried out by authorized inspectors;
- procurement of personal protective equipment and electrical protective equipment for work in electrical plants at the expense of the employer was made.

In order to prevent occupational injuries of personnel in IDGC of the Northern Caucasus, PJSC, the following measures were carried out:

- instructions on health and safety, job descriptions, technological maps and regulations on structural units were revised for compliance with the current health and safety requirements and inclusion therein of duties of responsible participants in the ITCS;
- health and safety instructions when working in general power grids and when working on overhead lines under induced voltage were developed and approved. All electrical personnel are familiar with the contents of the instructions against signature;
- verification of switchgear circuits completed with switchgear cells, verification of local instructions for operation of complete switchgears was held;
- analysis of conformity of the currently used, accepted and newly introduced complete switchgears to the regulatory requirements was implemented;
- programs were developed for production training of workers and engineering and technical employees (ETE).

Statistics of Injury Dynamics during 2017-2018

Branch name	2017			2018		
	Number of Accidents	Number of Injured	including Resulting in Death	Number of Accidents	Number of Injured	including Resulting in Death
Ingushenergo	0	0	0	1	1	1
Kabbalkenergo	1	1	1	0	0	0
Karachayevo-Cherkessenergo	0	0	0	0	0	0
Sevkavkazenergo	0	0	0	0	0	0
Stavropolenergo	1	1	0	1	1	0
Total	2	2	1	2	2	1

Stavropolenergo branch: On August 20, 2018 at 03:15 pm when the brigade vehicle was moving along the motor way to station Lysogorskaya by Pobedy Street near Premise No. 208 A, it was met by a third-party vehicle being VAZ 2115 racing at high speed. VAZ 2115 started skidding that resulted in its racing to the oncoming lane where it collided with the brigade vehicle being UAZ 39099. The shock load resulted from vehicles colliding affected the left side of UAZ 39099 body, below the driver's door.

The collision resulted in minor injury for a wireman of the Nezlobnenskiy UES of the Georgievskie DPG.

Ingushenergo branch: on August 26, 2018 at 09:02 am following the instructions by the control engineer of the Magasskiy DPG an on-duty team of the emergency crew headed by A.Y. Medov, wireman of the EC, moved to inspect OL 10 kV F-5. Having made the inspection of OL 10 kV F-5, on its way to the base of Magasskiy DPG A.Y. Medov to respond to the request made by a local resident made a decision of inspect TP 5-21 F-5 of SS "Ekazhevo" in Akhriev Street.

Wireman of the EC A.Y. Medov having failed to coordinate his actions with the control engineer started to inspect TP 5-21 without permission, came too close for a forbidden distance to current-carrying parts and was injured by current. Later he was brought to the Nazran CCH where he succumbed to injuries.

Compared to the similar period in 2017, the number of accidents, number of injured there, including those resulting in death in 2018 remained at the same level.

Subject to Clause 226 of the Labor Code the Russian Federation in the branches and the Company in general the measures financing to improve labor conditions and safety amounted to at least 0.2% of the costs amount for production (works, services).

Branch name	Spent for labor safety measures per 1 person (costs ratio to average staff number), thousand rubles			
	To provide to employees personal protection equipment (including workwear centralized delivery), (cost per unit)		Spent IN GENERAL for labor safety measures per 1 person (cost per unit)	
	2017	2018	2017	2018
Ingushenergo	3.777	3.261	3.777	3.949
Kabbalkenergo	11.410	9.605	16.880	16.345
Karachayevo-Cherkessenergo	6.037	8.208	10.127	9.158
Sevkavkazenergo	7.943	5.356	9.626	9.129
Stavropolenergo	5.237	5.653	9.774	7.782
Executive Office of	0.714	0.144	0.714	0.144

IDGC of the Northern Caucasus, PJSC				
Total	6.187	5.883	9.760	8.539

Cost per unit for labor safety per one employee in 2018 made 8.539 thousand rubles that is 12.5% less than the previous year's costs.

Cost per unit for PPE providing per one employee in 2018 made 5.883 thousand rubles that is 4.9% less than the previous year's costs.

In 2018 IDGC of the Northern Caucasus, PJSC, special estimation of labor Conditions at workplaces was made in Stavropolenergo branch of IDGC of the Northern Caucasus, PJSC.

[illegible]

Following the SELC results no workplaces were discovered failing to comply with labor safety standard requirements.

Providing to employees workwear and footwear, including resistant to electric arc impact

Name	Providing to employees the sets to protect them from electric arc thermal risks			Providing to employees suits to protect them from OPZ			Providing to employees conductive sets to protect them from electric fields impact			Workwear providing percent, %
	Subject to the standards, persons	Actual, persons	% pf providing	Subject to the standards, persons	Actual, persons	% pf providing	Subject to the standards, persons	Actual, persons	% pf providing	
Ingushenergo	175	32	18.29	302	34	11.26	0	0	0.00	13.84
Kabbalkenergo	535	179	33.46	1,008	950	94.25	0	0	0.00	73.17
Karachayevo-Cherkessenergo	455	185	40.66	789	374	47.40	0	0	0.00	44.94
Sevkavkazenergo	495	288	58.18	890	258	28.99	20	0	0.00	38.86
Stavropolenergo	1,272	274	21.54	2,223	2,223	100.00	20	0	0.00	71.04
Total	2,932	958	32.67	5,212	3,839	73.66	40	0	0.00	58.61

Due to the Company's financial hardships workwear in the standard amount may not be acquired.

Environmental Protection

One of the main directions of the environmental policy of IDGC of the Northern Caucasus, PJSC, is to reduce the level of negative impact on the environment from production processes during maintenance, repairs, construction and reconstruction of power grid facilities.

The specifics of carrying out transport and power distribution activities of IDGC of the Northern Caucasus, PJSC, do not provide for significant adverse environmental impacts, when irreversible changes in the natural environment are possible. Requirements for electrical installations in terms of environmental safety are defined at the design stage, which provides for protection of soils against accidental spillage of oil products from equipment (construction of oil receiving equipment under oil-filled equipment with more than 1 ton of oil, oil outlets to emergency oil collectors), protection of people and animals against direct impact of current-carrying parts and adverse effects of electromagnetic fields.

The main areas in the field of environmental protection in IDGC of the Northern Caucasus, PJSC, are the following:

- development of draft standards for maximum permissible emissions of pollutants into the atmosphere;
- landscaping.

The most significant measures aimed to comply with environment protection laws in the reporting period are the following: transfer to designated companies for disposal, processing and reclamation of I-IV Hazard Classes wastes (used accumulator units, mercury vapor lamps, luminescent lamps, etc.).

Volume of Waste by Hazard Class

Name of waste types grouped by hazard classes	Waste generation for the reporting period, tons
Wastes of all hazard classes, total	
Total for I hazard class	0.743780
Total for II hazard class	16.46220
Total for III hazard class	34.09200
Total for IV hazard class	769.77530
Total for V hazard class	871.85680

For solving environmental problems, the personnel of branches of IDGC of the Northern Caucasus, PJSC undergoes initial training within the framework of professional development.

In 2018 no works were performed to implement the environmental management system in IDGC of the Northern Caucasus, PJSC.

In the future, in order to apply promising technologies and solutions in the field of environmental protection and nature management, branches are implementing measures to reduce the negative impact of production activities at environment.

The main areas of this task are technological re-equipment and gradual decommissioning of obsolete equipment, implementation of measures for wastes storing with further transfer thereof for disposal, processing and reclamation.

The Environmental Policy of Rosseti, PJSC, was approved by the Decision made by the Board of Directors of Rosseti, PJSC (Appendix No. 5 to Minutes No. 254 dd. March 3, 2017) and covers the whole power grid complex, including IDGC of the Northern Caucasus, PJSC.

Implementation of the measures of the environment policy of IDGC of the Northern Caucasus, PJSC, in 2018:

- drafting and coordinating with regulatory authorities the project of maximum permissible emissions (MPE) of pollutants into the atmospheric air, permits receiving for pollutants emissions to the atmospheric air – 22 units;
- drafting and coordinating with regulatory authorities the project of standards for wastes generation and limits for disposing thereof, executing the standards for wastes generation and limits for disposing thereof – 12 units;
- arranging training for the persons having access to collect, transport, dispose of, reclaim, process and store I-IV Hazard Classes wastes – 7 employees (training programs: “Environmental Safety Ensuring when Performing the Works in Connection with Hazardous Wastes Disposal”, “Environmental Safety Ensuring subject to the Requirements Provided by the Environment Protection Law”);
- arranging managers and specialists training in the sphere of environment protection and environmental safety – 1 employee;
- replacing oil circuit breakers by vacuum and SF circuit breakers – 33 units;
- OL construction/reconstruction using self-supporting insulated conductors – 0.13027 thousand km;
- equipping overhead power lines and substation’s outdoor switchgears by the devices protecting from birds – 196 units;
- ensuring transformer oil recovery (reclamation) in the volume of at least 10% of the purchased oil a year – 32 tons;
- installing metering and control devices – 4,893 pcs.

Innovative Development in the Field of Energy Saving and Energy Efficiency Improvement

Innovation activities

Innovative activity of IDGC of the Northern Caucasus, PJSC is carried out in accordance with the Innovative Development Program of IDGC of the Northern Caucasus, PJSC (the Program) designed to create effective mechanisms aimed at modernizing the power grid complex, enhancing scientific and technical and inventive activities, adapting to introduction of innovations, improvement and development of the innovation system. The program is the key basic document of IDGC of the Northern Caucasus, PJSC in the field of scientific and technological development, new developments and researches. The program determines and systematizes the innovative activity of the Company, establishes activities in the field of scientific, technical, technological and innovative development. The Program was developed in 2011 in accordance with the decision of the Board of Directors of the Company (Minutes No. 78 dated August 1, 2011). In 2018, the Program was updated taking into account the new conditions, in accordance with the target model of innovative development and the requirements for innovative development programs. The purpose of innovative development is the transition to a power grid of a new technological structure with qualitatively new characteristics of reliability, efficiency, accessibility, manageability and customer-oriented power grid complex in general.

A power grid of the new technological order is a power system characterized by the following basic properties:

- automatic control of the power grid based on the principles of distributed (multi-agent) control;
- real-time self-diagnostics of parameters and modes of operation of the power system, individual facilities and units of equipment in order to increase the system and consumer reliability, reduce transaction costs, etc.;
- flexible automatic reconfiguration of the grid in response to changing its parameters and topology (including prevention of accidents/self-recovery of the grid after accidents);
- providing specialized services and services to various categories of consumers.

The implementation of the Program is aimed at creating effective conditions for ensuring the following:

- achievement of target indicators of labor productivity and creation of high-productive workplaces provided for in the Decree of the President of the Russian Federation of May 7, 2012, No. 2012 “On Long-Term State Economic Policy”;
- development and implementation of a set of measures aimed at refusing to use obsolete and inefficient technologies and introducing modern Russian technologies;
- leadership of the Company in its industry in relation to similar companies, including foreign ones;
- growth of long-term investment in basic and applied research and development;
- linking the innovative development program to approved long-term development programs, the investment program, other documents of the Company, as well as documents of state strategic planning.

Key directions of innovative development

In the field of technological innovation:

- New technologies and solutions – activities in the field of creating new types of materials, insulation, equipment involved in the company's core business processes (isolators, materials based on high-temperature superconductivity, new methods of arc suppression, new types of insulation, power electronics, etc.).
- Digitization of control and technological processes – transition from analogue to digital control principle of relay protection and emergency automatics, automated process control system, power metering and communication (application of digital metering transformers); digital modeling and design; digitalization of production assets management; introduction of digital systems for monitoring technological processes.
- Development of multi-agent systems -development of the principles of interaction in peer-to-peer ¹control systems between power grid elements and systems (introduction of distributed intelligent control systems).
- Increase in the performance and adaptability of power grids – development of grid properties for increasing the stability for disturbances in the grid and automatic restoration of the normal operation mode (adaptive elements of relay protection and automatics, control systems, logic automatics, digital online grid model).

In the field of organizational and marketing innovations:

- Design of new business processes and systemic reengineering of the existing business processes in terms of end-to-end performance – production assets management, management systems, client services, system life cycle management.
- Innovations in HR management – introduction of advanced technologies for human resource management.
- Creation of an innovative environment – promotion of creating a wide range of innovative companies, scientific organizations and educational institutions.

Activities within the Innovative Development Program:

¹ Peer-to-peer or decentralized (from English word peer-to-peer, P2P – face-to-face, in private) grids.

- Transition to the end-to-end performance of business processes and automation of management systems.
- Development of a system for design and implementation of innovative products and technologies.
- Development of the personnel reserve and partnership in the field of education.

The Company's activities for innovative, scientific and technical development in 2018 were carried out in accordance with the Regulation on Innovation Activity of IDGC of the Northern Caucasus, PJSC.

The key activities planned in accordance with the action plan in 2018 within the Innovative Development Program were completed.

List of implemented activities under the Innovative Development Program:

1. Development of the production assets management system (PAM System), including performance of works to automate business processes of production assets management with simultaneous integration of Production Assets Management Systems of IDGC of the Northern Caucasus, PJSC, with subsystem of production assets management ASRCR Rosseti for the needs of IDGC of the Northern Caucasus, PJSC (ASCM).

The principal goal for generating ASCM for IDGC of the Northern Caucasus, PJSC, is raising the company management efficiency.

ASCM generation goals:

- creating the company's common information space enabling to use all the stored information about the manufacturing process course to make management decisions;
- creating the complex system of maintenance control, diagnostics and technical inspection of power grid equipment;
- arranging the swift and reliable mechanism for document flow;
- maximal automation of routine accounting procedures.

ASCM shall be an integrated software and hardware complex assisting to meet both current and future Company's demands as to data processing. As the typical configuration to create and implement thereof application solutions are used.

In accordance with the decision of the Board of Directors of IDGC of the Northern Caucasus, PJSC, dated April 25, 2018 (Minutes No. 346 of May 28, 2018) approved the Development Action Plan for the Production Assets Management System of IDGC of the Northern Caucasus, PJSC, for 2016-2019.

Within the Action Plan for Development of the Production Assets Management System of IDGC of the Northern Caucasus, PJSC, for 2016–2019, in 2018 actions were implemented on the following key objectives:

- functionality improvement to increase the accuracy of the technical state evaluation estimated based on technical state calculation algorithms (TIS). TIS adjustment to comply with the requirements of the industry methods of the equipment technical state estimation;
- automation of tests/measurements record sheets typical forms for testing objects, equipment groups and kinds;

- automation of the methods to estimate the power subjects fitness to work during the heating season;
- functionality improvement for the Company's automated system of maintenance and repair management subject to the requirements of the accounting policy for maintenance and repair;
- automation of estimating the works volumes and cost performed using its own resources (using costing standards database and separating the accounting for labor costs subject to maintenance and repair);
- automation of the report forms of business plan for maintenance and repair (with optional uploading of business plan report forms from ASU for maintenance and control).

2. Knowledge Management System Development.

As part of the development of the knowledge management system, the Company implements measures to adapt to innovations, as well as to train and upgrade the Company's employees in the field of high-technology equipment and intellectual energy.

For the information awareness of personnel of the profile services of the branches and controlled companies of IDGC of the Northern Caucasus, PJSC, in the field of innovative developments of equipment, materials and technologies the Technological Development and Innovation Department of the executive office arranged awareness-raising and technical training workshops with the following companies:

- CJSC Promelektronika;
- LLC Quadro Electric;
- Sim-Ross-Lamifil LLC;
- Tekhno-AS LLC;
- CJSC ChEAZ;
- GC Tavrida Electric JSC.

In addition to the regular seminars, meetings, the branches and controlled companies of IDGC of the Northern Caucasus, PJSC, were provided with distribution materials containing information on new technologies and modern developments of the main manufacturers of electrical equipment and materials.

3. Cooperation with Scientific Organizations and Innovative Companies.

The Company concluded 6 Agreements on cooperation with the following universities:

- Federal State Budgetary Educational Institution of Higher Professional Education Kabardino-Balkarian State Agricultural University named after V.M. Kokov;
- Federal State Budgetary Educational Institution of Higher Professional Education Grozny State Oil Technical University named after Academician M.D. Millionshchikov;
- Federal State Budgetary Educational Institution of Higher Professional Education Dagestan State Technical University;
- Federal State Budgetary Educational Institution of Higher Professional Education Gorsky State Agrarian University;
- Federal State Budgetary Educational Institution of Higher Professional Education North Caucasus State Humanitarian-Technological Academy;
- Federal State Budgetary Educational Institution of Higher Professional Education North Caucasian Mining and Metallurgical Institute (State Technological University).

The above-mentioned universities are cooperating in the following areas of activity:

- cooperation in educational, scientific and scientific-practical areas;
- targeted training of specialists for the needs of the companies of the distribution grid complex;
- professional training, retraining and advanced training of employees of IDGC of the Northern Caucasus, PJSC;
- organization of a dialogue on the site of the university with the participation of representatives of the electric power industry organizations, public authorities, scientific institutions, public organizations and other stakeholders to develop joint positions on topical issues of functioning and development of the power grid complex in the field of power engineering development with companies of innovative profile.

When carrying out activities to interact with higher education institutions within the framework of innovation activities in the reporting period, the Company carried out the following work.

For ensuring the reliable and uninterrupted power supply to power consumers during the thunderstorm period (April-October), employees of IDGC of the Northern Caucasus, PJSC, identified a number of problems for resolution, on the basis of which together with NIU MEI research works on the following issues were performed:

- Development of a monitoring system for thunderstorm and switching surges in the secondary circuit of substations and protective system for secondary overvoltage protection;
- Research and development of technical solutions to improve the reliability of the external insulation of overhead lines and outdoor switchgear at substations in the areas with different pollution conditions.

For the first subject the information was received to be protected by law. The Technological Development and Innovation Department of IDGC of the Northern Caucasus, PJSC, filed an application to receive a patent for Utility Model “Complex of Monitoring Thunderstorm and Switching Surges in the Secondary Circuit of Substations”, Registration Number of FSBI FIPS is 2018134133 dd. September 26, 2018.

Performance Indicators of the Company Innovative Development Program in 2018

Performance indicator	Meaning
Costs of research and development carried out by third-party organizations, by executors (universities, research organizations, innovative small and medium-sized businesses), thousand rubles	11.25
where projects implemented within	
process platforms	0.00
universities	11.25
research organizations	0.00
Costs for purchase of innovative products (technologies, solutions, goods, works, services identified by the approved Program of Innovative Development of the Company)	0.00

Engagement in energy saving and energy efficiency improvement activities

Energy saving and energy efficiency improvement activities of IDGC of the Northern Caucasus, PJSC, in 2018 were arranged in accordance with Federal Act No. 261-FZ "On Energy Saving and Improving Energy Efficiency...", orders of the Ministry of Energy of Russia, Regulation on the Preparation of Energy Saving and Energy Efficiency Improvement Programs of Subsidiaries and Affiliates of Rosseti, PJSC, (approved by the Board of Directors, Minutes No. 156 dated June 2, 2014)), as well as in accordance with the Energy Saving and Energy Efficiency Improvement Program of IDGC of the Northern Caucasus, PJSC, for the period up to 2022 (Program) approved by the decision of the Board of Directors of IDGC of the Northern Caucasus, PJSC (Minutes No. 354 dated August 20, 2018).

For ensuring the implementation of the Program in the executive office and branches of IDGC of the Northern Caucasus, PJSC, in accordance with Order of Rosseti, PJSC dated September 9, 2013 No. 561 "On the Arrangement of Energy Saving and Energy Efficiency Improvement Activities in Rosseti, PJSC", executives responsible for monitoring of the Program implementation were appointed, working groups were established to analyze the implementation of Programs (Order of IDGC of the Northern Caucasus, OJSC dated October 7, 2013 No. 518 "On the Arrangement of Energy Saving and Energy Efficiency Improvement Activities in IDGC of the Northern Caucasus, JSC", Order of Kabbalkenergo branch of IDGC of the Northern Caucasus, PJSC, dated April 26, 2018 No. 145, Order of Karachaevo-Cherkessia branch of IDGC of the Northern Caucasus, OJSC, dated October 14, 2013 No. 290 "On the Arrangement of Energy Saving and Energy Efficiency Improvement Activities in Karachaevo-Cherkessia branch of IDGC of the Northern Caucasus, OJSC, Order of North Ossetian branch of IDGC of the Northern Caucasus, OJSC, dated October 15, 2013 No. 595, Order of Sevkavkazenergo branch of the IDGC of the Northern Caucasus, PJSC, No. COΦ/7p dated January 25, 2018, "On the Arrangement of Energy Saving and Energy Efficiency Improvement Activities", Order of Stavropolenergo branch of IDGC of the Northern Caucasus, PJSC, dated November 1, 2017 No. 259 "On the Arrangement of Energy Saving and Energy Efficiency Improvement Activities", Order of Ingushenergo branch of IDGC of the Northern Caucasus, PJSC, on February 1, 2018, No. 16 "On the Arrangement of Energy Saving and Energy Efficiency Improvement Activities".

Target indicators in accordance with the Program are:

- power loss during transmission and distribution in power grids;
- consumption of power resources for utility needs;
- equipping with energy-saving lighting devices using LED.

The numerical values of the Program targets are set for the period from 2018 to 2022.

During the reporting year, 7 employees of IDGC of the Northern Caucasus, PJSC, upgraded their skills in the field of energy saving and energy efficiency.

Planned and Actual Target Indices Values of IDGC of the Northern Caucasus, PJSC, branches (the data are provided for the Company's branches without taking into consideration the executive office)

Item No.	Index Name	Units of measurement	2017	2018	
			Actual	Plan	Actual
1	Power losses	million kW*h	1,716.72	1,756.75	1,676.85
		million rubles, net of VAT	3,247.28	3,922.75	3,486.67
		% of supply to grid	13.98	14.15	13.58
2	Consumption for own needs of substations	million kW*h	26.51	26.41	18.77
		% of power losses	1.54	1.50	1.12

3	Consumption of power resources for local needs of administrative and production buildings, total, including:	million rubles, net of VAT	196.10	204.63	190.90
		thousand toe	6.26	6.14	6.19
3.1	power	million kW*h	40.10	40.62	41.57
		thousand toe	4.81	4.87	4.99
		million rubles, net of VAT	183.27	191.42	177.87
		million kW*h/sq. m.	0.10	0.00083	0.00084
3.2	thermal power (building heating systems)	Gcal	5,454.45	6,024.72	5,356.71
		thousand toe	0.78	0.86	0.77
		million rubles, net of VAT	10.87	11.05	10.60
		Gcal/m3	0.35	0.041	0.037
3.3	natural gas (including liquefied)	thousand m3	579.57	354.28	381.18
		thousand toe	0.67	0.41	0.44
		million rubles, net of VAT	1.96	2.16	2.43
4	Consumption of natural resources for local needs of administrative and production buildings, total, including:	million rubles, net of VAT	3.40	2.74	3.14
		thousand m3	106.82	96.47	86.40
4.1	<i>hot water supply</i>	thousand m3	0.15	0.17	0.16
		million rubles, net of VAT	0.03	0.03	0.03
4.2	<i>cold water supply</i>	thousand m3	106.66	96.30	86.23
		million rubles, net of VAT	3.38	2.71	3.11
5	Consumption of motor fuel by motor transport and special equipment, total, including:	K l	5,941.91	5,941.48	5,884.77
		thousand toe	6.89	6.88	6.82
		million rubles, net of VAT	193.55	210.47	212.55
5.1	<i>gasoline, including:</i>	K l	4,366.21	4,374.61	4,320.91
		thousand toe	4.94	4.95	4.89
		million rubles, net of VAT	143.43	157.56	155.81
		thousand l/100 km	0.02	0.02	0.02
5.1.1	<i>motor transport</i>	K l	2,958.98	2,954.60	2,980.11
		thousand toe	3.35	3.35	3.37
		million rubles, net of VAT	97.20	108.02	107.46
		thousand l/100 km	0.02	0.02	0.02
5.1.2	<i>special equipment</i>	thousand l	1,407.23	1,420.01	1,340.80
		thousand toe	1.59	1.61	1.52
		million rubles, net of VAT	46.23	49.54	48.35
		thousand l/100 km	0.02	0.04	0.04
		thousand l/m.hr	0.02	0.02	0.02
5.2	<i>diesel fuel, including:</i>	K l	1,594.59	1,566.87	1,563.86
		thousand toe	1.96	1.93	1.93
		million rubles, net of VAT	50.71	52.91	56.74
		thousand l/100 km	0.05	0.03	0.03
5.2.1	<i>motor transport</i>	K l	404.32	494.67	459.60

		thousand toe	0.50	0.61	0.57
		million rubles, net of VAT	12.86	17.11	16.67
		thousand l/100 km	0.02	0.02	0.02
5.2.2	<i>special equipment</i>	thousand l	1,190.27	1,072.20	1,104.26
		thousand toe	1.46	1.32	1.36
		million rubles, net of VAT	37.85	35.80	40.06
		thousand l/100 km	0.04	0.04	0.04
		thousand l/m.hr	0.01	0.02	0.02
5.3	<i>Other types of fuel for motor transport and special equipment, total, including:</i>	thousand toe	0.20	0.28	0.19
		million rubles, net of VAT	2.57	3.55	2.92
5.3.1	<i>natural gas (including liquefied)</i>	thousand l	181.73	246.73	162.01
		thousand toe	0.21	0.28	0.19
		million rubles, net of VAT	2.56	3.55	2.92
6	Equipping with energy-saving lighting devices using LED	%	10.12	27	17
	quantity of used lighting devices, including:	pcs	25,431	23,110	23,078
	with energy-saving lamps (without LED)	pcs	13,992	-	13,345
	with LED	pcs	2,574	7,137	4,029

The failure to achieve the Program's targets in terms of resource consumption for economic needs in physical terms is caused by the absence in the Energy Saving Program of activities for reducing these resources covered by funding sources.

The failure to achieve the planned targets for equipping with energy-saving lighting devices using LED determined by Decree No. 971 made by the Government of Russia on September 27, 2016, is due to underfunding the measures to replace the used lighting devices (lamps) with those with LED. Such underfinancing is due to the failure to achieve the target savings of fuel and power resources received in the previous reporting period, out of which the aforementioned measures financing was planned.

The information about all power resources used by the Company (in whole for the Company, taking into consideration the branches and executive office) is provided in Appendix No. 8 to the Russian version of the Annual Report "Information about the Volume of Consumed Energy Resources".

IT and Telecommunications

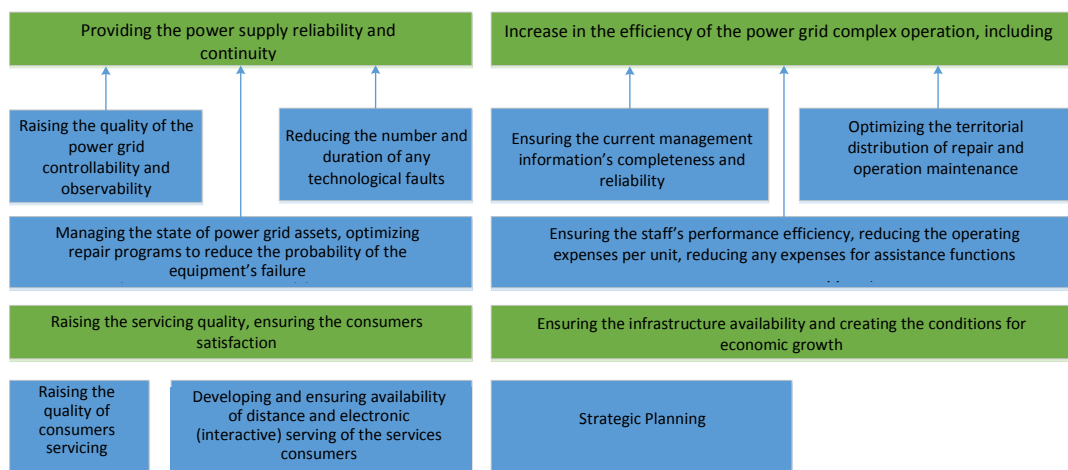
IDGC of the Northern Caucasus, PJSC, is a modern power company, the effectiveness of which depends substantially on the use of information technologies and automation tools. Under the current conditions, the operation of the power grid complex in general and IDGC of the Northern Caucasus, PJSC in particular cannot be organized without such elements as:

- automated business management systems ensuring the efficiency and business continuity of the Company.
- automated process control systems ensuring the power transmission process optimization, reduction in excessive losses and reduction in the number of personnel involved; due to the technological processes control system, the risk of accidents associated with the human factor is reduced;

- communication systems and IT infrastructure ensuring the efficiency of the full range of these automation tools, as well as smooth communication for all employees of the Company.

Introduction of new projects, development of the existing projects and maintenance of already implemented projects in the field of information technologies refer to the continuous operations performed in accordance with Rosseti, PJSC, Policy in the Sphere of Information Technologies, Automation and Telecommunications Strategy (ITT Policy). This ITT Policy defines the objectives of development of information technologies of the Company, strategic initiatives and activities for their achievement, approved by the Board of Directors of Rosseti, PJSC (Minutes No. 276 dated September 8, 2017).

The greatest role of information technology is played in the implementation of the Company's key business goals such as providing the power supply reliability and continuity and service quality increasing, consumers' satisfaction ensuring. The growth of process automation also allows to ensure more efficient operation of the power grid complex.



The key areas of work in 2018 were the following: creation of a common information space of IDGC of the Northern Caucasus, PJSC, further modernization of IT infrastructure, development and modernization of inter-regional corporate data transmission grid, as well as development of information systems on the basis of 1C-Energy Complex.

The range of IT services provided to local and remote users (access to corporate e-mail and corporate resources) was expanded, as well as monitoring capabilities for software and hardware were increased.

Procurement Activities

Procurement activity of IDGC of the Northern Caucasus, PJSC, is governed by the Common Standard for Procurement Activity adopted by Rosseti, PJSC (Regulations about Procurement) approved by the Company's Board of Directors (Minutes No. 220 dd. December 23, 2015), Order No. 114 made by IDGC of the Northern Caucasus, PJSC, on February 28, 2017 "About Procurement Activity Arranging".

Procurements procedural regulation is applied to ensure the intended and effective expenditure of the Company's monetary funds and to receive economically feasible costs and prevent any possible improper use by the Customer (Procurements Organizer).

The main principals for procurement activity arranging shall be:

- a) proper (long-term and short-term) planning of procurement activity, making it possible to draw fast decisions to adjust procurements parameters (where applicable);
- b) equality, justice, nondiscrimination and absence of any other unwarranted competition restrictions as to procurement participants;
- c) targeted and cost-effective expenditure of funds for acquisition of goods, works, services and implementation of measures aimed at reducing customer costs;
- d) no limitation of admission to participate in the procurement by establishing unmeasured requirements to the participants of purchase;
- e) providing the procurement activity openness;
- f) honest and reasoned choice of the most preferential offers upon the comprehensive review of benefits and costs (first of all, products prices and quality);
- g) complying with the applicable law standards governing the procurement activity arrangement.

To improve the procurement activity the following measures are implemented:

1. Measures of a general kind aimed to raise the quality of the procurement activity management.
 - Aimed to complying with the principles of the procurement activity visibility and transparency and fair competition development by means of:
 - a) making proper requirements to procurement participants as to their experience and skills taking into consideration the procurement object;
 - b) fixing the reasonable period for submitting proposals to participate in procurement procedures taking into consideration the procurement object when declaring procurement procedures.
 - Aimed to raising the procurement activity economic efficiency and improvement by means of:
 - a) raising the satisfaction level of the customer's specific requirements, raising the quality indices of the procured products and control for contractors agreement duties performing defined following the procurements procedures results;
 - b) reducing the terms for procurement procedures holding and lowering external and internal costs;
 - c) raising the section's managers personal liability for proper preparation, submitting and adjustment of the information in connection with procurement procedures making;
 - d) applying the reasonable aggregation level when scheduling procurements and types of the products to be procured;
 - e) checking the validity of the data submitted by a contractor (verifying the compliance of procurements participant (being a subcontractor, co-contractor, manufacturer) with the provided requirements by means and in the cases defined by the customer in the Procurement Regulation);

f) holding training and communication measures aimed for advanced training of the procurement process participants by customers with the participation of SME Corporation, OJSC;

g) centralization of customers' needs of the same type/sort and additional saving receiving due to the scale effect;

h) taking into consideration the best world practices for procurement activity arrangement.

2. Measures aimed to raise the quality of procurement activity management in connection with guaranteeing the participation of SME subjects in the procurements made by IDGC of the Northern Caucasus, PJSC.

- To establish the conditions for SME subjects participation in the procurements made by IDGC of the Northern Caucasus, PJSC, the following measures are implemented:

a) Reviewing the information in the agreements made with SME subjects following the procurements results and about SME subjects participating in procurements to raise the number of stock items of the lists of goods, works, services, that were procured from SME subjects including subject to the proposals made by SME Corporation, OJSC.

b) Information providing to SME subjects about the procurements procedure adopted by IDGC of the Northern Caucasus, PJSC, from SME subjects in the context of training workshops held by SME Corporation, OJSC (together with the major customers and executive authorities of the Russian Federation constituent units) to deal with the matters of SME subjects participation in procurements.

c) Providing legal, methodic, information and other support to SME subjects to promote their development as potential suppliers (contractors) in case such measures holding is provided by federal acts.

d) Reducing the procurements share from a single supplier by SME subjects.

e) Ensuring due payments making subject to agreements made with SME subjects.

f) Introducing the practice of a claim assignment using (factoring) when performing the agreements for goods supply (works performing, services rendering) made with SME subjects including following the results of procurements making by means of tenders holding.

3. Measures aimed for the staff estimation and advanced training:

a) Reviewing the annual needs in the staff's occupational retraining and advanced training subject to the positions categories and groups, fields, kinds, forms and duration of further vocational education receiving in the sphere of procurement activity management.

b) Further vocational programs taking by an employee in the sphere of procurement activity management, and the results thereof are evidenced by qualification certificates (certificate/diploma of advanced training, occupational retraining).

c) Knowledge Days arranging for the employees of IDGC of the Northern Caucasus, PJSC, to deal with the matters in connection with the procurement activity.

The procurement procedure may be held in several ways:

- Tender; a tender is held subject to Para. 5.2.2. The Procurement Common Standard of Rosseti, PJSC, is the principal procurement means.

- a) Depending on the possible participants pool the tender may be open and closed.
- b) Depending on the form of the tender holding it may be held using hard copies or in electronic form.
- c) Depending on the number of a tender stages it may have a single stage, two or several stages.
- d) Procurements may be made by means of holding two or several stage tenders in case the Customer (Procurement Organizer) shall hold negotiations with the procurement participants to determine the most effective option of the Customer's needs satisfaction, namely, in case any condition is complied with:

- due to the products complexity or in case there are several options for the Customer's needs satisfying it is deemed difficult to specify such requirements to the procured products;

- the first procurement stage is performed to get acquainted with the possible options for the Customer's needs satisfaction and chose the best variant.

- Auction; Depending on the possible participants pool the auction may be open and closed.

- a) Depending on the form of the auction holding it may be held using hard copies or in electronic form.
- b) An auction may have only one stage.
- c) Depending on the procedure for qualifications-based selection an auction may be held with the qualifications-based selection or without any.
- d) When holding an auction any post-qualification, a right of alternate proposals are not provided.

Auction is held in the procurement of products, for which there is a competitive market of manufacturers and with respect to which the initiator of procurement provides detailed requirements in the form of a terms of reference. CPB

Rosseti, PJSC has the right to determine the list of products purchased only based on the results of the auction.

- Request for proposals; RFP is made in compliance with at least one of the following conditions:

- a) the initial (maximum) contract price does not exceed 10 million rubles (VAT included);
- b) works are procured for construction, reconstruction and technical upgrading of electric grid facilities required for the implementation of measures on technological connection of preferential groups of applicants.

- Request for Quotation; Request for quotation may be applied in the procurement of simple goods, for which there is an operating market, the only criterion is the price and the initial (maximum) contract price, which does not exceed 5 million rubles (VAT included).

- Small Procurement; Small procurements are made at the initial (maximum) procurement price of up to 100,000 rubles (VAT included).

Small procurements making by a corporate card or for cash are subject to the conditions defined by the corporate card holder (accountable person) and the Customer's regulatory and administrative documents.

- Procurement from a Single Supplier; Depending on an initiating party the procurement from a single supplier (contractor) may be made by proposals delivery to a particular supplier to make an agreement or by accepting such proposal about an agreement making from one supplier without reviewing any competitive proposals. The decision as to such supplier choosing is made by the Customer's CPB or by any other permitting body within its area of responsibility subject to this Standard relying upon the Customer's information on the performed market review.

Subject to Para. 3 of the Procurements Common Standard the information about regulated procedures held and the report about the results thereof are posted at the official web-site www.zakupki.gov.ru.

Company's Procurement Structure for 2018.

In fact, for the period, 454 procurements were made for the total amount of 7,283,834.98 thousand rubles, net of VAT.

Also by Types of Procurements:

122 procurements by open RFQs for the amount of 486,119.46 thousand rubles, net of VAT (26.87% of the total procurement amount, 6.71% of the total procurement volume in terms of value);

9 procurements based on the results of open competition procedures for the amount of 48,990.81 thousand rubles, net of VAT (2.42% of the total procurement amount, 1% of the total procurement volume in terms of value);

38 procurements by open single-stage tenders for the amount of 1,028,715.35 thousand rubles, net of VAT (8.37% of the total procurement amount, 14.11% of the total procurement volume in terms of value);

116 procurements by open RFPs for the amount of 1,983,846.54 thousand rubles, net of VAT (25.55% of the total procurement amount, 27.23% of the total procurement volume in terms of value);

43 procurements from a single source for the amount of 1,087,123.18 thousand rubles, net of VAT (9.47% of the total procurement amount, 14.92% of the total procurement volume in terms of value);

126 procurements from a single source based on the results of failed open procedures for the amount of 2,676,689.10 thousand rubles, net of VAT (27.75% of the total procurement amount, 36.74% of the total procurement volume in terms of value);

108 of them are procedures with the only participant (one submitted application) for the amount of 2,596,079.00 thousand rubles, net of VAT (87.63% of the procurement amount based on the results of failed open procedures in terms of value);

18 of them are procedures with the only qualified participant (one application satisfies TOR, applications of other participants are refused) for the amount of 80,610.00 thousand rubles, net of VAT (6.20% of the procurement amount based on the results of failed open procedures in terms of value).

Also by Types of Activity:

“Reconstruction and technical re-equipment of power grid facilities” – 131 procurements for the amount of 2,664,892.51 thousand rubles, net of VAT (28.85% of the total procurement amount, 36.58% of the total procurement volume in terms of value);

“Power repair production” 221 – procurements for the amount of 1,975,458.81 thousand rubles, net of VAT (50.54% of the total procurement amount, 3.65% of the total procurement volume in terms of value);

“IT-procurements” – 22 procurements for the amount of 54,077.86 K RUB, net of VAT (3.76% of the total procurement amount, 0.45% of the total procurement volume in terms of value);

“Other procurements” – 80 procurements for the amount of 2,591,661.33 thousand rubles, net of VAT (18.82% of the total procurement amount, 21.84% of the total procurement volume in terms of value).

The number of purchases using **e-commerce** made 441 procurements for the amount of 6,198,967.33 thousand rubles, net of VAT (88.44% of total procurement amount, 77.92% of the total procurement volume (excluding procurements from a single source) in terms of value).

Purchases from small and medium-sized enterprises amounted to 3,277,995.77 million rubles, net of VAT (349 purchases), or 94% of the actual volume (70% by quantity).

The economic effect based on the results of the procurement procedures for the period amounted to 256,525.05 million rubles, net of VAT, or 5% of the declared planned value of competitive procurements.

The share of purchases only from small and medium-sized enterprises amounted to 783,436.15 thousand rubles, net of VAT (15.26% of the total volume).

The share of open procurement procedures (open tenders, requests for proposals, competitive negotiations, closed requests for quotations based on the results of open competitive negotiations) in the procurement structure was 92.67% of the total quantity of completed procurement procedures and 99.20% of the total procurement volume in terms of value.

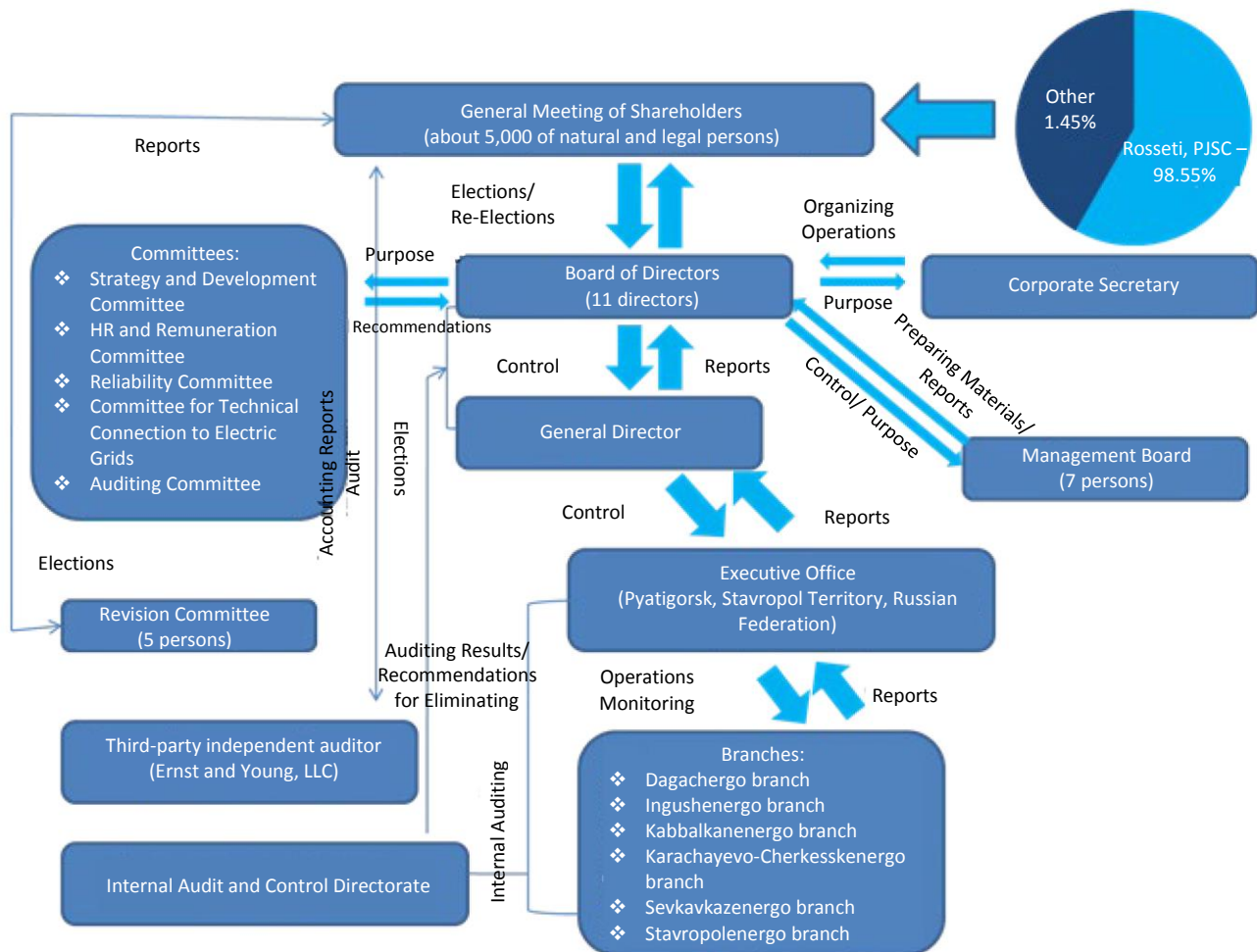
5. Corporate Governance and Authorized Capital

Corporate Governance is the system of relations between the Company's executive officers, its Board of Directors, shareholders and other stakeholders being the instrument of the Company's goals setting and the means for such goals achieving and of effective control ensuring for the Company's operations by its shareholders and other stakeholders.

The Company recognizes the rights of all stakeholders provided for by the Russian law, and strives to establish the constructive cooperation with such persons.

IDGC of the Northern Caucasus, PJSC, performs the corporate governance guided by the principles of accountability, justice, transparency and responsibility. The Company strives to the maximal possible extent to follow the best corporate governance principles established in the current version of the Russian Corporate Governance Code approved on March 21, 2014 by the Board of Directors of the Bank of Russia and recommended for use by Letter of the Bank of Russia dated April 10, 2014 No. 06-52/2463 (Corporate Governance Code or Code).

Principal Elements of the Corporate Governance Model of IDGC of the Northern Caucasus, PJSC*



* Taking into consideration the actually allotted additional shares of the current issue

Documents

The basic principles of corporate governance as enshrined in the Articles of association of IDGC of the Northern Caucasus, PJSC, are detailed in the Corporate Governance Code and other internal documents of the Company and are based on the norms of the Russian legislation, the Russian Code of Corporate Governance. Texts of local regulatory documents of IDGC of the Northern Caucasus, PJSC are presented on the Company's website in the section “For Shareholders and Investors/Charter and Bylaws”.

Analysis of state

The Corporate Governance Code recommended for use of joint stock companies by the Bank of Russia covers IDGC of the Northern Caucasus, PJSC. In this regard, the Company continues to solve the task of adaptation and acceptable implementation of recommendations of the Code into the corporate governance system of IDGC of the Northern Caucasus, PJSC. To this end, since 2016 we annually conduct analysis of the corporate governance practice of IDGC of the Northern Caucasus, PJSC, as to the compliance with the Code, using the recommendations of the Bank of Russia (Letter of the Bank of Russia dated February 17, 2016 No.IN-06-52/8 “On the Disclosure of a Report on the Compliance with the Principles and Recommendations of the Corporate Governance Code in the Annual Report of a Public Joint Stock Company”).

Besides, in 2018 IDGC of the Northern Caucasus, PJSC, corporate governance system efficiency was assessed following the results of 2017. A respective report was reviewed by the Board of Directors of IDGC of the Northern Caucasus, PJSC, on May 25, 2018 (Minutes No. 346 dd May 28, 2018) after its preliminary consideration by the Auditing Committee of the Board of Directors at the meeting held on April 6, 2018 (Minutes No. 8 dated April 6, 2018). **Methods for Corporate Governance System Efficiency Assessment in IDGC of the Northern Caucasus, PJSC, and control utility companies** is approved by the Order made by IDGC of the Northern Caucasus, PJSC. Subject to the Methods such corporate governance assessment purposes include submitting to the Company’s Board of Directors, Auditing Committee of the Board of Directors, Company’s executive officer/ Management unbiased and independent information about the state of the corporate governance in the Company and the efficiency thereof and drafting recommendations aimed to raise the efficiency of the corporate governance in the Company.

The criterion of corporate governance efficiency is such corporate governance complying with the principles and recommendations specified in the Corporate Governance Code and/or Listing Rules.

The corporate governance assessment includes the following principal fields:

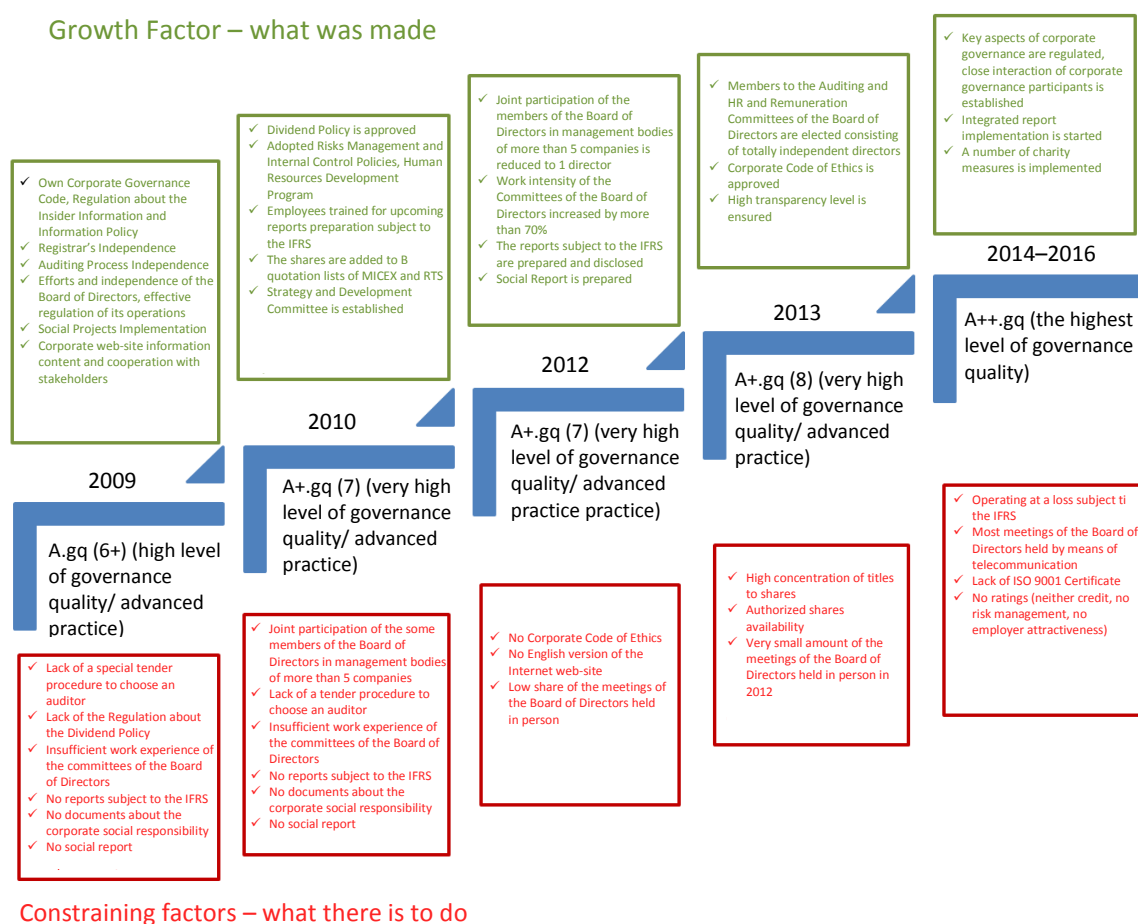
- checking the compliance with such ethical principles and Company’s business values;
- checking the procedure for goals setting for the Company and monitoring/controlling the achievement thereof;
- checking the level of available standards and information counteractions procedures (including as to the matters of risks management and internal control) at all levels of the Company’s governance including counteraction with stakeholders;
- checking the shareholders’ rights enforcement including of controlled companies and relations efficiency with stakeholders;
- checking the procedure of information disclosing about the Company’s operations.

The corporate governance is assessed by means of ensuring its components compliance with the criteria defined in the Questionnaire for Corporate Governance Assessment. The criteria are disclosed via the answers to the questions for each component including shareholders rights, Board of Directors, executive offices, information transparency and disclosure, risks management, internal control and audit, corporate social responsibility, business ethics, compliance.

Following the results of the corporate governance efficiency assessment the internal auditor shall draft its opinion subject to the form provided in the Regulation for Internal Audits Holding approved by the Company. Such Report shall specify in detail the evidences grounding the awarded assessment. The assessment for each component of corporate governance and the general assessment of such corporate governance shall be disclosed in the Report in percentage terms. The Company corporate governance assessment results shall be reviewed by the Company's Board of Directors upon preliminary reviewing thereof by the Auditing Committee of the Company's Board of Directors.

Besides in 2018, we carried out an annual **external independent audit** of the governance quality in IDGC of the Northern Caucasus, PJSC, by rating agency Expert RA (RAEX). The analysis was performed on the main factors: the rights of owners, management and control bodies, information transparency, corporate social responsibility, operational efficiency and market position. Methodology is available on the rating agency website. When preparing its report, the rating agency makes an opinion on the extent, to which the quality management system promotes respect for and protection of the rights of stakeholders. Comments of independent experts help us to identify areas of corporate governance.

Reflection of Governance Quality of IDGC of the Northern Caucasus, PJSC in Independent Ratings According to the Version of Rating Agency Expert RA



Source: Expert RA, IDGC of the Northern Caucasus, PJSC

In 2017 and 2018, rating agency RAEX (Expert RA) confirmed the governance quality rating of IDGC of the Northern Caucasus, PJSC, at the level of A++.Gq (highest governance quality level). This assessment means that the management quality system to the highest possible extent promotes the respect for and protection of the stakeholders' rights.

Besides, in connection with the approval of the Russian Corporate Governance Code, we conducted an **independent review** of the compliance of practices of IDGC of the Northern Caucasus, PJSC with the principles set forth in the Code. The conducted review showed that IDGC of the Northern Caucasus, PJSC observes about 40% of such principles, and taking into consideration the partial compliance – more than 70%. Therefore, in many cases, we use alternative mechanisms and corporate governance tools (see Appendix No. 6 to the Russian version of the Annual Report).

Plans

Our major plans in terms of corporate governance best practices in the company in the medium term (next 5 years) are as follows:

- maintain existing compliance (presented in Appendix No. 6 to the Russian version of the Annual Report);
- continue the performance of annual independent comprehensive analysis of the compliance of practices of IDGC of the Northern Caucasus, PJSC, with the principles set forth in the Code, and adopt a plan for implementation of certain provisions of the Code, if necessary.
- submit to the Board of Directors a report on complying with the Regulation about the Company's Information Policy on an annual basis.

Management and Supervisory Bodies

Management bodies of IDGC of the Northern Caucasus, PJSC:

- General Meeting of Shareholders;
 - Board of Directors;
 - Management Board (collegial executive body);
 - General Director (single member executive body.)
- Company's business and financial supervisory body – Revision Committee.

General Meeting of Shareholders

- supreme management body of IDGC of the Northern Caucasus, PJSC

On June 28, 2018, the Annual General Meeting of Shareholders of IDGC of the Northern Caucasus, PJSC was held.

Decisions made (Minutes No. 19 dated May 29, 2018):

- the Company's Annual Report, annual Accounting (Financial) Report for 2017 are approved;
- the decision is made not to pay dividends on ordinary shares as for the end of 2017;
- the members to the Board of Directors and the Revision Committee are elected;
- the Company's auditor was approved;
- the Company's Charter is approved as amended;
- the Regulation about the Board of Directors, Regulation about the Management, Regulation about remunerations and compensations payment to the Revision Committee members of IDGC of the Northern Caucasus, PJSC, are approved in revised versions.

The competence of the General Meeting of Shareholders is established by Article 48 of Federal Law dated December 26, 1995 No. 208-FZ "On Joint Stock Companies" and Article 10 of the Charter of

IDGC of the Northern Caucasus, PJSC.

Matters assigned to the responsibility of the General Meeting of Shareholders may not be delegated to the Board of Directors or executive bodies. The General Meeting of Shareholders does not have the right to take decisions on matters not reserved to them by the Federal Law On Joint Stock Companies.

Board of Directors – governing body that determines the Company's development strategy

The professional Board of Directors is a key element of the corporate governance system of IDGC of the Northern Caucasus, PJSC, affecting the performance of the Company and providing strategic governance and supervision of the executive bodies in the interests of shareholders and the Company itself.

In its activities, the Board of Directors is governed by Federal Law "On Joint Stock Companies", other regulations of the Russian Federation, the Charter of IDGC of the Northern Caucasus, PJSC, the Regulation on the Board of Directors, the principles and recommendations of the Corporate Governance Code recommended for application by the Bank of Russia, as well as the Corporate Governance Code of IDGC the North Caucasus, PJSC and the Corporate Code of Ethics of IDGC of the Northern Caucasus, PJSC.

We rigorously strive to ensure that a candidate for the Board of Directors of IDGC of the Northern Caucasus, PJSC is a person who has an impeccable business and personal reputation, having the knowledge, skills and experience required for decision-making and effective management.

Election of the Board of Directors of IDGC of the Northern Caucasus, PJSC members is carried out by transparent procedure (recorded in the Articles of association of the Company), allowing the shareholders to get information about the candidates, sufficient to form a picture of their personal and professional qualities. Information on the candidates, as well as shareholders proposing candidates for inclusion in the voting list for election to the Board of Directors are posted on the website of IDGC of the Northern Caucasus, PJSC in the sections "For Shareholders and Investors/Corporate Governance/Materials for General Meetings of Shareholders" and "For Shareholders and Investors/Corporate Governance/Board of Directors".

According to the Corporate Governance Code recommended for application by the Bank of Russia, under the normal circumstances, a member of the Board of Directors associated with the Company, its major shareholder, material counterparties, competitors or the government may not be considered an independent member. In the literal sense of these criteria in the Board of Directors of IDGC of the Northern Caucasus, PJSC, there are no independent directors. However, IDGC of the Northern Caucasus, PJSC, believes that all persons elected to the Board of Directors of IDGC of the Northern Caucasus, PJSC, have sufficient professionalism, experience and independence to form their own position, and the ability to make objective and conscientious decisions.

Decisions at the meeting of the Board of Directors of IDGC of the Northern Caucasus, PJSC are passed by a majority of votes of members of the Board of Directors taking part in the voting, with the exception of cases provided for by the law of the Russian Federation and the company's Charter. The quorum required for arrangement of sessions is at least one half of the elected members of the Board of Directors.

The competence of the Board of Directors is established by Article 65 of Federal Law dated December 26, 1995 No. 208-FZ "On Joint Stock Companies" and Article 15 of the Charter of IDGC of the Northern Caucasus, PJSC.

Matters assigned to the responsibility of the Board of Directors may not be delegated to the General Director or the Management Board of IDGC of the Northern Caucasus, PJSC.

In 2018, 40 meetings of the Board of Directors of IDGC of the Northern Caucasus, PJSC, were held (3 of which in presentia and in absentia).

During 2018 the Board of Directors has considered about 117 matters and made the following principal decisions:

- it approved the Regulation to Provide Insurance Coverage of IDGC of the Northern Caucasus, PJSC, as amended (Minutes No. 328 dd. January 25, 2018);
- it approved the Insurance Coverage Program of IDGC of the Northern Caucasus, PJSC, for 2018 (Minutes No. 328 dated January 25, 2018);
- it considered the Company's work results on implementation of the Comprehensive Program of measures to reduce excessive power losses in the distribution grids in the territory of the North Caucasus (Minutes No. 329 dd. January 26, 2018);
- it considered the results of work on implementation of measures for consolidation of power grid assets (Minutes No. 329 dd. January 26, 2018);
- it considered the production activity results of IDGC of the Northern Caucasus, PJSC, as to the planned power losses level following the results of September and 9 months of 2017 (Minutes No. 329 dated January 26, 2018);
- it approved the Regulation about the Dividend Policy of IDGC of the Northern Caucasus, PJSC, as amended (Minutes No. 330 dd. February 6, 2018), and made amendments to the Regulation about the Dividend Policy of IDGC of the Northern Caucasus, PJSC (Minutes No. 353 dd. August 10, 2018);
- it ratified the Company's credit plan for the 1st quarter of 2018 (Minutes No. 331 dated February 7, 2018), for the 2nd quarter of 2018 (Minutes No. 340 dated April 2, 2018), for the 3rd quarter of 2018 (Minutes No. 352 dated July 17, 2018), for the 4th quarter of 2018 (Minutes No. 360 dated November 6, 2018);
- it approved the plan of measures to recover the 100% of past-due accounts receivable from power consumers (Minutes No. 332 dated February 9, 2018);
- it approved the draft of amendments to be made to the Company's investment program for the period from 2016 to 2022 (Minutes No. 334 dd. February 26, 2018, No. 341 dd. March 30, 2018);
- it approved the Program of Non-Core Assets Disposal of IDGC of the Northern Caucasus, PJSC, as amended (Minutes No. 335 dated February 27, 2018);
- it approved the Order on arranging the sale of non-core assets of IDGC of the Northern Caucasus, PJSC (Minutes No. 335 dated February 27, 2018);
- proposals of the Company's shareholders on the inclusion of issues in the agenda of the Company's Annual General Meeting of Shareholders and nomination of candidates for membership in the management and control bodies of the Company were considered (Minutes No. 336 dated March 12, 2018);
- it considered the results of implementing the Company's investment program for the 9 months of 2017 (Minutes No. 337 dd. March 23, 2018), for 2017 (Minutes No. 346 dd. May 28, 2018), for the 1st quarter of 2018 (Minutes No. 354 dd. August 20, 2018);
- it considered the results of breaches and defects discovered following the results of the revision of financial and business operations of IDGC of the Northern Caucasus, PJSC, for 2016 (Minutes No. 338 dated March 28, 2018);
- it considered the key performance indicators of the head and senior managers of the Company's internal audit and control subdivisions:
 - it approved the Methodology for Calculation and Assessment of the Achievement of Key Performance Indicators for the head and senior managers of the Internal Audit and Control subdivisions of IDGC of the Northern Caucasus, PJSC;

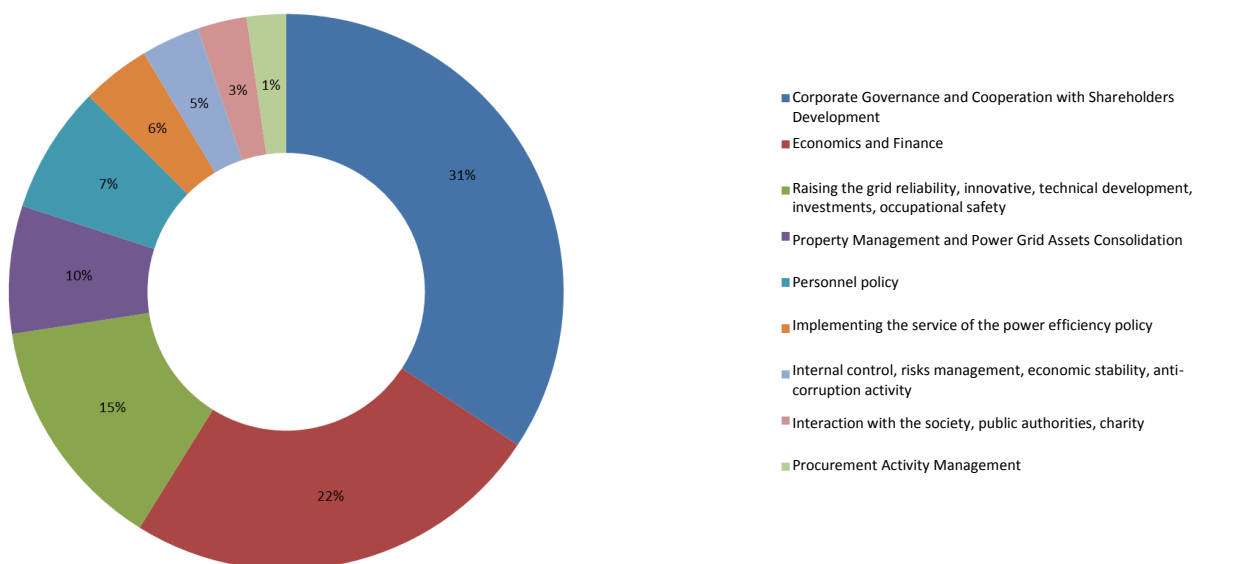
- it determined the target functional KPIs of the head and senior managers of the internal audit and control subdivisions of IDGC of the Northern Caucasus, PJSC;
- the Chief Executive Officer of the Company shall approve the aforementioned Methodology for Calculation and Assessment of the Achievement of Key Performance Indicators for the Head and Senior Managers of the Internal Audit and Control subdivisions of IDGC of the Northern Caucasus, PJSC, target functional KPIs for the Head and Senior Managers of the Internal Audit and Control subdivisions of IDGC of the Northern Caucasus, PJSC, in the manner provided for by the Company (Minutes No. 338 dated March 28, 2018);
- it approved the Regulation on the Information Policy of IDGC of the Northern Caucasus, PJSC, as amended (Minutes No. 339 dd. March 30, 2018);
- it approved the Company's action plans for reducing the overdue accounts receivable for power transmission services and disputes settlement as for January 1, 2018 (Minutes No. 340 dated April 2, 2018), as for April 1, 2018 (Minutes No. 349 dated July 2, 2018), as for July 1, 2018 (Minutes No. 356 dated October 1, 2018);
- it considered the matters in connection with preparing and holding the Annual General Meeting of Shareholders of IDGC of the Northern Caucasus, PJSC (Minutes No. 342 dd. April 23, 2018);
- it approved the reports about the key performance indicators for the Company's General Director for the 3rd quarter of 2017 (Minutes No. 343 dated April 25, 2018), for 2017 (Minutes No. 357 dd. October 24, 2018), for the 4th quarter of 2017 (Minutes No. 358 dated October 26, 2018);
- it approved the target values of quarterly key performance indicators of the General Director of IDGC of the Northern Caucasus, PJSC, for 2018 (Minutes No. 352 dd. July 17, 2018);
- it considered the General Director's reports on decisions made at the meetings held by the Company's Board of Directors (Minutes No. 344 dd. May 3, 2018, No. 346 dd. May 28, 2018, No. 355 dd. September 14, 2018);
- it approved the RAS and IFRS consolidated business plans of IDGC of the Northern Caucasus Group for 2018 – 2022 (Minutes No. 344 dated May 3, 2018);
- it considered the implementation in 2017 of the Action Plan of Measures to Implement the Management System of the Company's Production Assets (Minutes No. 344 dd. May 3, 2018);
- it considered the matter about the budget approval for the Company's internal audit subdivision for 2018 (Minutes No. 344 dated May 3, 2018);
- it approved the budget of the Internal Audit and Control Directorate of the Company for 2018;
- the Company's General Director shall find an opportunity to finance the participation of the employees of the Company's Internal Audit and Control Directorate in the annual all-Russia meeting of those employed with the Internal Audit and Control subdivisions of Rosseti, Group of Companies;
- it approved the action plan of the Company's Internal Audit subdivision for 2018 (Minutes No. 344 dated May 3, 2018);
- it considered the internal audit report about executing the plan of the internal audit activity and operations results including the results of quality self-assessment of the internal audit operations following the results of 2017 and implementing the measures plan for the Company's internal audit development and improving for the period from 2017 to 2019 (Minutes No. 344 dated May 3, 2018);
- it approved the report about executing the operations plan of the Company's internal audit for 2017 including the results of quality self-assessment of the internal audit operations for 2017 (Minutes No. 344 dated May 3, 2018);
- it considered the Company's internal audit report on estimating the efficiency of the internal control systems, risks management, corporate governance (Minutes No. 346 dated May 28, 2018);
- it took into consideration the Company's internal audit report on estimating the efficiency of the internal control systems, risks management, corporate governance for 2017;
- it considered the internal audit report on the auditing results of the Company's non-core assets discovering and selling in 2017 (Minutes No. 346 dated May 28, 2018);
- it took into consideration Auditor's Report No. 01-2018-CK dd. February 20, 2018, having inspected "The Audit of Non-Core Assets Discovering and Selling in IDGC of the Northern Caucasus, PJSC;

- it considered the results of the Anti-Corruption Policy implementation for 2017 (Minutes No. 346 dated May 28, 2018);
- it approved the plan of development of the System for the Production Assets Management of IDGC of the Northern Caucasus, PJSC, for 2016 – 2019 (Minutes No. 346 dated May 28, 2018);
- it approved the report about the Company's Corporate Secretary Work (Minutes No. 346 dated May 28, 2018);
- it elected the Chairman of the Board of Directors of the Company (Minutes No. 347 dated June 14, 2018);
- it considered the matter about arranging the operations of the Committees of the Company's Board of Directors (Minutes No. 347 dd. June 14, 2018);
- it approved the Regulation on Insider Information of IDGC of the Northern Caucasus, PJSC, as amended (Minutes No. 349 dd. July 2, 2018);
- it considered the course of the Company's investment projects implementation included to the list of high-priority objects (Minutes No. 349 dd. July 2, 2018, No. 362 dd. December 19, 2018);
- it fixed the amount of the remuneration for the auditor's services for the audit of the Company's accounting (financial) reports for 2018 (Minutes No. 350 dd. July 9, 2018);
- it approved the Methodology Instructions to Estimate the Capacity Margins in Main Substations in IDGC of the Northern Caucasus, PJSC (Minutes No. 352 dd. July 17, 2018);
- it considered implementing the measures plan to arrange the Company interaction with law enforcement authorities for the 1st quarter of 2018 (Minutes No. 352 dd. July 17, 2018);
- it made amendments to the Regulation about the Dividend Policy of IDGC of the Northern Caucasus, PJSC (Minutes No. 353 dd. August 10, 2018);
- it considered the matter about the internal control system arranging and operating, including on implementing the measures to improve such ICS (Minutes No. 353 dd. August 10, 2018);
- it took into consideration the report of the Company's General Director on the internal control system arranging and operating, including information on the implementation of measures for improving such internal control system;
- it took into consideration the report of the Auditing Committee of the Board of Directors of IDGC of the Northern Caucasus, PJSC, about the operations performed in 2017 – 2018 corporate year (Minutes No. 353 dd. August 10, 2018);
- it approved the Program for Power Saving and Power Efficiency Improving of IDGC of the Northern Caucasus, PJSC, for the period up to 2022 (Minutes No. 354 dd. August 20, 2018);
- it approved the Plan for Future Development of IDGC of the Northern Caucasus, PJSC, for 2018 – 2022 (Minutes No. 354 dd. August 20, 2018);
- it considered the matter on the key operating risk management of the Company for 2017 (Minutes No. 354 dd. August 20, 2018);
- it took into consideration the report of the Company's General Director on management of key operating risks of the Company for 2017;
- it noted risks realization with critical and significant materiality level;
- the Company's General Director shall:
 - review the efficiency of the measures to manage key operating risks, submit such review results to be considered by the Strategy and Development Committee of the Company's Board of Directors up to October 1, 2018;
 - take measures to avoid realization of key operating risks in 2018;
 - provide for consideration by the Company's Board of Directors the Company's General Director's report "About the Company's Key Operating Risks Management in 2018" up to March 31, 2019;
- it approved the plan of measures to repay the Company's accounts payable (Minutes No. 354 dd. August 20, 2018);
- it established the Committees of the Company's Board of Directors (Minutes No. 354 dd. August 20, 2018, No. 355 dd. September 14, 2018);

- it approved the Regulation about the payments making by IDGC of the Northern Caucasus, PJSC as amended (Minutes No. 356 dd. October 1, 2018);
- it approved the Regulation about temporary available funds investing by IDGC of the Northern Caucasus, PJSC as amended (Minutes No. 356 dd. October 1, 2018);
- it approved the action plan of the Company's Board of Directors for 2018-2019 corporate year (Minutes No. 357 dd. October 24, 2018);
- it approved the rendered services planned values of reliability and quality for the period of 2018-2022 (Minutes No. 357 dated October 24, 2018);
- it made and approved the amendments to the Resolution on the Additional Issue of Securities and the Company's Securities Prospectus (Minutes No. 357 dated October 24, 2018);
- it agreed the candidates for certain positions in the executive office of the Company, as suggested by the Board of Directors of the Company (Minutes No. 358 October 26, 2018);
- it considered the matter about the operations performed by the General Director of IDGC of the Northern Caucasus, PJSC, in the 2nd quarter of 2018 (Minutes No. 359 dd. November 2, 2018), inter alia it considered:
 - the report about the Company's business plan executing for the first six months of 2018;
 - the course of the Company's investment projects implementation included to the list of high-priority objects for the 2nd quarter of 2018;
 - the progress in implementing the Comprehensive Program of Measures to Reduce the excessive power losses in the distribution grids within the North Caucasus in the 2nd quarter of 2018;
- it made a decision to ratify the amendments to the Procurements Common Standard of Rosseti, PJSC (Regulation about Procurement) approved by the Decision of the Board of Directors of Rosseti, PJSC, on October 4, 2018, Minutes No. 324 dd. October 5, 2018 (Minutes No. 360 dd. November 6, 2018);
- it approved the Credit Plan of IDGC of the Northern Caucasus, PJSC, for the 4th quarter of 2018 as amended (Minutes No. 361 dd. December 17, 2018);
- it approved the actions plan of the Company's measures to reduce the past-due accounts receivable for the power transmission services and disagreements settling as for October 1, 2018; it also took into consideration the reports of the Company's General Director about implementing the schedule and plan of measures to reduce the past-due accounts receivable for the power transmission services and disagreements settling as for October 1, 2018, about the work performed to settle the newly appeared past-due accounts receivable for the power transmission services in the 3rd quarter of 2018, about meeting the repayment schedule in 2018 of past-due accounts receivable as for January 1, 2018, as for October 1, 2018 (Minutes No. 362 dd. December 19, 2018);
- the decision was made to ratify the amendments to the Procurements Common Standard of Rosseti, PJSC (Regulation about Procurement) approved by the Decision of the Board of Directors of Rosseti, PJSC, on December 14, 2018, Minutes No. 334 dd. December 17, 2018, and to put into effect such Procurements Common Standard of Rosseti, PJSC (Regulation about Procurement) as from December 25, 2018 (Minutes No. 363 dd. December 27, 2018);
- it took into consideration the report of the Company's General Director about holding the measures to arrange cooperation with executive authorities of the constituent units of the North Caucasian Federal District to synchronize the following by the unified competence center dealing with the matters of power prospective development (Energosetproekt Institute, OJSC) the Schemes and Programs for Power Development in the constituent units of the North Caucasian Federal District for the future five years and Comprehensive Programs for Power Grids Development for future five years (Minutes No. 363 dd. December 27, 2018);
- it took into consideration the reports of the Company's General Director about the results of the Company's investment program implementation for the first six months of 2018 and about acquiring power objects whose acquisition shall not be approved at a meeting of the Company's Board of Directors for the 2nd quarter and 1 six months of 2018 (Minutes No. 363 dd. December 27, 2018);
- it took into consideration the report of the Company's General Director about the Company's business plan executing for 9 months of 2018 (Minutes No. 364 dd. December 28, 2018);

- it took into consideration the report of the Company's General Director about the Company's investment program implementing for 9 months of 2018 (Minutes No. 364 dd. December 28, 2018);
- it took into consideration the report of the Company's General Director of the course of implementing the Comprehensive Program of Measures to Reduce the excessive power losses in the distribution grids within the North Caucasus in the 3rd quarter of 2018 (Minutes No. 364 dd. December 28, 2018);
- it took into consideration the report of the Company's General Director about the Company's credit policy for the 3rd quarter of 2017 (Minutes No. 337 dd. May 23, 2017), for the 4th quarter of 2017 (Minutes No. 344 dd. May 3, 2018), for the 1st quarter of 2018 (Minutes No. 349 dd. July 2, 2018), for the 2nd quarter of 2018 (Minutes No. 355 dd. September 14, 2018), for the 3rd quarter of 2018 (Minutes No. 364 dd. December 28, 2018);
- it approved the reports about the key performance indicators implementing by the Company's General Director for the 1st quarter of 2018 (Minutes No. 366 dd. January 9, 2019);
- it made amendments to the Scenario Provisions of the Investment Program Forming by IDGC of the Northern Caucasus, PJSC (Minutes No. 366 dd. January 9, 2019);
- it took into consideration the report of the General Director of IDGC of the Northern Caucasus, PJSC, about executing the plan of measures to arrange interaction with law enforcement authorities (Minutes No. 366 dd. January 9, 2019);
- it approved the Company's procurement plan of the Company for 2019 (Minutes No. 366 dd. January 9, 2019);
- it approved the Agreement on Amending the Collective Agreement of IDGC of the Northern Caucasus, PJSC, for 2013–2015, taking into consideration the extension of its term for 2016-2018 (Minutes No. 366 dd. January 9, 2019);
- it approved the target values of yearly key performance indicators of the General Director of IDGC of the Northern Caucasus, PJSC, for 2018 (Minutes No. 366 dd. January 9, 2019).

Categories of Matters Considered by the Board of Directors in 2018, %



Details of the decisions made by the Board of Directors in 2018 are provided on the Company's website in the section "For Shareholders and Investors/Corporate Governance/Board of Directors".

Quantity composition of the Board of Directors of IDGC of the Northern Caucasus, PJSC – 11 persons. In 2018, two compositions of the Board of Directors were acting.

The Current Composition of the Board of Directors Elected by the Annual General Meeting of Shareholders on May 28, 2018

Aleksei Yuryevich Perets

Chairman of the Board of Directors

Non-Executive Director

First elected to the Board of Directors of IDGC of the Northern Caucasus, PJSC on May 28, 2018.

Was born in 1980. Has higher education, graduated from Saint Petersburg State University; MBA, SPbSU.

Positions held in IDGC of the Northern Caucasus, PJSC and other organizations over the previous 5 years:

2011-2017 – own business projects in the fuel and energy complex,

from 2017 and as for the end of 2018 – Chief Adviser of Rosseti, PJSC,

from July 2018 a nominee to be elected as the Chairman of the Supervisory Council of Non-Profit Partnership of Territorial Grid Companies Association.

Also in 2018, a member of the management bodies of the following companies:

from May 2018 and as for the end of 2018 – a member of the Board of Directors of IDGC of the Northern Caucasus, PJSC,

from June 2018 and as for the end of 2018 – the Chairman of the Board of Directors of IDGC of the Northern Caucasus, PJSC,

from June 2018 – the Chairman of the Board of Directors of TRK, PJSC,

from June 2018 – a member of the Board of Directors of IDGC of South, PJSC, NIC EEC, JSC, Tyumenenergo, JSC.

He does not participate in authorized capital of IDGC of the Northern Caucasus, PJSC and its subsidiaries and does not own ordinary shares of IDGC of the Northern Caucasus, PJSC and its subsidiaries.

Dmitry Borisovich Akopyan

Non-Executive Director

First elected to the Board of Directors of IDGC of the Northern Caucasus, PJSC on June 15, 2017.

Born in 1967. Has higher education, graduated from the Krasnodar Polytechnic Institute awarded with the Order of the Red Banner of Labor, specialty “Industrial and Civil Engineering”, the Kuban Institute of International Business and Management, specialty “Finance and Credit”.

Positions held in IDGC of the Northern Caucasus, PJSC and other organizations over the previous 5 years:

in 2013-2014 – First Deputy Director of Sevkavenergostroy LLC,

in 2014-2016 – Deputy Director – Chief Engineer of Lider LLC,

from 2016 to October 2018 – Director of the Investment Activities Department of Rosseti, PJSC,

as for the end of 2018 – Deputy General Director – Director of a Branch of IDGC of South, PJSC, being Rostovenergo.

Also in 2017-2018 was a member of the management bodies of the following companies:

from June 2017 to June 2018 – the Deputy Chairman of the Board of Directors of IDGC of North-West, PJSC,

from June 2017 to May 2018 and from May 2018 and as for the end of 2018 – a member of the Board of Directors of IDGC of the Northern Caucasus, PJSC,

from May 2018 – a member of the Board of Directors of IDGC of Center, PJSC, IDGC of Urals, OJSC,

from June 2018 – a member of the Board of Directors of IDGC of Sibir, PJSC, IDGC of North-West, PJSC.

He does not participate in authorized capital of IDGC of the Northern Caucasus, PJSC and its subsidiaries and does not own ordinary shares of IDGC of the Northern Caucasus, PJSC and its subsidiaries.

Dmitry Borisovich Gvozdev**Non-Executive Director**

First elected to the Board of Directors of IDGC of the Northern Caucasus, PJSC on May 28, 2018.

Was born in 1974. Graduated from Kuzbass State Technical University in the specialty of “Power Supply”; Academy of National Economy of the Government of the Russian Federation in the specialty of “Company Development Management”, PhD in Technical Sciences, Associate Professor

Positions held in IDGC of the Northern Caucasus, PJSC and other organizations over the previous 5 years:

from October 2013 to March of 2017 – Director of the Situation and Analytical Center of Rosseti, PJSC,

from March 2017 to November 2018 – Chief Engineer of Rosseti, PJSC,

from November 2018 and as for the end of 2018 – First Deputy General Director – Chief Engineer of MOESK, PJSC,

from May 2018 and as for the end of 2018 – a member of the Board of Directors of IDGC of the Northern Caucasus, PJSC.

He does not participate in authorized capital of IDGC of the Northern Caucasus, PJSC and its subsidiaries and does not own ordinary shares of IDGC of the Northern Caucasus, PJSC and its subsidiaries.

Pavel Vladimirovich Grebtsov**Non-Executive Director**

First elected to the Board of Directors of IDGC of the Northern Caucasus, PJSC on May 28, 2018.

Born in 1976. Graduated from Chelyabinsk Legal Technical Secondary School of the Ministry of Social Affairs of the Russian Federation in the specialty of “Legal Studies and Reports in the Social Welfare System”, Moscow State University in the Specialty of “Management”, Plekhanov REA in the specialty of “Management”.

Positions held in IDGC of the Northern Caucasus, PJSC and other organizations over the previous 5 years:

in 2011-2015 – the deputy, first deputy, Chairman of the Regional Power Commission of the City of Moscow in the Government of Moscow,

in 2018 – director of the Department of Tariff Policy of Rosseti, PJSC,

from November 2018 and as for the end of 2018 – Deputy General Director in Economics of Rosseti, PJSC.

Also in 2018, was a member of the management bodies and committees of the following companies:

from May 2018 and as for the end of 2018 – a member of the Board of Directors of IDGC of the Northern Caucasus, PJSC,

from June 2018 – a member of the Board of Directors of IDGC of Volga, PJSC, IDGC Sibir, PJSC, member of the Auditing Committee of the Board of Directors of IDGC Sibir, PJSC.

He does not participate in authorized capital of IDGC of the Northern Caucasus, PJSC and its subsidiaries and does not own ordinary shares of IDGC of the Northern Caucasus, PJSC and its subsidiaries.

Denis Lvovich Guryanov**Non-Executive Director**

First elected to the Board of Directors of IDGC of the Northern Caucasus, PJSC, on June 18, 2010.

Born in 1977. Has higher education, graduated from the Russian University of Peoples Friendship, Master of Law.

Positions held in IDGC of the Northern Caucasus, PJSC and other organizations over the previous 5 years:

from April 2013 to December 2018 – Director of the Corporate Governance and Shareholder and Investors Relations Department of Rosseti, PJSC,

from December and as for the end of 2018 – Director of the Corporate Governance Department of Rosseti, PJSC.

Also in 2014–2018 was a member of the management bodies and committees of the following companies:

in 2014, 2017, 2018 and as for the end of 2018 – a member of the Board of Directors of IDGC of the Northern Caucasus, PJSC,

in 2014 – a member of the Strategy and Development Committee at the Board of Directors of IDGC of the Northern Caucasus, OJSC,

in 2017, 2018 and as for the end of 2018 – the Chairman of the Auditing Committee of the Board of Directors of IDGC of the Northern Caucasus, PJSC, in 2013–2014 – a member of the Auditing Committee of the Board of Directors of IDGC of the Northern Caucasus, OJSC,

in 2014, 2015, 2016, 2017, 2018 and as for the end of 2018 – a member of the Board of Directors of Sevkavkazenergo, JSC,

from May 2018 – a member of the Board of Directors of FIC, PJSC,

from June 2018 – a member of the Board of Directors of IDGC of the Centre and Privolzhie, PJSC, NIC EEC, JSC, VOLS OL Management, JSC.

He does not participate in authorized capital of IDGC of the Northern Caucasus, PJSC and its subsidiaries and does not own ordinary shares of IDGC of the Northern Caucasus, PJSC and its subsidiaries.

Vitaliy Anatolievich Domnich

Non-Executive Director

First elected to the Board of Directors of IDGC of the Northern Caucasus, PJSC on May 28, 2018.

Born in 1977. Graduated from the State University of Management, “Management”.

Positions held in IDGC of the Northern Caucasus, PJSC and other organizations over the previous 5 years:

from December 2013 to July 2017 – deputy head, referent, head of the tariffs regulating division in the Power Supply of the Ministry of Economic Development of the Russian Federation,

from June 2017 to June 2018 – a member of the investment committee at Rosseti, PJSC,

from July 2017 and as for the end of 2018 – head of the strategic projects development of the Strategic Development Department of Rosseti, PJSC.

Also in 2018, was a member of the management bodies and committees of the following companies:

from May 2018 and as for the end of 2018 – a member of the Board of Directors of IDGC of the Northern Caucasus, PJSC,

from June 2018 – a member of the Board of Directors of IDGC of Center and Privolzhie, PJSC,

from August 2018 and as for the end of 2018 – the Chairman of the Strategy and Development Committee at the Board of Directors of IDGC of the Northern Caucasus, PJSC.

He does not participate in authorized capital of IDGC of the Northern Caucasus, PJSC and its subsidiaries and does not own ordinary shares of IDGC of the Northern Caucasus, PJSC and its subsidiaries.

Yury Viktorovich Zaytsev

Executive Director

First elected to the Board of Directors of IDGC of the Northern Caucasus, PJSC on June 11, 2015

Born in 1970. Higher education, graduated from the Military University of the Ministry of Defense of the Russian Federation and the Saint Petersburg State University of Engineering and Economics (specialty “Economics and Management at the Enterprise”), Ph.D. in Economics.

Positions held in IDGC of the Northern Caucasus, PJSC and other organizations over the previous 5 years:

since February 2014 – a member of the Management Board of IDGC of the Northern Caucasus, OJSC,

in February-May 2014 – Adviser of IDGC of the Northern Caucasus, OJSC,

in May-August 2014 – First Deputy General Director of IDGC of the Northern Caucasus, OJSC, from August 28, 2014 and as for the end of 2018 – the General Director, Chairman of the Management Board of IDGC of the Northern Caucasus, PJSC.

Also in 2014–2018, was a member of the management bodies and committees of the following companies:

in 2015, 2016, 2017 and as for the end of 2018 – a member of the Board of Directors of IDGC of the Northern Caucasus, PJSC,

in 2014-2015 – the Chairman of the Board of Directors of Dagenergoset, OJSC.

He does not participate in authorized capital of IDGC of the Northern Caucasus, PJSC and its subsidiaries and does not own ordinary shares of IDGC of the Northern Caucasus, PJSC and its subsidiaries.

Aleksei Viktorovich Rakov

Non-Executive Director

First elected to the Board of Directors of IDGC of the Northern Caucasus, PJSC on June 11, 2015

Born in 1975. Graduated from Penza State Technical University, in the Specialty of “Computer Software and Automated Systems” (higher education), Penza Training Center, qualification "Accountant of Industrial Enterprises" (secondary education), Penza State Technical University in the specialty of "Power Systems and Grids", Financial Academy under the Government of the Russian Federation, in the Specialty of "Finance and Credit" (higher education).

Positions held in IDGC of the Northern Caucasus, PJSC and other organizations over the previous 5 years:

from January 2013 and to December 2018 – Director of the Department for Power Metering and Relations with Power Market Entities, Rosseti, PJSC,

from December 2018 and as for the end of 2018 – head of the Department for Services Implementation and Power Supply Operations of the Department of the Services Rendering by Rosseti, PJSC.

Also in 2014–2018 was a member of the management bodies and committees of the following companies:

in 2014, 2015, 2016, 2017, 2018 and up to June 2018 – the Chairman of the Strategy and Development Committee of the Board of Directors of IDGC of the Northern Caucasus, PJSC,

in 2015, 2016, 2017, from 2018 and as for the end of 2018 – a member of the Board of Directors of IDGC of the Northern Caucasus, PJSC,

in 2014, 2015, 2016, 2017 and 2018 – a member of the Board of Directors of Kabbalkenergo, JSC,

from 2018 and as for the end of 2018 – the Chairman of the Board of Directors of Kabbalkenergo, JSC,

in 2014, 2015, from 2018 and as for the end of 2018 – a member of the Board of Directors of Kalmenergosbyt, JSC, from August 2018 and as for the end of 2018 – the Chairman of the Board of Directors of Kalmenergosbyt, JSC,

in 2016-2017 – a member of the Board of Directors of MOESK, PJSC,

in 2017, 2018 and from 2018 – a member of the Board of Directors of IDGC of Center, PJSC,

from 2018 – the Chairman of the HR and Remuneration Committee at the Board of Directors of IDGC of Center, PJSC,

in 2014-2015 – a member of the Board of Directors of Ingushenergo, JSC,

from May 2018 and as for the end of 2018 – a member of the Board of Directors of Dagestan Energy Supply Company, PJSC, from June 2018 and as for the end of 2018 – the Chairman of the Board of Directors of Dagestan Energy Supply Company, PJSC,

from May 2018 – a member of the Board of Directors of Sevkavkazenergo, JSC, from June 2018 and as for the end of 2018 – the Chairman of the Board of Directors of Sevkavkazenergo, JSC,

from June 2018 – a member of the Board of Directors of IDGC of Volga, PJSC,

from June 2018 and as for the end of 2018 – a member of the Board of Directors of Karachayevo-Cherkessenergo, JSC, from August 2018 and as for the end of 2018 – the Chairman of the Board of Directors of Karachayevo-Cherkessenergo, JSC.

He does not participate in authorized capital of IDGC of the Northern Caucasus, PJSC, and its subsidiaries and does not own ordinary shares of IDGC of the Northern Caucasus, PJSC, and its subsidiaries.

Nikolay Ivanovich Sasin

Independent member of the Board of Directors

First elected to the Board of Directors of IDGC of the Northern Caucasus, PJSC on June 20, 2016.

Born in 1969. Has higher education, graduated from the Volsky Higher Military School of the Rear named after Lenin Komsomol awarded with Order of the Red Star (Engineer-Economist); Federal State Budgetary Educational Institution of Higher Professional Education Moscow State University of Economics, Statistics and Informatics ("Business Value Estimation"), Research Institute Moscow Aviation Institute (RU) (Presidential Program for Senior Executives "Management"), Federal State Budgetary Educational Institution of Higher Professional Education Stavropol State Agrarian University ("Crisis Management").

Positions held in IDGC of the Northern Caucasus, PJSC and other organizations over the previous 5 years:

from 2010 and as for the end of 2018 – the Chairman of the Stavropol Regional Office of the All-Russian Public Organization of Small and Medium-Sized Enterprises OPORA of RUSSIA,

in October 2013 – January 2014 – Executive Director of TAIS LLC,

in January – November 2014 – the Commissioner at the Governor of the Stavropol Territory for protection of the rights of entrepreneurs in the Government of the Stavropol Territory,

from November 2014 to July 2015 – the Executive Director of TAIS LLC,

from December 2014 and as for the end of 2018 – a member of the Management Board, Coordinator in the North Caucasian Federal District of the All-Russian Public Organization for Small and Medium-Sized Enterprises OPORA of RUSSIA,

from August 2015 and as for the end of 2018 – the Director for Investments in Agricultural Consumer Cooperative Goryachevodsky,

from May 2016 and as for the end of 2018 – the Chairman of the Regional Division in the Stavropol Territory of All-Russia political party "Partiya rosta",

from August 2017 and as for the end of 2018 – the Deputy General Director at Market Line, LLC.

Also in 2015–2018 was a member of the management bodies and committees of the following companies:

in 2016, 2017, 2018 and as for the end of 2018 – a member of the Board of Directors of IDGC of the Northern Caucasus, PJSC,

in 2015, 2016, 2017 and up to June 2018 – a member of the Strategy and Development Committee at the Board of Directors of IDGC of the Northern Caucasus, PJSC,

in 2017-2018 and as for the end of 2018 – a member of the Auditing Committee at the Board of Directors of IDGC of the Northern Caucasus, PJSC,

in 2017-2018 and up to June 2018 – the Chairman of the Committee for Technological Connection to Electric Grids at the Board of Directors of IDGC of the Northern Caucasus, PJSC,

from August 2018 and as for the end of 2018 – a member of the Committee for Technological Connection to Power Grids at the Board of Directors of IDGC of the Northern Caucasus, PJSC.

He does not participate in authorized capital of IDGC of the Northern Caucasus, PJSC and its subsidiaries and does not own ordinary shares of IDGC of the Northern Caucasus, PJSC and its subsidiaries.

Olga Andreevna Sergeeva

Non-Executive Director

First elected to the Board of Directors of IDGC of the Northern Caucasus, PJSC on May 28, 2018.

Positions held in IDGC of the Northern Caucasus, PJSC and other organizations over the previous 5 years:

as for the end of 2018 – a member of the Management Board, Deputy General Director, Head of Rosseti, PJSC, Apparatus.

Also in 2018 was a member of the management bodies and committees of the following companies:

from May 2018 and as for the end of 2018 – a member of the Board of Directors of IDGC of the Northern Caucasus, PJSC,

from June 2018 – a member of the Board of Directors of IDGC of North-West, PJSC, IDGC of South, PJSC,

from September 2018 and as for the end of 2018 – the Chairman of the HR and Remuneration Committee at the Board of Directors of IDGC of the Northern Caucasus, PJSC.

According to the available information, she does not participate in authorized capital of IDGC of the Northern Caucasus, PJSC, and its subsidiaries and does not own ordinary shares of IDGC of the Northern Caucasus, PJSC, and its subsidiaries.

Other information on this person is not disclosed as it was not provided to the Company by this person.

Aleksei Yuryevich Serov

Non-Executive Director

First elected to the Board of Directors of IDGC of the Northern Caucasus, PJSC on May 28, 2018.

Born in 1979. Has higher education, graduated from Lomonosov Moscow State University, “Applied Mathematics”, New Economic School, Master of Finance.

Positions held in IDGC of the Northern Caucasus, PJSC and other organizations over the previous 5 years:

from November 2013 and as for the end of 2018 – the Director of the Finance Department of Rosseti, PJSC.

Also in 2015-2018, was a member of the management bodies and committees of the following companies:

from August 2015 to August 2016, from August 2016 to August 2017 and from August 2017 to May 2018 – a member of the Board of Directors of Ingushenergo, JSC,

in 2016-2017 – a member of the Board of Directors of Kubanenergo, PJSC, NIC EEC, JSC, TDC, PJSC,

in 2017-2018 – a member of the Board of Directors of NIC EEC, JSC, TDC, PJSC, IDGC of South, PJSC, IDGC of Ural, OJSC,

from May 2018 and as for the end of 2018 – a member of the Board of Directors of IDGC of the Northern Caucasus, PJSC,

from May 2018 – a member of the Board of Directors of IDGC of Ural, OJSC,

from June 2018 – a member of the Board of Directors of IDGC of South PJSC, TDC, PJSC, NIC EES, JSC,

from August 2018 and as for the end of 2018 – a member of the Auditing Committee at the Board of Directors of IDGC of the Northern Caucasus, PJSC.

He does not participate in authorized capital of IDGC of the Northern Caucasus, PJSC, and its subsidiaries and does not own ordinary shares of IDGC of the Northern Caucasus, PJSC, and its subsidiaries.

Composition of the Board of Directors elected by the Annual General Meeting of Shareholders on June 15, 2017 (valid until May 28, 2018)

Alexandr Nikolaevich Fadeev

Chairman of the Board of Directors

Non-Executive Director

First elected to the Board of Directors of IDGC of the Northern Caucasus, PJSC on June 15, 2017.

Born in 1949. Has higher education. Graduated from the Moscow Institute of Geodesy, Aerial Photography and Cartography.

Positions held in IDGC of the Northern Caucasus, PJSC and other organizations over the previous 5 years:

in 2011-2014 – the Deputy Chairman of the Management Board for Safety of FGC UES, OJSC,

in 2014-2017 – Deputy General Director for Security of Rosseti, PJSC,

from 2017 and to August 2018 – the Top Advisor of Rosseti, PJSC.

Also in 2014–2018 was a member of the management bodies and committees of the following companies:

in 2014, 2015, 2016, from 2017 to May 2018 – a member of the Board of Directors of IDGC of Ural OJSC,

in 2015, 2016, 2017, from 2017 to June 2018 – a member of the Board of Directors of IDGC of South, PJSC,

in 2015, 2016, from 2017 to June 2018 – a member of the Board of Directors of IDGC of Sibir, PJSC,

from 2017 to May 2018 – the Chairman of the Board of Directors of IDGC of the Northern Caucasus, PJSC,

from 2017 to May 2018 – the Chairman of the Board of Directors of Kubanenergo, PJSC,

from June 2017 to June 2018 – a member of the Board of Directors of IDGC of Volga, PJSC,

from 2017 to June 2018 – a member of the HR and Remuneration Committee at the Board of Directors of IDGC of the Northern Caucasus, PJSC.

He does not participate in authorized capital of IDGC of the Northern Caucasus, PJSC and its subsidiaries and does not own ordinary shares of IDGC of the Northern Caucasus, PJSC and its subsidiaries.

Aleksei Viktorovich Rakov

Non-Executive Director

See the existing composition of Board of Directors.

Dmitry Borisovich Akopyan

See the existing composition of Board of Directors.

Denis Lvovich Guryanov

See the existing composition of Board of Directors.

Yury Viktorovich Zaytsev

See the existing composition of Board of Directors.

Tatyana Aleksandrovna Ivanova

Non-Executive Director

First elected to the Board of Directors of IDGC of the Northern Caucasus, PJSC on June 20, 2016.

Born in 1964. Has higher education, graduated from the Moscow Institute of Steel and Alloys (engineer-economist).

Positions held in IDGC of the Northern Caucasus, PJSC and other organizations over the previous 5 years:

from July 2013 and as for the end of 2018 – Head of the Tariff Methodology Office of the Tariff Policy Department of Rosseti, PJSC.

Also in 2014-2018, was a member of the management bodies and committees of the following companies:

in 2016, 2017 to May 2018 – a member of the Board of Directors of IDGC of the Northern Caucasus, PJSC,

in 2014, 2015 – a member of the Strategy and Development Committee at the Board of Directors of IDGC of the Northern Caucasus, OJSC, in 2016, 2017, 2018 and to August 2018 – a member of the Auditing Committee at the Board of Directors of IDGC of the Northern Caucasus, PJSC,

in 2014, 2016, 2017 – a member of the Strategy and Development Committee at the Board of Directors of IDGC of Ural, OJSC,
 in 2015-2016 – a member of the Auditing Committee at the Board of Directors of Tyumenenergo, JSC.
 He does not participate in authorized capital of IDGC of the Northern Caucasus, PJSC, and its subsidiaries and does not own ordinary shares of IDGC of the Northern Caucasus, PJSC, and its subsidiaries.

Anton Sergeevich Kolesnikov

Non-Executive Director

First elected to the Board of Directors of IDGC of the Northern Caucasus, PJSC, on June 15, 2017.

Positions held in IDGC of the Northern Caucasus, PJSC, and other organizations:

to August 2018 – an advisor at Rosseti, PJSC.

Also in 2016–2018 was a member of the management bodies and committees of the following companies:

in 2016-2017 – a member of the Board of Directors of Dagestan Grid Company, JSC,

in 2017-2018 – a member of the Board of Directors of IDGC of the Northern Caucasus, PJSC.

According to the available information, he does not participate in authorized capital of IDGC of the Northern Caucasus, PJSC, and its subsidiaries and does not own ordinary shares of IDGC of the Northern Caucasus, PJSC, and its subsidiaries.

Other information on this person is not disclosed as it was not provided to the Company by this person.

Nikolay Ivanovich Sasin

See the existing composition of Board of Directors.

Vladimir Valerievich Toschenko

Non-Executive Director

First elected to the Board of Directors of IDGC of the Northern Caucasus, PJSC, on June 20, 2016.

Born in 1987. Has higher education, graduated from Lomonosov Moscow State University in the Specialty of "State Regulation of the Economy"; Ph.D. in Economics.

Positions held in IDGC of the Northern Caucasus, PJSC, and other organizations over the previous 5 years:

in 2013-2017 – Director of the General Affairs Department of Rosseti, PJSC,

from 2017 to December 2018 – the Director of the Situation and Analytical Center of Rosseti, PJSC.

Also in 2016–2018 was a member of the management bodies and committees of the following companies:

in 2016-2017 to May 2018 – a member of the Board of Directors of IDGC of the Northern Caucasus, PJSC,

from 2017 and up to June 2018 – a member of the Strategy and Development Committee at the Board of Directors of IDGC of the Northern Caucasus, PJSC.

He does not participate in authorized capital of IDGC of the Northern Caucasus, PJSC, and its subsidiaries and does not own ordinary shares of IDGC of the Northern Caucasus, PJSC, and its subsidiaries.

Dmitry Alexandrovich Chevkin

Non-Executive Director

First elected to the Board of Directors of IDGC of the Northern Caucasus, PJSC, on June 20, 2016.

Born on 1976. Has higher education, graduated from the Finance Academy under the Government of the Russian Federation (economist).

Positions held in IDGC of the Northern Caucasus, PJSC, and other organizations over the previous 5 years:

since May 2013 and as for the end of 2018 – Director of the HR Policy and Organizational Development

Department of Rosseti, PJSC.

Also in 2014–2018 was a member of the management bodies and committees of the following companies:

in 2016-2017 to May 2018 – a member of the Board of Directors of IDGC of the Northern Caucasus, PJSC,

in 2014, 2016, 2017 – a member of the HR and Remuneration Committee at the Board of Directors of IDGC of the Northern Caucasus, OJSC, from 2017 and as for the end of 2018 – the Chairman of the HR and Remuneration Committee at the Board of Directors of IDGC of the Northern Caucasus, PJSC, from September 2018 and as for the end of 2018 – a member of the HR and Remuneration Committee at the Board of Directors of IDGC of the Northern Caucasus, PJSC,

in 2016-2017 – a member of the Auditing Committee at the Board of Directors of IDGC of the Northern Caucasus, PJSC.

He does not participate in authorized capital of IDGC of the Northern Caucasus, PJSC, and its subsidiaries and does not own ordinary shares of IDGC of the Northern Caucasus, PJSC, and its subsidiaries.

Anton Alexandrovich Erdyniyev

Non-Executive Director

First elected to the Board of Directors of IDGC of the Northern Caucasus, PJSC, on June 15, 2017.

Born in 1984. Has higher education, graduated from State Educational Institution of Higher Professional Education Novosibirsk State Technical University in the specialty “Power Systems and Grids”; State Educational Institution of Higher Professional Education Novosibirsk State Technical University, "Power Engineering".

Positions held in IDGC of the Northern Caucasus, PJSC, and other organizations over the previous 5 years:

in 2013–2018 – the Deputy Director of the Power Industry Development Department of the Ministry of Energy of Russia.

Also in 2016–2018 was a member of the management bodies and committees of the following companies:

in 2017-2018 – a member of the Board of Directors of IDGC of the Northern Caucasus, PJSC,

in 2016-2017 – a member of the Strategy and Development Committee at the Board of Directors of IDGC of the Northern Caucasus, PJSC.

He does not participate in authorized capital of IDGC of the Northern Caucasus, PJSC, and its subsidiaries and does not own ordinary shares of IDGC of the Northern Caucasus, PJSC, and its subsidiaries.

According to the available information, in 2018, members of the Board of Directors of IDGC of the Northern Caucasus, PJSC, did not make transactions to acquire and/or dispose of the Company's shares.

Involvement of Directors in Work of the Board of Directors and the Relevant Committees In 2018

	Corporate year when the person was a member of the Board of Directors	Board of Directors	Audit Committee	Personnel and Remuneration Committee	Strategy and Development Committee	Committee for Technological Connection to Electric Grids
Total meetings held in 2018		40	15	4	11	3
including meetings in presentia (in presentia/absentia)		3	5	0	0	0

	Corporate year when the person was a member of the Board of Directors	Board of Directors	Audit Committee	Personnel and Remuneration Committee	Strategy and Development Committee	Committee for Technological Connection to Electric Grids
Dmitry Borisovich Akopyan	2017-2018 2018-2019	39/40				
including in presentia*		2/3				
Dmitry Borisovich Gvozdev	2018-2019	21/21				
including in presentia		0/1				
Pavel Vladimirovich Grebtsov	2018-2019	18/21				
including in presentia		1/1				
Denis Lvovich Guryanov	2017-2018 2018-2019	40/40	15/15			
including in presentia		3/3	5/5			
Vitaliy Anatolievich Domnich	2018-2019	20/21			4/4	
including in presentia		0/1			0/0	
Yury Viktorovich Zaytsev	2017-2018 2018-2019	39/40				
including in presentia		3/3				
Aleksei Yuryevich Perets	2018-2019	21/21				
including in presentia		1/1				
Tatyana Aleksandrovna Ivanova	2017-2018	19/19	7/9			
including in presentia		2/2	0/2			
Anton Sergeevich Kolesnikov	2017-2018	19/19				
including in presentia		2/2				
Aleksei Viktorovich Rakov	2017-2018 2018-2019	40/40			7/7	
including in presentia		3/3			0/0	
Nikolay Ivanovich Sasin	2017-2018 2018-2019	40/40	12/15		6/7	3/3
including in presentia		2/3	2/5		0/0	0/0
Olga Andreevna Sergeeva	2018-2019	17/21		3/3		
including in presentia		0/1		0/0		
Aleksei Yuryevich Serov	2018-2019	18/21	6/6			
including in presentia		1/1	3/3			
Vladimir Valerievich Toschenko	2017-2018	19/19			7/7	
including in presentia		2/2			0/0	
Alexandr Nikolaevich	2017-2018	19/19		1/1		

	Corporate year when the person was a member of the Board of Directors	Board of Directors	Audit Committee	Personnel and Remuneration Committee	Strategy and Development Committee	Committee for Technological Connection to Electric Grids
Fadeev						
including in presentia		2/2		0/0		
Dmitry Alexandrovich Chevkin	2017-2018	19/19		4/4***		
including in presentia		1/2		0/0		
Anton Alexandrovich Erdyniyev	2017-2018	9/19				
including in presentia		0/2				

* in presentia – meetings that the director attended in the form of joint presence

**A/B–A–number of meetings that the director attended; B–number of meetings held for the period, when the director was a member of the Board/Committee.

*** A.D. Chevkin being a member of the HR and Remuneration Committee from May 28, 2018 was not a member of the Board of Directors.

Remuneration of Board of Directors Members

Remuneration due to members of the Board of Directors fits with the market conditions and is established so that to ensure attraction of highly qualified specialists to participate in the company's work and to motivate such specialists for honest and efficient activities.

The procedure for determining and payment of remuneration to members of the Board of Directors is reflected in detail in the Regulation on Payment of Remuneration and Compensations to Members of the Board of Directors of IDGC of the Northern Caucasus, PJSC, (approved by the Annual General Meeting of Shareholders, Minutes dated June 16, 2015 No. 15). The text of the Regulation is available on the website of IDGC of the Northern Caucasus, PJSC, in the section “For Shareholders and Investors/Charter and Bylaws/Corporate Governance Procedures Documents”.

Remuneration criteria

The principal criterion is participation in meetings and work of the Board of Directors.

Payment of remuneration to members of the Board of Directors is made on the basis of the work results for the period from the time of the candidate election to the members of the Board of Directors to the time of the Board of Directors' election in a new composition. Remuneration shall be paid to members of the Board of Directors as a lump sum in RUB.

The amount of remuneration for participation in the Board of Directors of each member of the Board of Directors shall be calculated subject to the total number of meetings of the Board of Directors for the previous corporate year and the number of meetings attended by the relevant member of the Board of Directors.

Remuneration shall not be paid, if the member of the Board of Directors did not attend more than 50% of the meetings held.

Additional charges and remuneration

The following bonuses shall be additionally determined:

- 30% of S(1) – to the Chairman of the Board of Directors;
 - 20% of S(1) – to the Chairman of the Specialized Committee at the Board of Directors;
 - 10% of S(1) – for membership in the Specialized Committee at the Board of Directors;
- S(1) – amount of the remuneration for participation in the Board of Directors of the Company.

Additional remuneration is paid from net profit to members of the Board of Directors in case of increased size of the company's market capitalization for the period of operation of the Board of Directors.

Amount of paid remuneration and costs compensated to members of the Board of Directors of IDGC of the Northern Caucasus, PJSC, during 2018, thousand rubles

Index Name	2018
Remuneration for participation in the management body work	6,123.08
Salaries	0
Bonuses	0
Fees	0
Benefits	0
Other types of remuneration	0
TOTAL	6,123.08
Reimbursement of expenses	32.69

Committees of the Board of Directors

Committees of the Board of Directors of IDGC of the Northern Caucasus, PJSC

established to increase the efficiency of the Company's Board of Directors activities, and to develop recommendations for the Board of Directors and the executive bodies of IDGC of the Northern Caucasus, PJSC.

In IDGC of the Northern Caucasus, PJSC the following committees are established and operate:

1. Audit Committee;
2. HR and Remuneration Committee;
3. Reliability Committee;
4. Strategy and Development Committee;
5. Committee for Technological Connection to Power Grids.

In its activities the committees members are guided by:

- Russian law;
- Charter of IDGC of the Northern Caucasus, PJSC;
- Regulations on the committees and bylaws of IDGC of the Northern Caucasus, PJSC;
- action plans for the committees.

Regulations on Committees

Committee name	Information on the approval by the Board of Directors of the Regulation on the Committee as amended
Reliability Committee	Minutes No. 310 dated July 31, 2017
Audit Committee	Minutes No. 230 dated March 15, 2016, Amendments were made on November 9, 2016, Minutes No. 266 dated November 11, 2016
HR and Remuneration Committee	Minutes No. 172 dated August 4, 2014
Strategy and Development Committee	Minutes No. 50 dated December 23, 2009, Amendments and supplements were made on March 24, 2016, Minutes No. 231 dated March 25, 2016
Committee for Technological Connection to Electric Grids	Minutes No. 306 dated July 10, 2017

The texts of the Regulations on committees are available on the website of IDGC of the Northern Caucasus, PJSC in the section "For Shareholders and Investors/Charter and Bylaws/Corporate Governance Procedures Documents".

Committee meetings minutes are available on the website of IDGC of the Northern Caucasus, PJSC, in Section "To Shareholders and Investors/ Corporate Governance/Board Committees".

Auditing Committee

During 2018, the Board of Directors of the Company considered the following issues of arrangement, operation and effectiveness of the internal control and internal audit system:

- it considered the matter about the budget approval for the Company's internal audit subdivision for 2018 (Minutes No. 344 dated May 3, 2018);
- it approved the budget of the Internal Audit and Control Directorate of the Company for 2018;
- the Company's General Director shall find an opportunity to finance the participation of the employees of the Company's Internal Audit and Control Directorate in the annual all-Russia meeting of those employed with the Internal Audit and Control subdivisions of Rosseti, Group of Companies;

- it approved the action plan of the Company's Internal Audit subdivision for 2018 (Minutes No. 344 dated May 3, 2018);
- it considered the internal audit report about executing the plan of the internal audit activity and operations results including the results of quality self-assessment of the internal audit operations following the results of 2017 and implementing the measures plan for the Company's internal audit development and improving for the period from 2017 to 2019 (Minutes No. 344 dated May 3, 2018);
- it approved the report about executing the operations plan of the Company's internal audit for 2017 including the results of quality self-assessment of the internal audit operations for 2017 (Minutes No. 344 dated May 3, 2018);
- it considered the Company's internal audit report on estimating the efficiency of the internal control systems, risks management, corporate governance (Minutes No. 346 dated May 28, 2018):
 - it took into consideration the Company's internal audit report on estimating the efficiency of the internal control systems, risks management, corporate governance for 2017;
- it considered the internal audit report on the auditing results of the Company's non-core assets discovering and selling in 2017 (Minutes No. 346 dated May 28, 2018);
 - it took into consideration Auditor's Report No. 01-2018-CK dd. February 20, 2018, having inspected "The Audit of Non-Core Assets Discovering and Selling in IDGC of the Northern Caucasus, PJSC;
- it considered the matter about the internal control system arranging and operating, including on implementing the measures to improve such ICS (Minutes No. 353 dd. August 10, 2018):
 - it took into consideration the report of the Company's General Director on the internal control system arranging and operating, including information on the implementation of measures for improving such internal control system;
- it took into consideration the report of the Auditing Committee of the Board of Directors of IDGC of the Northern Caucasus, PJSC, about the operations performed in 2017 – 2018 corporate year (Minutes No. 353 dd. August 10, 2018);
- it considered the matter on the key operating risk management of the Company for 2017 (Minutes No. 354 dd. August 20, 2018):
 - it took into consideration the report of the Company's General Director on management of key operating risks of the Company for 2017;
 - it noted risks realization with critical and significant materiality level;
 - the Company's General Director shall:
 - review the efficiency of the measures to manage key operating risks, submit such review results to be considered by the Strategy and Development Committee of the Company's Board of Directors up to October 1, 2018;
 - take measures to avoid realization of key operating risks in 2018;
 - provide for consideration by the Company's Board of Directors the Company's General Director's report "About the Company's Key Operating Risks Management in 2018" up to March 31, 2019;

For preliminary consideration of issues related to the control of financial and economic activity of the Company, the Board of Directors established the Audit Committee at the Board of Directors.

Key objectives of the Committee:

- consideration of accounting (financial) reports of the Company and supervision over the process of their preparation;
- control over the reliability and efficiency of the internal control system, the risk management system and the corporate governance practices;
- control over the external audit and auditor selection;
- ensuring of the independence and objectivity in the performance of the internal audit function;
- supervision over the efficiency of the system for prevention of fraud actions of the Company's employees and third parties.

Compositions of the Auditing Committee in 2018

Elected by the decision of the Board of Directors dated July 6, 2017 (Minutes No. 306 dd. July 10, 2017)	Elected by the decision of the Board of Directors dated August 17, 2018 (Minutes No. 354 dd. August 20, 2018)
1. Guryanov Denis Lvovich, Director of the Corporate Governance and Shareholder and Investors Relations Department of Rosseti, PJSC (Chairman) 2. Ivanova Tatiana Aleksandrovna, Head of Tariff Methodology Department, Tariff Policy Department of PJSC Rosseti 3. Sasin Nikolay Ivanovich, Head of the Representative Office of OPORA of RUSSIA in the North Caucasian Federal District	1. Guryanov Denis Lvovich, Director of the Corporate Governance and Shareholder and Investors Relations Department of Rosseti, PJSC (Chairman) 2. Serov Aleksei Yuryevich, director of the Finance Department of Rosseti, PJSC 3. Sasin Nikolay Ivanovich, Coordinator of OPORA RUSSIA in the North Caucasian Federal District

The positions are specified as of the date of approval of the committee composition

Report on the committee's activity in 2018

15 meetings were held, and of five in the form of joint presence. The following substantive issues were considered in 2018 at the meetings of the Auditing Committee of the Board of Directors:

– **A candidate was preliminary approved for the position of the external auditor of the Company for audit of accounting (financial) reports of the Company for 2018 prepared in accordance with the RAS and audit of the consolidated financial reports for 2018 prepared in accordance with IFRS:**

Individual decisions and issued recommendations:

Minutes No. 87 dated April 20, 2018:

- the decision of the Tender Commission about holding precontractual negotiations with the winners of the open tender to lower the bid cost was taken into consideration (Minutes No. 13/595p dd. April 16, 2018);

- the managers of IDGC of the Northern Caucasus, PJSC, shall inform the members of the Auditing Committee of the Company's Board of Directors about the precontractual negotiations results with the winner of an open tender to lower the bid cost;

- the Board of Directors of IDGC of the Northern Caucasus, PJSC, was recommended to suggest to the Annual General Meeting of Shareholders of IDGC of the Northern Caucasus, PJSC, to approve as the Company's auditor Ernst and Young, LLC (77 Sadovnicheskaya embankment, building 1, 115035, Moscow, Russia), which was recognized the winner based on the results of an open tender without preliminary qualification selection (Minutes of the meeting of the Tender Commission dated April 16, 2018 No. 13/595p).

- The effectiveness of the external audit was evaluated, including assessment of external auditor reports:

Individual decisions and issued recommendations:

Minutes No. 87 dated April 20, 2018:

- The auditor's report and the procedures carried out by RSM RUS, LLC in process of audit of accounting (financial) reports of the Company for 2017 prepared subject to the RAS, were recognized as complying with the terms of the Agreement and the requirements of the Russian law;

- it is recommended to the Company's Board of Directors, to include the conclusion of the Auditing Committee of the Board of Directors of IDGC of the Northern Caucasus, PJSC, on the level of efficiency and quality of the external audit process into the list of materials provided to persons entitled to participate in the annual General Meeting of Shareholders of the Company.

- Written information provided by the external auditor on the main problems of the accounting (financial) reports of the Company was reviewed on a regular basis:

Individual decisions and issued recommendations:

Minutes No. 87 dated April 20, 2018:

- following the results of considering the Written Information submitted by the external auditor regarding the principal challenges in the Company's accounting (financial) report prepared subject to the RAS for 2017 and the Company's consolidated financial reports prepared subject to the IFRS for 2017 it is noted that the external auditor has no substantial comments influencing its opinion of the reports reliability and no adjustments for the reports subject to the audit results.

– the information was discussed on non-standard operations and events of the Company, as well as the formation of a reserve for doubtful debts and estimated liabilities:

Individual decisions and issued recommendations:

Minutes No. 87 dated April 20, 2018:

- the information of the management of IDGC of the Northern Caucasus, PJSC, on non-standard operations and events, as well as on the formation of a reserve for doubtful debts and estimated liabilities for 2017 was taken into consideration.

- RAS accounting (financial) reports of the Company, as well as IFRS consolidated financial reports were reviewed on a regular basis:

Individual decisions and issued recommendations:

Minutes No. 86 dated April 6, 2018:

- the Board of Directors of IDGC of the Northern Caucasus, PJSC, was recommended to submit for approval to the Annual General Meeting of Shareholders of the Company the annual accounting (financial) reports of the Company for 2017 prepared in accordance with RAS;
- the consolidated financial reports of IDGC of the Northern Caucasus, PJSC, prepared subject to the IFRS for the year ended December 31, 2017 were taken into consideration;

Minutes No. 88 dated May 28, 2018:

- the accounting (financial) reports of IDGC of the Northern Caucasus, PJSC, for the 1 st quarter of 2018 prepared subject to the RAS were taken into consideration;

- the managers shall:

-- to take measures to raise the operating efficiency, to adjust the rates of proceeds and operating expenses growth;

-- to submit to the members of the Auditing Committee the factor analysis of reasons resulting in ineffectiveness of the measures to reduce the accounts receivable;

- the Secretary of the Auditing Committee was instructed to inform the Board of Directors of IDGC of the Northern Caucasus, PJSC, of the main trends in the change in the indicators of the interim financial (accounting) reports of IDGC of the Northern Caucasus, PJSC, for the 1st quarter of 2018 prepared subject to the RAS;

Minutes No. 91 dated September 20, 2018:

- the accounting (financial) reports of IDGC of the Northern Caucasus, PJSC, for 6 months of 2018 prepared subject to the RAS and the information of the Company's managers about the measures taken to lower the past-due accounts receivable for the services in connection with power transmission were taken into consideration;

- the Company's General Director shall:

-- inform the Company's Board of Directors in advance of any substantial events that may influence the Company's financial results;

- the Secretary of the Auditing Committee was instructed to inform the Company's Board of Directors of the main trends in the change in the indicators of the interim financial (accounting) reports of IDGC of the Northern Caucasus, PJSC, for 6 months of 2018 prepared in accordance with the RAS;

Minutes No. 94 dated November 28, 2018:

- the accounting (financial) reports of IDGC of the Northern Caucasus, PJSC, for 9 months of 2018 prepared subject to the RAS were taken into account.

- Internal audit plan and budget were agreed upon for 2018:

Individual decisions and issued recommendations:

Minutes No. 90 dated September 6, 2018:

- the action plan of the Auditing Committee of the Board of Directors of IDGC of the Northern Caucasus, PJSC, for 2018-2019 corporate year was approved;
 - the Board of Directors of IDGC of the Northern Caucasus, PJSC, was advised to approve the budget of the Auditing Committee of the Board of Directors of IDGC of the Northern Caucasus, PJSC, for the 2nd six months of 2018 and the first six months of 2019.

- The reports were considered on execution of action plan and internal audit activities results on a regular basis:

Individual decisions and issued recommendations:

Minutes No. 88 dated May 28, 2018:

- the report of the Company's Internal Audit and Control Directorate on the implementation of the action plan and the results of internal audit for the 1st quarter was taken into consideration;

Minutes No. 91 dated September 20, 2018:

- the Company's General Director shall:
 -- submit for approval to Rosseti, PJSC, the suggestions as to the nominee to be elected the director of the Company's Internal Audit and Control Directorate, complying with the requirements of the Regulation about the Company' Internal Audit and Control Directorate, and taking into consideration the requirements provided by the Regulation about the organization design in Rosseti, PJSC, subsidiaries and affiliates;
 -- ensure the current vacancies filling in the Company's Internal Audit and Control Directorate;
 - the decision was made to remain effective Subpara. 2 of Para. 4 of the Decision of the Committee dated March 5, 2018 (Minutes No. 83 dd. March 7, 2018) for Matter No. 3 "About Preliminary Consideration of the Report made by the Company' Internal Audit and Control Directorate about executing the plan of the internal audit activity and operations results including the results of quality self-assessment of the internal audit operations following the results of 2017 and implementing the measures plan for the Company's internal audit development and improving for the period from 2017 to 2019";

Minutes No. 95 dated December 7, 2018:

- the report about executing the plan of the internal audit activity and operations results for 9 months of 2018;
 - the Internal Audit and Control Directorate shall develop the recommendations as to the procurements audit results, auditing the implementation of the measures included to the program/program of power losses reducing and their results and once again send thereof to the Company's managers to take measures to react;
 - the General Director shall ensure the audits results considering at the meetings to be held by the Company's managers;
 - the Internal Audit and Control Directorate shall in the context of the report about considering the internal audit results about executing the plan of the internal audit activity and operations results submit the information about the results of such audits;

Minutes No. 83 dated March 7, 2018:

- the report about executing the operations plan of the Company's internal audit for 2017 including the results of quality self-assessment of the internal audit operations for 2017 was approved;
 - the Company's General Director shall:
 -- ensure taking measures to react the internal audit results of Stavropolenergo branch of IDGC of the

Northern Caucasus, PJSC, Kabbalkenergo branch of IDGC of the Northern Caucasus, PJSC, and Sevkavkazenergo branch of IDGC of the Northern Caucasus, PJSC;

- further on following the audit of the Company's branches approve the corrective actions plan as to executive officers, namely branch's directors, at the Company's executive office level;
- ensure identification of the activity risks in connection with accounts payable disposing as to the funds (advance payments) received from applicants in the course of agreements performing about TP performing and measures implementing to manage thereof;
- the director of the Internal Audit and Control Directorate shall:
- approve individual plans for internal auditors development;
- ensure holding in 2018 the audit of target usage of the financial support funds subject to the development plans of IDGC of the Northern Caucasus, PJSC";
- the Board of Directors of the Company shall approve the report on the implementation of the action plan of the Company's Internal Audit and Control Directorate for 2017, together with the results of self-assessment of the quality of the internal audit for 2017.

- The information of the management on the implementation of the Company's Internal Control Policy was reviewed:

Individual decisions and issued recommendations:

Minutes No. 92 dated September 24, 2018:

- the managers' information about the Company's Internal Control Policy shall be updated:
- to include the information about the measures performed in 2018 and aimed to lower the maturity level of the ICS and RMS;
- to include the information about the course of the measures performing provided by Order No. 483 made by the Company on July 28, 2017, and the information about the reasons for any failed (past-due) measures;
- the Company's General Director shall ensure placing the matter to be considered by the Auditing Committee one more time;

Minutes No. 93 dated November 6, 2018:

- the information of the Company's managers on the implementation of the Internal Control Policy of IDGC of the Northern Caucasus, PJSC, in the 1st six months of 2018 was taken into consideration;
- the terms of reference, substantial provisions to be included to the agreement for rendering the services in connection with the independent estimation of the internal control system efficiency are approved;
- the Company shall perform the procurement procedures to grant the right to enter into the agreement to make external independent estimation of the Company's internal control system efficiency by means of participating in the centralized open tender arranged by Rosseti, PJSC.

- The reports of the managers of IDGC of the Northern Caucasus, PJSC, were heard on a regular basis on implementation of corrective actions to address deficiencies revealed by the Revision Commission, the Company's internal auditor, the external control (supervision) bodies, on the implementation of measures taken on the facts of notification about potential cases of fraudulent actions of employees as well as the results of the completed investigations:

Individual decisions and issued recommendations:

Minutes No. 85 dated March 30, 2018:

- the information of the Company's managers on the implementation of corrective actions to address deficiencies revealed by the Company's Revision Commission, internal auditor, external control (supervision) bodies, on the implementation of measures taken following the information received on potential cases of fraud actions by employees and based on the results of the completed investigations for 2017 was taken into consideration;
- the Company's General Director shall ensure raising the level of appointed persons responsibility in the course of their implementation of corrective actions plans;

Minutes No. 94 dated November 28, 2018:

- the information of the Company's managers on the implementation of corrective actions plans to address deficiencies revealed by the Company's Revision Commission, internal auditor, external control (supervision) bodies, on the implementation of measures taken following the information received on potential cases of fraud actions by employees and based on the results of the completed investigations was taken into consideration;
- the Company's managers shall when preparing the materials dealing with this matter:
 - submit the information about the course of earlier revealed deficiencies recovering and about any penalties imposing or not imposing following the results of such inspections;
 - generate the information about any revealed deficiencies recovering in chart form;
 - include the information about any inspections by external control bodies, information about any inspections by the Central Bank of the Russian Federation.

- The report on the efficiency of the Company's internal control system and the risk management system was reviewed:

Individual decisions and issued recommendations:

Minutes No. 86 dated April 6, 2018:

- the Company's internal audit report on estimating the efficiency of the internal control systems, risks management, corporate governance for 2017 were taken into consideration;
- the Company's Board of Directors shall take into consideration the Company's internal audit report on estimating the efficiency of the internal control system, risks management, corporate governance for 2017.

- The results of anti-corruption monitoring were considered:

Individual decisions and issued recommendations:

Minutes No. 83 dated March 7, 2018:

- the Board of Directors of the Company shall take into consideration the report on the results of anti-corruption monitoring for 2017;

Minutes No. 92 dated September 24, 2018:

- the report on the results of anti-corruption monitoring for the first six months of 2018 was taken into consideration.

- The internal audit information in connection with non-core assets selling is considered:

Individual decisions and issued recommendations:

Minutes No. 81 dated February 1, 2018:

- the Company's internal audit shall submit for preliminary consideration by the Auditing Committee the report about the audit results of non-core assets discovering and selling updated taking into consideration finishing the scheduled audit of non-core assets discovering and selling;

Minutes No. 84 dated March 27, 2018:

- the Board of Directors of IDGC of the Northern Caucasus, PJSC, shall take into consideration Auditor's Report No. 01-2018-CK dd. February 20, 2018, having inspected "The Audit of Non-Core Assets Discovering and Selling in IDGC of the Northern Caucasus, PJSC";
- the Company's managers shall:
 - ensure implementing the recommendations of the internal audit following the audit results;
 - ensure the efficiency (compliance) raising of the procedure for non-core assets discovering and selling.

- The report of the Company's General Director of arranging and operating of the internal control system of the Company:

Individual decisions and issued recommendations:

Minutes No. 86 dated April 6, 2018:

- the Company's Board of Directors shall take into consideration the report of the Company's General Director on the internal control system arranging and operating, including information on the implementation of measures for improving such internal control system.

- The report about exercising the decisions made by the Auditing Committee of the Company's Board of Directors was considered:

Individual decisions and issued recommendations:

Minutes No. 88 dated May 28, 2018:

- the Company's General Director shall provide for:
- performing the recommendations made by the Auditing Committee on March 5, March 27, March 29, 2018;
- submitting to the members of the Auditing Committee for the nearest meeting in presentia an updated Report about Exercising the Decisions made at the meetings of the Auditing Committee of the Board of Directors of IDGC of the Northern Caucasus, PJSC for 2017-2018 corporate year;

Minutes No. 92 dated September 24, 2018:

- the Company's General Director shall provide for:
- submitting to the members of the Auditing Committee any information not disclosed in such report confirming execution of recommendations made by the Auditing Committee on March 5, March 27, March 29, 2018, and information about appointed responsible persons to execute such recommendations;
- placing for consideration by the Auditing Committee of the decisions made at the meetings of the Auditing Committee of the Board of Directors of IDGC of the Northern Caucasus, PJSC, one more time.

- The report about performed operations by the Auditing Committee of the Company's Board of Directors was considered:

Individual decisions and issued recommendations:

Minutes No. 88 dated May 28, 2018:

- the Board of Directors of IDGC of the Northern Caucasus, PJSC, shall take into consideration the report of the Auditing Committee of the Board of Directors of IDGC of the Northern Caucasus, PJSC, about the operations performed in 2017 – 2018 corporate year;
- the secretary of the Auditing Committee when asking to sign the Report of the Auditing Committee of the Board of Directors of IDGC of the Northern Caucasus, PJSC, about the work performed in 2017-2018 corporate year the Chairman of the Auditing Committee shall update the information taking into consideration the participation of the Auditing Committee members in such meeting and in case of additional meetings holding.

- Preliminary the amount of the remuneration for the auditor's services for the audit of the Company's accounting (financial) reports for 2018 is considered:

Individual decisions and issued recommendations:

Minutes No. 89 dated June 20, 2018:

- the Company's Board of Directors shall fix the amount of remuneration for the Company's auditor (namely Ernst and Young, LLC) services in connection with auditing the accounting (financial) reports for 2018 prepared subject to the RAS, auditing the consolidated financial reports prepared subject to the IFRS for the year ending on December 31, 2018 in the amount of 5,168,876 rubles 92 kopeks, VAT included (18%).

- The matters regarding the Company's compliance with the requirements provided by the law counteracting the illegal use of insider information and market manipulation are considered:

Individual decisions and issued recommendations:

Minutes No. 92 dated September 24, 2018:

- the report about the results of measures implementing to comply with the requirements provided by the Russian law about the insider information controlling by IDGC of the Northern Caucasus, PJSC, in the 1 six months of 2018.

HR and Remuneration Committee

Key objectives of the Committee:

- elaboration of recommendations on the amount of remuneration payable to members of the Board of Directors of the Company;
- elaboration of principles and criteria for determination of the amount of remuneration payable to members of the Board of Directors, members of the collegial executive body and the person discharging the functions of Sole Executive Body of the Company, including a management company or executive manager;
- elaboration of proposals on determination of essential conditions of contracts concluded with members of the Board of Directors, members of the collegial executive body and the person discharging the functions of Sole Executive Body of the Company;
- determination of the criteria for selection of candidates for membership in the Board of Directors, the collegial executive body and for the position of Sole Executive Body of the Company as well as preliminary assessment of such candidates;
- regular evaluation of the activities of the person discharging the functions of Sole Executive Body (management organization, executive manager) and members of the collegial executive body of the Company, and also preparation of proposals on their re-appointment possibility for the Board of Directors.

Compositions of the HR and Remuneration Committee in 2018

Elected by the decision of the Board of Directors dated July 6, 2017 (Minutes No. 306 dd. July 10, 2017)	Elected by the decision of the Board of Directors dated September 12, 2018 (Minutes No. 355 dd. September 14, 2018)
1. Chevkin Dmitriy Aleksandrovich, Director of the Department for HR Policy and Organizational Development of Rosseti, PJSC (Chairman) 2. Fadeyev Alexandr Nikolaevich, Chief Adviser of Rosseti, PJSC 3. Erpsher Nataliya Ilinichna, Director, Directorate of Organizational Development of HR Policy and Organizational Development Department, Rosseti, PJSC	1. Sergeeva Olga Andreevna, Deputy General Director, Head of Rosseti, PJSC, Apparatus (Chairman) 2. Chevkin Dmitriy Alexandrovich, Director of the Department for HR Policy and Organizational Development of Rosseti, PJSC 3. Erpsher Nataliya Ilinichna, Director of the Directorate of Organizational Development of the HR Policy and Organizational Development Department, Rosseti, PJSC

The positions are specified as of the date of approval of the committee composition

Report on the committee's activity in 2018

4 meetings were held, all in absentia. At the meetings of the HR and Remuneration Committee at the Board of Directors in 2018, the following individual decisions were made and the following recommendations were issued:

Minutes No 64 dated April 27, 2018:

- the Committee's budget for the first six months of 2018 was prepared;
- the Committee's draft budget for the first six months of 2018 was submitted for approval to the Company's Board of Directors;
- the Company's Board of Directors was recommended to approve the report on the performance of the Company's Corporate Secretary.

Minutes No. 65 dated October 2, 2018:

- Dmitry Alexandrovich Chevkin was elected Deputy Chairman of the Committee;
- Tatiana Mikhailovna Gasyukova was elected Secretary of the Committee;
- the action plan of the HR and Remuneration Committee of the Company's Board of Directors for 2018-2019 corporate year was approved;
- the Committee's budget for the second six months of 2018 was prepared;
- the Committee's draft budget for the second six months of 2018 was submitted for approval to the Company's Board of Directors.

Minutes No. 66 dated October 24, 2018:

- the Board of Directors of the Company shall agree the nominee being Murtaz Anzorovich Karov for the position of director of Kabbalkenergo branch of IDGC of the Northern Caucasus, PJSC.

Minutes No. 67 dated November 30, 2018:

- the Board of Directors of the Company shall agree the nominee being Adam Sultanovich Tsechoev to the position of director of Ingushenergo branch of IDGC of the Northern Caucasus, PJSC.

Reliability CommitteeKey objectives of the Committeeelaboration and presentation of recommendations (conclusions) to the Board of Directors of the Company on the following aspects of the activities of the Board of Directors:

- expert evaluation of production programs, plans for technical re-equipment, reconstruction, new construction and repair of electrical power grid complex facilities, analysis of their elaboration and execution from the point of view of ensuring satisfaction of the requirements to the reliability of functioning and technical condition of electric power grids;
- assessment of the completeness and sufficiency of measures taken based on the results of accident investigation in accordance with the Rules for Investigation into the Causes of Accidents in Power Industry (approved by Decree of the Government of the Russian Federation dated October 28, 2009 No. 846), and their implementation control;
- expert evaluation of the quality of investigation into causes of technological disturbances (accidents);
- expert evaluation of the Company's activities in the field of accident prevention work (ensuring preparedness, organization and conductance of emergency recovery works at electric power industry facilities);
- expert assessment of the programs for prevention of the injury risks the Company's personnel and third parties are exposed to at the Company's power units, as well as control over their implementation;
- control and evaluation of the Company's technical services activities to the extent of ensuring reliable functioning of electric power grids and production safety;
- expert assessment of the internal control system within the Company;
- expert assessment of the occupational health and safety management system within the Company;
- expert evaluation of the environmental policy implementation program;
- expert assessment of fire and industrial safety.

Compositions of the Reliability Committee in 2018

Elected by the decision of the Board of Directors dated July 28, 2017 (Minutes No. 310 dd. July 31, 2017)	Elected by the decision of the Board of Directors dated August 17, 2018 (Minutes No. 354 dd. August 20, 2018)
1. Magadeev Ruslan Raisovich, Deputy Chief Engineer of Rosseti, PJSC (Chairman)	1. Magadeev Ruslan Raisovich, Deputy Chief Engineer of Rosseti, PJSC (Chairman)

2. Smaga Mikhail Vladimirovich, Deputy Director of the Technical Supervision Center of the branch of Rosseti, PJSC	2. Smaga Mikhail Vladimirovich, Deputy Director of the Technical Supervision Center branch of Rosseti, PJSC
3. Misirov Boris Khyzyrovich, First Deputy General Director – Chief Engineer of IDGC of the Northern Caucasus, PJSC	3. Misirov Boris Khyzyrovich, First Deputy General Director – Chief Engineer of IDGC of the Northern Caucasus, PJSC
4. Chernov Aleksei Valerievich, Deputy General Director for Economics and Finance of IDGC of the Northern Caucasus, PJSC	4. Chernov Aleksei Valerievich, Deputy General Director for Economics and Finance of IDGC of the Northern Caucasus, PJSC
5. Mikheev Dmitriy Dmitrievich, Deputy Director of the Department, Head of the Power Industry Prospective Development Office of the Power Industry Development Department of the Ministry of Energy of the Russian Federation	

The positions are specified as of the date of approval of the committee composition

Report on the committee's activity in 2018

7 meetings were held, all in absentia. At the meetings of the Reliability Committee at the Board of Directors in 2018, the following individual decisions were made and the following recommendations were issued:

Minutes No. 51 dated March 2, 2018:

- the Committee's budget for the first six months of 2018 was prepared;
- the Committee's draft budget for the first six months of 2018 was submitted for approval to the Company's Board of Directors.

Minutes No 52 dated April 28, 2018:

- the report on the branches and controlled companies of IDGC of the Northern Caucasus, PJSC, readiness for the high-water season of 2018 passing was taken into consideration;
- the Company's report about the reliability indices including indicative for 2017 was taken into consideration;
- the Company's Board of Directors shall take into consideration the report on the reliability level and quality of services rendered by the Company for 2017;
- the Company's Board of Directors shall take into consideration the report on approving the scheduled reliability indices and rendered services quality for the period of 2018-2022.

Minutes No. 53 dated May 25, 2018:

- the report on the course of the Company's preparation for the operations during the thunderstorm period in 2018 was taken into consideration;
- the report on the course of the Company's preparation for the operations during the fire season in 2018 was taken into consideration.

Minutes No. 54 dated October 1, 2018:

- Mikhail Vladimirovich Smaga was elected Deputy Chairman of the Committee;
- Tatiana Mikhailovna Gasyukova was appointed Secretary of the Committee;
- the action plan of the Committee for 2018-2019 corporate year was approved;
- the Committee's budget for the second six months of 2018 was prepared;
- the Committee's draft budget for the second six months of 2018 was submitted for approval to the Company's Board of Directors;
- the Company's Board of Directors shall claim as void the decision of the Board of Directors dd. January 26, 2017, (Minutes No. 278 dated January 26, 2017) regarding the matter as follows: "About

approving the action plan for liquidation of the traumatic and defective equipment, places and mechanisms and elimination of the injury risk of IDGC of the Northern Caucasus, PJSC, for 2017-2021 was approved.

Minutes No. 55 dated October 16, 2018:

- the report on the Company's performance in the flood period of 2018 was taken into consideration;

Minutes No. 56 dated November 29, 2018:

- the report on the Company's preparation course to operations during the autumn and winter period of 2018-2019 and the Company's readiness to operations in autumn and winter period of 2018-2019 was taken into consideration;
- the report on the Company's readiness for the arrangement and performance of emergency and recovery works in the autumn and winter period of 2018-2019.

Minutes No. 57 dated December 13, 2018:

- the report on the Company's performance in the thunderstorm period of 2018 was taken into consideration;
- the report on the Company's performance in the fire season of 2018 was taken into consideration.

Strategy and Development Committee

Key objectives of the Committee:

- to determine priority areas, strategic goals, and main principles of IDGC of the Northern Caucasus, PJSC strategic development;
- to assess efficiency of operation of IDGC of the Northern Caucasus, PJSC;
- to improve investment appeal of IDGC of the Northern Caucasus, PJSC;
- to correct the current development strategy of IDGC of the Northern Caucasus, PJSC;
- to monitor the progress of implementation of the adopted programs, projects and reorganization process of the Company;
- to determine and perfect business planning and budgeting policies of IDGC of the Northern Caucasus, PJSC;
- to control the implementation of the approved business plan and budget of IDGC of the Northern Caucasus, PJSC;
- to control organization and functioning of the risk management system.

Compositions of the Strategy and Development Committee in 2018

Elected by the decision of the Board of Directors dated July 28, 2017 (Minutes No. 310 dd. July 31, 2017)	Elected by the decision of the Board of Directors dated August 17, 2018 (Minutes No. 354 dd. August 20, 2018)
1. Rakov Aleksei Viktorovich, Director, Department for Power Metering and Relations with Power Market Entities, Rosseti, PJSC (Chairman) 2. Shagina Irina Alexandrovna, Head of the Tariff Office of the Tariff Department of Rosseti, PJSC 3. Lavrova Marina Aleksandrovna, Head of the Subsidiaries and Affiliates Economics Office of the Economic Planning and Budgeting Department of Rosseti, PJSC 4. Sasin Nikolay Ivanovich, Coordinator of	1. Domnich Vitaliy Anatolievich, Head of the strategic projects development of Rosseti, PJSC (Chairman) 2. Dyskin Dmitry Yurievich, Head of the Division for Interaction and Settlements with Power Markets Subjects of the Department for Power Metering and Relations with Power Market Entities, Rosseti, PJSC 3. Kilchukov Albert Izatovich, Chairman of the Kabardino-Balkarian Republican Division of the All-Russian Public Organization of Small and

OPORA RUSSIA in the North Caucasian Federal District, Chairman of the Stavropol Regional Office OPORA of RUSSIA 5. Petrieva Yulia Vladimirovna, Chief Expert, Key Accounts Department, SUESK LLC 6. Toshchenko Vladimir Valerievich, Director of the Situation and Analytical Center of Rosseti, PJSC 7. Chernov Aleksei Valerievich, Deputy General Director for Economics and Finance of IDGC of the Northern Caucasus, PJSC	Medium-Sized Enterprises OPORA of RUSSIA 4. Lavrova Marina Aleksandrovna, Head of the Subsidiaries and Affiliates Economics Office of the Economic Planning and Budgeting Department of Rosseti, PJSC 5. Podlutskiy Sergey Vasilievich, Head of the Department of Master Scheduling and Reports of the Investment Operations Department of Rosseti, PJSC 6. Ruban Dmitry Anatolievich, chief expert of the Division for innovative technical policy and power efficiency raising of the Department of Technological Policy and Innovations of Rosseti, PJSC 7. Chernov Aleksei Valerievich, Deputy General Director for Economics and Finance of IDGC of the Northern Caucasus, PJSC
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The positions are specified as of the date of approval of the committee composition

Report on the committee's activity in 2018

11 meetings were held, all in absentia. At the meetings of the Strategy and Development Committee at the Board of Directors in 2018, the following individual decisions were made and the following recommendations were issued:

Minutes No. 133 dated January 30, 2018:

- the Board of Directors of the Company was recommended to approve the Regulation about the Dividend Policy of IDGC of the Northern Caucasus, PJSC.

Minutes No. 134 dated February 9, 2018:

- the Board of Directors of the Company shall approve the Registry of Non-Core Assets of IDGC of the Northern Caucasus, PJSC, as for December 31, 2017.

Minutes No. 135 dated February 22, 2018:

- the Company's Board of Directors shall approve the draft of amendments to be made to the investment program of IDGC of the Northern Caucasus, PJSC, for the period of 2016 – 2022 approved by Order No. 1035 of the Ministry of Energy of Russia on December 25, 2015 (as amended by Order No. 1470 made by the Ministry of Energy of Russia on December 30, 2016) to hold public hearing subject to Paragraph 7 of the Rules for Investment Programs Approval of Power Subjects ratified by Decree No. 977 made by the Government of the Russian Federation on December 1, 2009 "About Investment Programs of Power Subjects".

Minutes No. 136 dd. March 30, 2018:

- the Board of Directors of the Company shall make the following decision:

- to approve the Company's action plans for reducing the past-due accounts receivable for power transmission services and disputes settlement as for January 1, 2018;
- to take into consideration the report made by the Company's chief executive office about executing the action plans for reducing the past-due accounts receivable for power transmission services and disputes settlement as for October 1, 2017;
- to take into consideration the report about the operations performed by the Company in connection with newly appeared past-due accounts receivable for the power transmission services in the 4th quarter of 2017;

-- to take into consideration the report about the Company's meeting with the schedule for repayment in 2017 the past-due accounts receivable as for January 1, 2017 as for January 1, 2018.

Minutes No 137 dated April 4, 2018:

- the Board of Directors of the Company shall make amendments to the Register of Non-Core Assets of IDGC of the Northern Caucasus, PJSC.

Minutes No 138 dated April 20, 2018:

- the Board of Directors of the Company shall approve the report on the achievement of the key performance indicators (KPI) of the Company's General Director for the third quarter of 2017.

Minutes No. 139 dated May 18, 2018:

- the Board of Directors of the Company shall take into account the report of the Company's General Director on management of key operating risks of the Company for 2017;
- the Board of Directors of the Company shall approve the report on the implementation of the Company's business plan for 2017.

Minutes No. 140 dated August 31, 2018:

- the information about implementing corrective and preventive measures to recover the defects noted following the results of technological and price audit of the reports about investment programs executing was taken into consideration.

Minutes No. 141 dated October 11, 2018:

- the review of the measures efficiency in connection with the Company's operating risks management was taken into consideration;
- the report of the Company's General Director on managing the key operating risks of the Company for the first six months of 2018 was taken into consideration;
- the Board of Directors of the Company shall approve the updated Registry of the Company's Non-Core Assets.

Minutes No. 142 dated October 23, 2018:

- the Board of Directors of the Company shall take into consideration the report of the Company's General Director on the Company's business plan implementing for the first six months of 2018.

Minutes No. 143 dated November 26, 2018:

- the following identified risks were chosen to be included to the general registry of the Company's risks:
-- for business process "Power Grid Complex Consolidation":
--- "Risk of reducing the Company's share in the unified (common pot) required proceeds of the constituent unit of the Russian Federation due to losing the control over power grid assets";
-- for business process "Non-Core Assets Discovering and Selling":
--- "Late selling of non-core assets";
--- "Late discovering of non-core assets".

Committee for Technological Connection to Electric Grids

Key objectives of the Committee:

elaboration and presentation of recommendations (conclusions) to the Board of Directors of the Company on the following aspects of the activities of the Board of Directors:

- development of proposals on improving the legal base of anti-monopoly legislation and provision of consumers with non-discriminatory access to technological connection to power grids;

- development of proposals on improving the bylaws and standards of the Company on providing consumers with non-discriminatory access to technological connection to power grids;
- development of the principles and criteria for assessment of the Company's performance on technological connection of consumers to power grids;
- assessment of the Company's performance on technological connection of consumers to power grids;
- assessment of the Company's performance on improving the quality of planning the power grid development;
- analysis of the current situation of the Company and preparation of proposals for the Company's Board of Directors concerning the technological connection of consumers to power grids and prospective development of power grids.

Compositions of the Committee for Technological Connection to Power Grids in 2018

Elected by the decision of the Board of Directors dated July 28, 2017 (Minutes No. 310 dd. July 31, 2017)	Elected by the decision of the Board of Directors dated August 17, 2018 (Minutes No. 354 dd. August 20, 2018)
1. Sasin Nikolay Ivanovich, Coordinator of OPORA of RUSSIA in the North Caucasian Federal District, Chairman of the Stavropol Regional Office OPORA of RUSSIA (Chairman) 2. Gubina Irina Borisovna, Chief Expert of the Grid Prospective Development Office of the Grid Prospective Development and Technological Connection Department of Rosseti, PJSC 3. Denezhnaya Natalia Vladimirovna, Chief Expert of the Technological Connection Regulation Office of the Grid Prospective Development and Technological Connection Department of Rosseti, PJSC 4. Korneev Alexandr Yuryevich, Head of the Technological Connection Regulation Office of the Grid Prospective Development and Technological Connection Department Rosseti, PJSC 5. Mikheev Dmitriy Dmitrievich, Deputy Director of the Department, Head of the Power Industry Prospective Development Office of the Power Industry Development Department of the Ministry of Energy of the Russian Federation	1. Korneev Alexandr Yuryevich, Director of the Grid Prospective Development and Technological Connection Department of Rosseti, PJSC 2. Sasin Nikolay Ivanovich, Coordinator of OPORA RUSSIA in the North Caucasian Federal District 3. Alikov Konstantin Batyrbekovich, Deputy General Director, Realization and Development of Services, IDGC of the Northern Caucasus, PJSC 4. Davydkin Vladimir Aleksandrovich, Director of the Department for Regulating the Technological Connection of DPRS&TP of Rosseti, PJSC

The positions are specified as of the date of approval of the committee composition

Report on the committee's activity in 2018

3 meetings were held, all in absentia. At the meetings of the Committee for Technological Connection to Power Grids of the Company at the Board of Directors in 2018, the following individual decisions were made and the following recommendations were issued:

Minutes No. 30 dated February 16, 2018:

- the Committee's budget for the first six months of 2018 was prepared;

- the Committee's draft budget for the first six months of 2018 was submitted for approval to the Company's Board of Directors.

Minutes No. 31 dated May 28, 2018:

- the results of monitoring of the performance of IDGC of the Northern Caucasus, PJSC, on the technological connection of consumers to distribution grids, including contract work and general statistics of connection subject to certain consumer groups, for 2017, were taken into consideration;
- the report on the achievement of KPIs in terms of compliance with the time frames for the technological connection, as well as the report on the achievement of KPIs in terms of increase in the load capacity of power grid equipment, prepared for 2017, were taken into consideration;
- the information on the analysis of technological connection of small and medium-sized enterprises based on the results of QII of 2017 and the implementation of measures for increasing the accessibility of technological connection to power grids was taken into consideration;
- the report about the Company's participation in the power schemes and programs of the constituent units of the Russian Federation in 2018 were taken into consideration.

Minutes No. 32 dated September 27, 2018:

- Mikhail Vladimirovich Smaga was elected Deputy Chairman of the Committee;
- Tatiana Mikhailovna Gasyukova was elected Secretary of the Committee;
- the action plan of the Committee for 2018-2019 corporate year was approved;
- the Committee's budget for the second six months of 2018 was prepared;
- the Committee's draft budget for the second six months of 2018 was submitted for approval to the Company's Board of Directors.

Remunerations to Members of the Committees under the Board of Directors

Payment of remunerations to members of the committees at the Board of Directors shall be made in compliance with the Regulations on Payment of Remuneration and Compensations to Members of the Committees. The texts of the Regulations are available on the website of IDGC of the Northern Caucasus, PJSC in the section "For Shareholders and Investors/Charter and Bylaws/Corporate Governance Procedures Documents".

Remuneration for participation in each meeting held in the form of joint presence

A member of the Committee shall receive the remuneration in the amount equivalent to two minimal monthly wages of the first category worker established by the sectoral tariff agreement in the RF power complex (the Agreement) on the day of the committee meeting, taking into account indexation established by the Agreement;

To the Chairman (Deputy Chairman) for the meeting where he or she served as Chairman of the Committee, remuneration was increased by 50%.

Remuneration for participation in each meeting held in absentia

The member of the Committee shall be paid as follows:

remuneration in the amount equivalent to a minimum monthly tariff rate of the first category worker subject to indexation established by the Agreement.

For Chairman (Deputy Chairman) of the Committee for the meeting where he or she acted as Chairman of the Committee, the remuneration was increased by 50%. In case the Chairman and/or members of the Committees at the Board of Directors are simultaneously members of the Board of Directors of the Company, payment of the remuneration due to them shall be effected following the procedure and in the amount as stipulated by the bylaws of the Company governing payment of remuneration and compensations to members of the Board of Directors of the Company as approved by the General Meeting of Shareholders of the Company.

Remuneration Paid to Members of the Committees of the Board of Directors of IDGC of the Northern Caucasus, PJSC, in 2018, thousand rubles

Committee name	Remuneration amount
Strategy and Development Committee	38.78
HR and Remuneration Committee	55.38
Reliability Committee	137.64
Auditing Committee	0
Committee for Technological Connection to Electric Grids	66.47
Total	298.27

Remuneration payment was made in cash.

Management Board – Collegial Executive Body

Election and size of the Management Board are determined by the Board of Directors of IDGC of the Northern Caucasus, PJSC, upon presentation of the General Director.

The competence of the Management Board shall be established Article 22 of the Charter of IDGC of the Northern Caucasus, PJSC.

In 2018 the Management Board of IDGC of the Northern Caucasus, PJSC, included the following persons.

Yury Viktorovich Zaytsev

Chairman

Information on Zaytsev Yu.V. is presented as a part of information on the current Board of Directors of IDGC of the Northern Caucasus, PJSC.

Konstantin Batyrbekovich Alikov

Elected to the Management Board of IDGC of the Northern Caucasus in June 2016.

Born in 1970. Has higher education, graduated from Bratsk Industrial Institute (“Construction and Road Machines and Equipment”), the North-Caucasian State Technological University (“Power Engineering”).

Positions held over the past 5 years:

from 2006 to June 2015 held various positions in IDGC of the Northern Caucasus, OJSC: the Acting Deputy Director for Sale and Development of Services of Stavropolenergo branch, Director of the Power Metering and Energy Saving Department, Director of the Power Metering Department, Acting Deputy General Director for Sale and Development of Services, Head of the Power Metering Department, Head of the Energy Saving and Energy Efficiency Department, Head of the Power Transmission and Metering Department, Head of Power Balances and Losses Assessment Office, Head of Balances Office,

in June 2015 – May 2016 – the Deputy Director for Sale and Development of Services of Stavropolenergo branch of IDGC of the Northern Caucasus, PJSC,

in April – May 2016 – the Acting Deputy General Director for Sale and Development of Services, IDGC of the Northern Caucasus, PJSC,

since May 2016 and as for the end of 2018 – the Deputy General Director for Sale and Development of Services, a member of the Management Board of IDGC of the Northern Caucasus, PJSC,

since June 2016 and as for the end of 2018 – a member of the Management Board of IDGC of the Northern Caucasus, PJSC,

in 2016-2017 – a member of the Board of Directors of Dagestan Grid Company, JSC,

in 2016-2017 – a member of the Reliability Committee at the Board of Directors of IDGC of the Northern Caucasus, PJSC, Chairman of the Committee for Technological Connection to Power Grids at the Board of Directors of IDGC of the Northern Caucasus, PJSC,
 in 2017, from August 2018 and as for the end of 2018 – a member of the Committee for Technological Connection to Power Grids at the Board of Directors of IDGC of the Northern Caucasus, PJSC.
 in 2016-2017, from 2018 and as for the end of 2018 – a member of the Board of Directors of Dagestan Grid Company, JSC.

He does not participate in authorized capital of IDGC of the Northern Caucasus, PJSC and its subsidiaries and does not own ordinary shares of IDGC of the Northern Caucasus, PJSC and its subsidiaries.

Alim Arsenovich Kokov

Elected to the Management Board of IDGC of the Northern Caucasus, PJSC, in April 2017.

Born in 1976. Has higher education, graduated from the Volgograd Law Institute of the Ministry of Internal Affairs of Russia, Ph.D. in Economics.

Positions held over the past 5 years:

from August 1993 to September 2016 – service in the internal affairs agencies,
 from September 2016 to February 2017 – the Adviser, acting Deputy General Director for Security of IDGC of the Northern Caucasus, PJSC,
 from February 2017 and as for the end of 2018 – Deputy General Director for Security of IDGC of the Northern Caucasus, PJSC,
 from April 2017 and as for the end of 2018 – a member of the Management Board of IDGC of the Northern Caucasus, PJSC,
 in 2017 – a member of the Board of Directors of Dagenergoset, OJSC.

He does not participate in authorized capital of IDGC of the Northern Caucasus, PJSC, and its subsidiaries and does not own ordinary shares of IDGC of the Northern Caucasus, PJSC, and its subsidiaries.

Boris Khyzyrovich Misirov

Elected to the Management Board of IDGC of the Northern Caucasus, PJSC, in February 2014.

Born in 1963. Higher education, graduated from the Leningrad Polytechnic Institute named after M.I. Kalinin, in the specialty of "Power Stations". Completed training under the programs: "Practice of arrangement and performance of regulated purchases of RAO UES of Russia OJSC, "Arrangement and management of operation and maintenance service of electric distribution grids".

Positions held over the past 5 years:

from July 2013 and as for the end of 2018 – the First Deputy General Director – Chief Engineer of IDGC of the Northern Caucasus, PJSC,
 from February 2014 and as for the end of 2018 – a member of the Management Board of IDGC of the Northern Caucasus, PJSC,
 in 2014, 2015, 2016, 2017 and from 2018 and as for the end of 2018 – a member of the Reliability Committee at the Board of Directors of IDGC of the Northern Caucasus, PJSC,
 from 2014 and as for the end of 2018 – a member of the Management Board of IDGC of the Northern Caucasus, PJSC,
 in 2014, 2015, 2016, 2017 – the Chairman of the Board of Directors of Dagenergoset, OJSC.
 in 2014-2015 – a member of the Board of Directors of Energoservice, OJSC (since April 2015 – Dagestan Grid Company, JSC),
 in 2017 – a member of the Committee for Technological Connection to Electric Grids at the Board of Directors of IDGC of the Northern Caucasus, PJSC.

He does not participate in authorized capital of IDGC of the Northern Caucasus, PJSC, and its subsidiaries and does not own ordinary shares of IDGC of the Northern Caucasus, PJSC, and its subsidiaries.

Ivetta Vladimirovna Thakakhova

Elected to the Management Board of IDGC of the Northern Caucasus, PJSC, in June 2016.

Born in 1976. Has higher education, graduated from the Kabardino-Balkarian State University in the Specialty of “Accounting and Audit”.

Positions held over the past 5 years:

from June 2013 to April 2014 – the Deputy General Director for Economics and Finance of IDGC of the Northern Caucasus, OJSC,

in April 2014 – May 2016 – the Adviser of IDGC of the Northern Caucasus, PJSC,

from April to May 2016 – the Acting First Deputy General Director of IDGC of the Northern Caucasus, PJSC,

from May 2016 and as for the end of 2018 – the First Deputy General Director of IDGC of the Northern Caucasus, PJSC,

from June 2016 and as for the end of 2018 – a member of the Management Board of IDGC of the Northern Caucasus, PJSC.

He does not participate in authorized capital of IDGC of the Northern Caucasus, PJSC, and its subsidiaries and does not own ordinary shares of IDGC of the Northern Caucasus, PJSC, and its subsidiaries.

Aleksei Valerievich Chernov

Elected to the Management Board of IDGC of the Northern Caucasus in June 2016.

Born in 1977. Has higher education, graduated from the Karachay-Cherkess State Technological Institute in the Specialty of “Management”.

Positions held over the past 5 years:

from 2006 to May 2016 in different periods held various positions of Director of the Tariff Directorate, Director for Economics, Head of the Tariff Department, Head of the Tariff Office of IDGC of the Northern Caucasus, OJSC,

in April – May 2016 – the Acting Deputy General Director for Economics and Finance of IDGC of the Northern Caucasus, PJSC,

from May 2016 and as for the end of 2018 – the Deputy General Director for Economics and Finance,

since June 2016 and as for the end of 2018 – a member of the Management Board of IDGC of the Northern Caucasus, PJSC,

in 2016, 2017 and from 2018 and as for the end of 2018 – a member of the Reliability Committee at the Board of Directors of IDGC of the Northern Caucasus, PJSC,

in 2017-2018, from 2018 and as for the end of 2018 – a member of the Board of Directors of Dagestan Grid Company, JSC,

from 2017-2018, from 2018 and as for the end of 2018 – a member of the Strategy and Development Committee at the Board of Directors of IDGC of the Northern Caucasus, PJSC.

The share of Chernov A.V. in the authorized capital of IDGC of the Northern Caucasus, PJSC makes 0.0001%, the share of ordinary shares of IDGC of the Northern Caucasus, PJSC, owned by Chernov A.V. makes 0.0001%*.

*Together with actually placed shares of the current issue

He does not participate in the authorized capital of subsidiaries of IDGC of the Northern Caucasus, PJSC and does not own ordinary shares of subsidiaries of IDGC of the Northern Caucasus, PJSC.

Vladimir Vladimirovich Shuvalov

Elected to the Management Board of IDGC of the Northern Caucasus, PJSC, in April 2014.

Born in 1971. Has higher education, graduated from the Military University of the Ministry of Defense of the Russian Federation in the Specialty of “Law”, and the Russian Academy of Public Administration under the President of the Russian Federation in the Specialty “State and Municipal Management”.

Positions held over the past 5 years:

in 2013-2014 – the Deputy General Director for General Affairs of Karachayevo-Cherkessskenergo, OJSC,
 in March – May 2014 – the Acting Deputy General Director for Investment Activities, Adviser of IDGC of the Northern Caucasus, PJSC,
 from April 2014 and as for the end of 2018 – a member of the Management Board of IDGC of the Northern Caucasus, PJSC,
 from May 2014 to September 2017 – the Deputy General Director for Investment Activities of IDGC of the Northern Caucasus, PJSC,
 in 2014-2015 – a member of the Board of Directors, Acting General Director of Energoservice, OJSC (from April 2015 – Dagestan Grid Company, JSC),
 in 2017-2018, and as for the end of 2018 – a member of the Board of Directors of Chechenenergo, JSC, Dagestan Grid Company, JSC,
 as for the end of 2018 – the Adviser, Acting Deputy General Director for Investment Activities of IDGC of the Northern Caucasus, PJSC.
 He does not participate in authorized capital of IDGC of the Northern Caucasus, PJSC, and its subsidiaries and does not own ordinary shares of IDGC of the Northern Caucasus, PJSC, and its subsidiaries.

In 2018, members of the Management Board of IDGC of the Northern Caucasus, PJSC, did not make transactions on acquisition and/or disposal of the Company's shares.

Remuneration to Members of the Management Board

Management Board members as staff members of IDGC of the Northern Caucasus, PJSC, receive the payment for their work on the positions held in accordance with the labor contracts. In addition, members of the Management Board may receive bonuses, commissions, benefits and (or) reimbursement of expenses, as well as other material grants.

The main document governing the remuneration of Deputy General Directors of IDGC of the Northern Caucasus, PJSC, is the Regulation on Financial Incentives and Social Package of Top Managers of IDGC of the Northern Caucasus, PJSC (approved by the Board of Directors of IDGC of the Northern Caucasus, PJSC, on June 10, 2011, Minutes dated June 15, 2011 No. 76). For work as a part of the governing body, members of the Management Board may receive a monthly allowance of up to 15% of the salary. The amount of such allowance is established by Order of the General Director.

The Amount of the Remuneration Paid and Costs Compensated to Members of the Management Board of IDGC of the Northern Caucasus, PJSC, during 2018, thousand rubles

Index Name	2018
Remuneration for participation in the management body work	441.94
Salaries	28,820.79
Bonuses	10,888.94
Fees	0
Benefits	0
Other types of remuneration	0
TOTAL	40,151.67
Reimbursement of expenses	1,920.00

General Director

- Sole Executive Body

The General Director acts without a power of attorney, taking into account limitations provided for by the law, the Charter and decisions of the Board of Directors.

Competence of General Director –

issues of managing current business of IDGC of the Northern Caucasus, PJSC (excluding matters assigned to the responsibility of the General Meeting of Shareholders, the Board of Directors, and the Management Board). The competence of the General Director is established by Article 69 of Federal Law dated December 26, 1995 No. 208-FZ "On Joint Stock Companies" and Article 21 of the Charter of IDGC of the Northern Caucasus, PJSC.

The General Director shall be governed by:

- Federal Law "On Joint Stock Companies" and other regulations of the Russian Federation;
- Articles of Association of IDGC of the Northern Caucasus, PJSC;
- labor contract concluded with him or her by the Board of Directors of the Company.

In 2018 IDGC of the Northern Caucasus, PJSC, was headed by Yury Viktorovich Zaytsev (the decision of the Board of Directors on the appointment was made on August 28, 2014)¹. In accordance with the decision of the Board of Directors of IDGC of the Northern Caucasus, PJSC, dated April 14, 2017 (Minutes No. 307 dd. July 17, 2017) Yury Viktorovich Zaytsev was re-elected General Director of IDGC of the Northern Caucasus, PJSC, up to August 28, 2020 inclusive.

Information on Zaytsev Yu.V. is presented within the information on the current composition of the Board of Directors.

In 2018, the General Director of IDGC of the Northern Caucasus, PJSC, did not make transactions on acquisition and/or disposal of shares of IDGC of the Northern Caucasus, PJSC, and/or its subsidiaries and affiliates.

General Director Remuneration

The General Director's employment conditions, guarantees, and compensation for the period of fulfillment of duties shall be determined by the employment agreements, which terms and conditions are determined by the person authorized by the Board of Directors. The amount of salary and material incentives (remuneration) of the General Director of IDGC of the Northern Caucasus, PJSC, shall be determined in accordance with the Regulation on Financial Incentives for the General Director of IDGC of the Northern Caucasus, PJSC, as approved by the decision of the Board of Directors of IDGC of the Northern Caucasus, PJSC, on June 15, 2011, (Minutes No. 76), and certain decisions of the Board of Directors of the Company.

The Regulation on Financial Incentives for the General Director of IDGC of the Northern Caucasus, PJSC, regulates the amount of the quarterly and annual bonus for achieving KPIs and also considers lump sum payments for performing especially important tasks or for receiving awards from the Government, the Ministry of Energy of Russia, and corporate awards.

Revision Committee

¹In accordance with the decision of the Board of Directors of IDGC of the Northern Caucasus, PJSC, dated March 28, 2019 (Minutes No. 375 dated March 28, 2019) Yury Viktorovich Zaytsev was removed from its position of the General Director of IDGC of the Northern Caucasus, PJSC, and Vitaliy Valerievich Ivanov was elected General Director of IDGC of the Northern Caucasus, PJSC.

- permanent business and financial supervisory body

Objectives of the Revision Committee are as follows:

- 1) exercise of control over financial and economic activities of the company;
- 2) independent assessment of the data contained in the company's annual report and annual financial reports.

The competence of the Revision Committee is established by Article 85 of Federal Law dated December 26, 1995 No. 208-FZ "On Joint Stock Companies" and Article 24 of the Charter of IDGC of the Northern Caucasus, PJSC.

The Revision Committee functions as set forth in the Regulation on the Revision Committee of IDGC of the Northern Caucasus, PJSC, approved by the resolution of the Annual General Meeting of Shareholders (Minutes dated June 19, 2017 No. 18). The full text of the Regulation is available on the website of IDGC of the Northern Caucasus, PJSC, in the section "For Shareholders and Investors/Charter and Bylaws/Corporate Governance Procedures Documents".

The Revision Committee is entitled to (and – should any material violation in finance and economic activities be found – shall) require the calling of an Extraordinary General Meeting of Shareholders.

Composition of the Revision Committee

Quantitative composition of the Revision Committee makes 5 persons.

In 2018 the Revision Committee had two compositions.

At the end of 2018 (since the date of the Annual General Meeting of Shareholders) the composition of the Revision Committee elected by the Annual General Meeting of Shareholders of IDGC of the Northern Caucasus, PJSC, on May 28, 2018 was in effect (Minutes No. 19 dated May 29, 2018).

Item No.	Full name	Position (as of the candidate nomination)
1	Kim Svetlana Anatolievna	Head of the Revision Office of the Control and Revision Department of Rosseti, PJSC
2	Kabizskina Yelena Alexandrovna	Deputy Head of the Revision Office of the Control and Revision Department of Rosseti, PJSC
3	Kirillov Artem Nikolayevich	Deputy Head of the Revision Office of the Control and Revision Department of Rosseti, PJSC
4	Malyshev Sergey Vladimirovich	Leading Expert of the Revision Office of the Control and Revision Department of Rosseti, PJSC
5	Yerandina Elena Stanislavovna	Chief Expert of the Control and Expert Office of the Control and Revision Department of Rosseti, PJSC

Svetlana Anatolievna Kim was elected Chairman of the Revision Committee.

At the beginning of 2018 (before the date of the Annual General Meeting of Shareholders) the composition of the Revision Committee elected by the Annual General Meeting of Shareholders of IDGC of the Northern Caucasus, on June 15, 2017 was in effect (Minutes No. 18 dated June 19, 2017).

Item No.	Full name	Position (as of the candidate nomination)
1	Zadorozhnaya Angelika Aleksandrovna	Head of the Control and Analytical Office of the Control and Revision Department of Rosseti, PJSC
2	Kabizskina Yelena Alexandrovna	Deputy Head of the Revision Office of the Control and Revision Department of Rosseti, PJSC
3	Kirillov Artem Nikolayevich	Deputy Head of the Revision Office of the Control and Revision Department of Rosseti, PJSC
4	Malyshev Sergey Vladimirovich	Leading Expert of the Revision Office of the Control and Revision Department of Rosseti, PJSC
5	Yerandina Elena Stanislavovna	Chief Expert of the Control and Expert Office of the Control and Revision Department of Rosseti, PJSC

Angelika Aleksandrovna Zadorozhnaya was the **Chairman** of the Revision Committee of such composition (elected in 2017).

In 2018, members of the Revision Committee did not participate in the authorized capital of IDGC of the Northern Caucasus, PJSC, and its subsidiaries and did not own ordinary shares of IDGC of the Northern Caucasus, PJSC, and its subsidiaries.

Remuneration of members of the Revision Committee

In June 2015, the Annual General Meeting of Shareholders approved the revised Regulation on Payment of Remuneration and Compensations to Members of the Revision Committee. According to the current regulation, the remuneration shall be paid to the members of the Revision Committee based on the results of the corporate year and depends on the degree of his or her participation in the work of the Revision Committee (counted as fulfillment of additional responsibilities as Chairman or Secretary of the Revision Committee). Compensation is determined by the base portion of remuneration. The baseline reward due to a member of the Revision Committee shall be established proceeding from the company's revenue during the financial year calculated as per RAS in accordance with the scale as follows (see the attachment). If, during the corporate year, the member of the commission actively participated in additional reviews carried out by the Revision Committee or control actions undertaken by the Revision Committee or control actions dedicated to individual issues that were made by decision of the General Meeting of Shareholders, the Board of Directors or by demand of the shareholder(s) jointly holding at least 10% of voting shares of the Company, Chairman of the Revision Committee shall be entitled to solicit from the General Meeting of Shareholders the increase in the actual amount of remuneration.

The text of this Regulation is available on the corporate website of IDGC of the Northern Caucasus, PJSC in the section "For Shareholders and Investors/Charter and Bylaws/Corporate Governance Procedures Documents".

In 2018, payments to members of the Revision Committee amounted to 664.24 thousand rubles. Remuneration payment was made in cash.

This Regulation also provides for payment to members of the Revision Committee of the Company of expenses related to participation in the activities of the Company's Revision Committee.

Corporate Secretary

Corporate Secretary was elected in IDGC of the Northern Caucasus, PJSC. Corporate Secretary ensures the proper observance of the procedure for preparation and holding of the General Meeting of Shareholders and activities of the Board of Directors. The Corporate Secretary of IDGC of the Northern Caucasus, PJSC shall have knowledge, background and qualification sufficient to perform the assumed duties, flawless reputation and enjoy confidence of the shareholders. Besides, the Corporate Secretary of IDGC of the Northern Caucasus, PJSC, has the necessary powers and resources to solve his or her objectives.

Olesya Borisovna Gaydey **Corporate Secretary**

First elected as the Corporate Secretary of IDGC of the Northern Caucasus, PJSC, in July 2010.

Born in 1983. Higher education, graduated from the North Caucasus State Technical University, specialty "Law". She attended upgrade training at the State University – Higher School of Economics on the program "Corporate Document Workflow" and "Corporate Secretary of Joint Stock Company".

Positions held over the past 5 years:

She has been working in IDGC of the Northern Caucasus, PJSC, since 2006.

From April 2008 to October 2015 she held the positions of the leading specialist, and then the chief specialist of the Corporate Governance Department,

from October 2015 – head of the corporate governance office of IDGC of the Northern Caucasus, PJSC. She has extensive experience in organizing activities for management of public and non-public companies.

She does not participate in authorized capital of IDGC of the Northern Caucasus, PJSC, and its subsidiaries and does not own ordinary shares of IDGC of the Northern Caucasus, PJSC, and its subsidiaries. In 2018, the Corporate Secretary of IDGC of the Northern Caucasus, PJSC, did not make transactions on acquisition and/or disposal of the Company's shares.

Internal Control System

The Company's internal control system (ICS) is an element of the Company's general management system aimed at providing reasonable guarantees for achieving the objectives in the following areas:

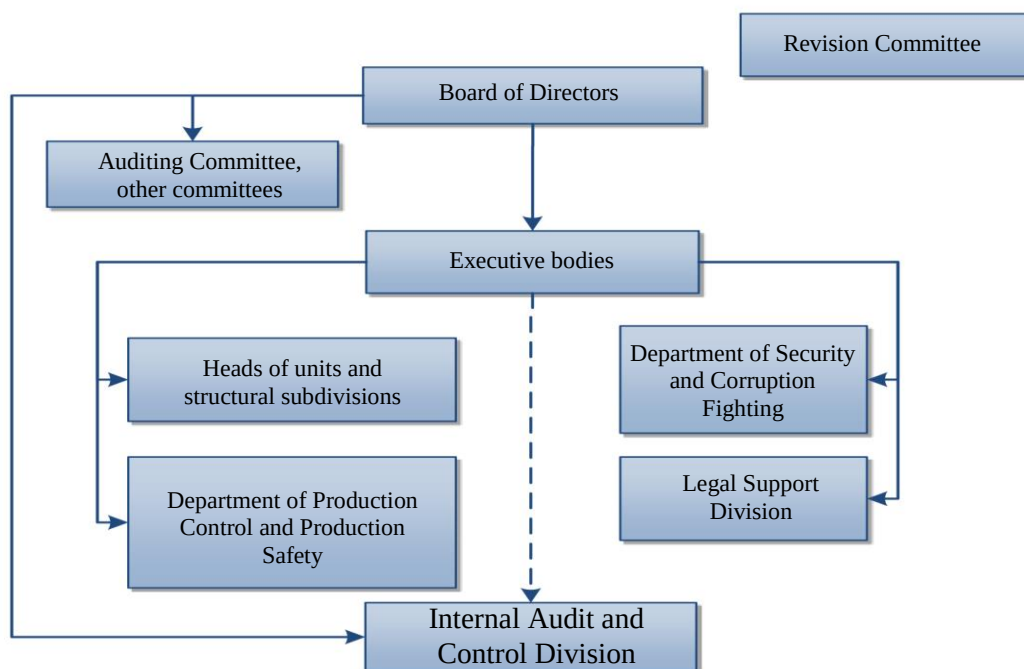
- efficiency and effectiveness of the Company's operations, including achievement of financial and operating indicators, safety of the Company's assets;
- compliance with the legal requirements applicable to the Company and the local regulations of the Company, including in the performance of business activities and maintenance of accounting records;
- ensuring consistency and timeliness of accounting (financial) and other reports.

The ICS is risk-oriented, control procedures are developed taking into consideration the risks and are established to provide the reasonable guarantee that reaction to any appearing risk happens effectively and timely.

The ICS covers all areas of the Company's activities; control procedures shall be complied with continuously within all the processes (areas of activities) of the Company at all the management levels subject to the "three-line protection" mode (see the figure):

- at the level of management bodies (chief executive officer and collective executive body), the Company's units and subdivisions implementing the control procedures to perform their functions and official duties, that is the first protection line;
- at the level of the Company's control subdivisions, that is the second protection line;
- at the level of the internal audit subdivision, that is the third protection line.

Participants of the Internal Control System



The ICS participants functions are enlisted in the Policy of the Company's Internal Control approved by the Decision made by the Board of Directors on March 14, 2016 (Minutes No. 230), provisions about structural subdivisions and are provided in Appendix No. 9 to the Russian version of the Annual Report.

To ensure implementation and support of the effective system of the internal control operating complying with generally accepted practices and performance standards in the sphere of internal control and with the requirements made by controllers and assisting to achieve the Company's operations goals the Decision made by the Board of Directors on March 14, 2016 (Minutes No. 230) ratified the Internal Control Policy of IDGC of the Northern Caucasus, PJSC (as amended). The internal control policy defines the objectives, principles of operation and elements of ICS of the Company, main functions and responsibility of ICS participants, procedure to assess efficiency of ICS.

The Company has the Procedure for Implementation of the Requirements of the Internal Control Policy, which explains the practical aspects of the application of the standards established by the Internal Control Policy.

Control procedures for processes and subprocesses of the core and ancillary activities, as well as the management processes of the Company are documented in the control and risk matrices.

To guarantee that ICS is efficient and conforms to the objectively changing requirements and conditions, the Company's internal auditor assesses the efficiency of ICS for conformity to the target condition and maturity level.

The matter of the ICS following the results of 2018 was preliminary reviewed at the meeting of the Auditing Committee of the Board of Directors of IDGC of the Northern Caucasus, PJSC, on March 29, 2019 (Minutes No. 101 dated April 1, 2019).

The maturity level of the Company's ICS was estimated as being somewhere between the "Moderate" and "Optimal" maturity level (average score 4.3; total points – 234), and following the results of 2017 the ICS maturity level was at "Moderate" Level 4 (average score 4.2; total points – 231).

The external independent estimation of the internal control system and risks management system in IDGC of the Northern Caucasus, PJSC, was made by Ernst and Young, LLC, subject to the provisions and terms specified in Agreement No. TAS-2019-00009 dd. January 18, 2019. As for the estimation date the internal control system of IDGC of the Northern Caucasus, PJSC, was declared moderately effective.

In accordance with Order of IDGC of the Northern Caucasus, PJSC, dated July 28, 2017 No. 483 (as amended by No. 773 dd. December 13, 2018), the internal control system improvement plan was approved and is being implemented. In the reporting year the Company has performed inter alia the following measures:

- stage-by-stage estimation of design and control procedures operating efficiency were carried out;
- regulatory and administrative document in connection with regular estimation of complying with the Company's Corporate Code of Ethics by the executive office and branches employees (Order No. 15 made by IDGC of the Northern Caucasus, PJSC, dd. January 18, 2019 "About Complying with the Corporate Code of Ethics").

Business unit responsible for the implementation of the internal audit function in the Company is the Internal Audit and Control Directorate.

Internal Audit functionally reports to the Board of Directors of the Company, which means that the Board of Directors implements control and organization of the internal audit function, including approval of the plan of the internal audit activity, report on implementation of the plan of the internal audit and the budget of the internal audit business unit, the approval of the appointment decision, removal from office and determination of the remuneration of the head of the internal audit business unit.

The goal of Internal Audit is assisting the Board of Directors and Executive Bodies of the Company in enhancement of efficiency of the Company management, improvement of their financial and economic activities, inter alia – by way of a systemic and consistent approach to analysis and assessment of the systems of risk management, internal control and corporate governance as instruments for ensuring reasonable assuredness of achievement of the goals set by the Company.

Targets and objectives, main principles of organization and operation of internal audit, functions and responsibilities of internal audit are defined in the Internal Audit Policy of IDGC of the Northern Caucasus, PJSC (as amended), approved by the Board of Directors on February 28, 2017 (Minutes No. 285 dated March 3, 2017).

In 2018, the average number of employees that perform the internal audit function was 6 persons.

The Company approved the following documents that regulate internal audit function:

- Internal Audit Policy of the Company and Code of Ethics for Internal Auditors approved by the decision of the Board of Directors dated February 28, 2017 (Minutes No. 285);
- Regulation on the Internal Audit and Control Directorate approved by the decision of the Board of Directors of the Company dated April 21, 2017 (Minutes No. 294);
- Internal Audit Quality Guarantee and Improvement Program approved by the decision of the Board of Directors dated December 26, 2016 (Minutes No. 274);

internal standards of internal audit activity and standards of practical application developed in accordance with the International Standards for the Professional Practice of Internal Auditing.

The feedback from the Audit Committee is provided by the head of internal audit in various forms during the interaction with the Audit Committee, including analysis of decisions/recommendations of the Audit Committee on issues falling within the competence of the internal audit, as well as through polling of members of the Audit Committee.

Auditor

Key information on the auditor of IDGC of the Northern Caucasus, PJSC

Full business name Ernst and Young, Limited Liability Company

Abbreviated business name Ernst and Young, LLC

TIN [Taxpayer's Identification Number] 7709383532 PSRN [Principal State Registration Number]: 1027739707203

Location: 77 Sadovnicheskaya embankment, building 1, 115035 Moscow

Web-site: <http://ey.com/>

E-mail: rfp@ru.ey.com

Reception phone/fax: (495) 755-97-00/755-97-01

Ernst and Young, LLC, is the member of Russian Union of Auditors (Association), Self-Regulatory Auditors Organization, abbreviated name – RUA, SRAO (SRN 2137799142314, entry containing the specified data made to the USRLP dd. August 3, 2016).

Ernst and Young, LLC, is the member of the Big Four of the international companies being trusted leaders in the sphere of consulting and audit.

Ernst and Young, LLC, has been operating in Russia from 1989. The Company has sufficient industry practice both an auditor and a consultant in the industry. Besides, Ernst and Young, LLC, audited the financial reports of IDGC of the Northern Caucasus, PJSC, for 2014.

Auditor selection procedure

Ernst and Young, LLC, was claimed the winner of an open one-stage tender without qualification pre-selection for the right to conclude an agreement to make the binding annual audit of the reports of Rosseti, PJSC subsidiaries and affiliates for 2018-2020 (Minutes No. 13/595p of the meeting held by Tender Commission of Rosseti, PJSC).

The nominee for an auditor shall be determined in the course of an auditors tender by the issuer.

To participate in such tender auditing companies shall comply with the following requirements:

- have civil capacity in full to enter and perform the Agreement;
- shall not undergo winding-up procedure; there shall be no valid decision made by the arbitration court to declare the bidder a bankrupt and to open the bankruptcy proceedings; the bidder's property in the part being essential to execute the agreement shall not be arrested; the bidder's economic operations participant shall not be suspended (for a legal person);
- it shall not be included to the Register of Mala Fide Suppliers kept subject to Federal Act No. 223-FZ dd. July 18, 2011 "About Procuring the Goods, Works, Services by Certain Legal Persons Types" or to the Register of Mala Fide Suppliers kept subject to Federal Act No. 44-FZ dd. April 5, 2013 "About the Contract System in the Sphere of Goods, Works, Services Procurements for Government and Municipal Needs";
- the bidder shall provide the information about all its chain of ownership including beneficiaries (including ultimate) confirming thereof by extracts from the Unified State Register of Legal Persons certified by the bidder, for joint-stock companies by additional certified extracts from the shareholders registers, documents about state registration of a foreign legal person or a natural person as a self-employed entrepreneur issued subject to a respective state law (for foreign persons) attaching properly certified translation thereof into Russian. The validity term of extracts from the Unified State Register of Legal Persons, from the shareholders register shall not exceed 60 (sixty) days as of issuing thereof, the documents about state registration of a foreign legal person or a natural person as a self-employed entrepreneur issued subject to a respective state law (for foreign persons) attaching properly certified translation thereof into Russian and received not earlier than 90 days from the date fixed for bids receiving closing.

Cost of services for IDGC of the Northern Caucasus, PJSC, for 2018–2020 was fixed in the amount of 15,506,630.75 RUB, together with VAT.

The specified auditor is also approved by decision of the Annual General Meeting of Shareholders of IDGC of the Northern Caucasus, PJSC (Minutes dated May 29, 2018 No. 19).

The amount of payment for services of the auditor was approved by the Board of Directors of IDGC of the Northern Caucasus, PJSC (Minutes dated July 9, 2018 No. 350).

In 2018, the auditors did not provide other (non-audit) services to IDGC of the Northern Caucasus, PJSC.

Registrar

By decision of the Board of Directors of IDGC of the Northern Caucasus, PJSC (Minutes dated April 20, 2007 No. 8), Registrar Society STATUS Joint Stock Company (License No. 10-000-1-00304 dated March 12, 2004 (unlimited) issued by the Federal Securities Market Commission of the Russian Federation) was approved as a registrar.

STATUS JSC keeps the register of all registered equity securities of IDGC of the Northern Caucasus, PJSC.

The information about transfer agents is published at <https://rostatus.ru>.

Information on transactions

In 2018, IDGC of the Northern Caucasus, PJSC did not commit transactions that are recognized as major transactions in accordance with the current Russian law.

The report on transactions of interest of IDGC of the Northern Caucasus, PJSC, in 2018 is provided in Appendix No. 5 to the Russian version of the Annual Report.

Authorized capital

General information on shares

Type and category of shares	Uncertified registered ordinary shares
Location in accordance with the Charter	154,562,275 RUB
Nominal value of 1 share	1 RUB
Authorized shares	3,258,695,653 pcs
Stock exchange platform	Moscow Stock Exchange (Russia, Moscow)
Security code	MRKK
ISIN code	RU000A0JPPQ7
number and date of state registration	1-01-34747-E dated December 27, 2006
Date of commencement of trading at Moscow Stock Exchange	June 19, 2008
Entry in index calculation base	Moscow Stock Exchange index of shares of companies with regulated activities

Main shareholder rights

Right	Reference to a provision of the regulation and the Charter of IDGC of the Northern Caucasus, PJSC	Ownership interest of shareholder (shareholders*) in voting shares				
		any	%	2%	10%	25%
Participation in the General Meeting of Shareholders personally or by proxy and vote on all issues falling within its competence	Sub-Para. 1 of Para. 6.2 of Clause 6, Para. 11.8 of Clause 11 of the Charter, Sub-Para. 2 of Clause 31 of Federal Law "On Joint Stock Companies"	✓	✓	✓	✓	✓
Disposal of shares owned by them without consent of other shareholders and IDGC of the Northern Caucasus, PJSC	Sub-Paragraph 4 of Para. 2.5 of Clause 2 of the Charter; Sub-Paragraph 4 of Para. 1 of Clause 2 of Federal Law "On Joint Stock Companies"	✓	✓	✓	✓	✓
Entry of a proposal to the agenda of the General Meeting of Shareholders	Sub-Para. 2 of Para. 6.2 of Clause 6, Para. 13.1 of Clause 13 of the Charter; Para. 1 of Clause 53 of Federal Act "On Joint Stock Companies"	X	X	✓	✓	✓
Obtaining of information on the	Sub-Para. 3 of Para. 6.2 of	✓	✓	✓	✓	✓

Right	Reference to a provision of the regulation and the Charter of IDGC of the Northern Caucasus, PJSC	Ownership interest of shareholder (shareholders*) in voting shares				
		any	%	2%	10%	25%
activities of IDGC of the Northern Caucasus, PJSC, and familiarization with documents	Clause 6, Sub-Para. 1 of Para. 26.5 of Clause 26 of the Charter, Para. 4 of Clause 11, Clause 91 of Federal Law "On Joint Stock Companies"					
Receipt of dividends declared	Sub-Para. 4 of Para. 6.2 of Clause 6 of the Charter, Sub-Para. 2 of Clause 31 of Federal Law "On Joint Stock Companies"	✓	✓	✓	✓	✓
Exercise of the right of pre-emptive purchase of shares and issuable securities convertible into shares, which are issued by subscription, in amounts proportional to the number of ordinary shares they own	Para. 5.5 of Clause 5, Sub-Para. 5 of Para. 6.2 of Clause 6 of the Charter; Sub-Paragraph 1 of Para. 1 of Clause 40 of Federal Act "On Joint Stock Companies"	✓	✓	✓	✓	✓
In case of liquidation of IDGC of the Northern Caucasus, PJSC, obtaining of a part of its property	Sub-Para. 6 of Para. 6.2 of Clause 6 of the Charter, Sub-Para. 2 of Clause 31 of Federal Law "On Joint Stock Companies"	✓	✓	✓	✓	✓
Familiarization with the list of persons having the right to participate in the General Meeting of Shareholders	Para. Clause 4 Article 51 of Federal Law "On Joint Stock Companies"	X	✓	✓	✓	✓
Nomination of candidates to the Board of Directors	Para. 13.1 of Clause 13, Sub-Para. 14.9.2 of Para. 14.9 of Clause 14 of the Charter, Para. 1 of Clause 53 of Federal Act "On Joint Stock Companies"	X	X	✓	✓	✓
Nomination of candidates to the Revision Committee	Para. 13.1 of Clause 13 of the Charter; Para. 1 of Clause 53 of Federal Act "On Joint Stock Companies"	X	X	✓	✓	✓
Initiation of the Extraordinary General Meeting of Shareholders	Sub-Paragraph 1 of Para. 14.3 of Clause 14 of the Charter, Para. 1 of Clause 55 of Federal Act "On Joint Stock Companies"	X	X	X	✓	✓
Initiation of the examination (audit) of the financial and economic activity of IDGC of the Northern Caucasus, PJSC	Para. 24.7 of Clause 24 of the Charter, Para. 3 of Clause 85 of Federal Act "On Joint Stock"	X	X	X	✓	✓

Right	Reference to a provision of the regulation and the Charter of IDGC of the Northern Caucasus, PJSC	Ownership interest of shareholder (shareholders*) in voting shares				
		any	%	2%	10%	25%
	Companies”					
Familiarization with the accounting documents and minutes of the meetings of the Management Board and request of copies of these documents	Sub-Paragraph 2 of Para. 26.5 of Clause 26 of the Charter, Para. 5 of Clause 91 of Federal Act “On Joint Stock Companies”	X	X	X	X	✓
Appeal of decisions of the management bodies of the Company entailing civil and legal consequences, in cases and in accordance with the procedure specified by the law of the Russian Federation	Sub-Paragraph 7 of Para. 6.2 of Clause 6 of the Charter, Para. 7 of Clause 49, Para. 6 of Clause 68 of Federal Act “On Joint Stock Companies”	✓	✓	✓	✓	✓
Claim for losses caused to the Company	Sub-Paragraph 8 of Para. 6.2 of Clause 6 of the Charter; Sub-Paragraph 4 of Para. 3 of Clause 6 of Federal Act “On Joint Stock Companies”	✓	✓	✓	✓	✓
Challenging of transactions made by the Company on the grounds specified by the law of the Russian Federation and claiming of application of effects of their invalidity, as well as application of effects of invalidity of null and void transactions of the Company	Sub-Paragraph 9 of Para. 6.2 of Clause 6 of the Charter, Para. 6 of Clause 79, Para. 1 of Clause 84 of Federal Act “On Joint Stock Companies”	X	✓	✓	✓	✓

* Shareholders holding jointly the designated number of voting shares may jointly exercise the relevant right.

✓ - Right available.

X – Right unavailable.

Information on the Share Issues

The initial placement of shares was effected on the date of state registration of IDGC of the Northern Caucasus, PJSC on August 4, 2006 through the acquisition of shares of a sole founder – RAO UES of Russia OJSC.

Issue (additional issue)	Date of registration of the Securities Prospectus	State registration date and state registration number of the issue (additional issue)	State registration date of the report on the share issue (additional issue)	Number of placed shares of the issue (additional issue), pcs	The nominal value of 1 share, rubles	Issue objectives
1	Not registered	December 27, 2006 1-01-34747-E	December 27, 2006	150,000	1	Incorporation of a joint stock company
2	March 20, 2008	March 20, 2008 1-01-34747-E-001D	May 6, 2008	9,644,385	1	Conversion of shares after the reorganization (merger of Dagenergo, OJSC, Stavropolenergo, OJSC, KEUK, OJSC)
3	March 20, 2008	March 20, 2008 1-01-34747-E-002D	May 6, 2008	2,695,250	1	
4	March 20, 2008	March 20, 2008 1-01-34747-E-003D	May 6, 2008	8,352,060	1	
5	March 20, 2008	March 20, 2008 1-01-34747-E-004D	May 6, 2008	8,690,357	1	

Issue (additional issue)	Date of registration of the Securities Prospectus	State registration date and state registration number of the issue (additional issue)	State registration date of the report on the share issue (additional issue)	Number of placed shares of the issue (additional issue), pcs	The nominal value of 1 share, rubles	Issue objectives
6	February 28, 2012	February 28, 2012 1-01-34747-E-005D	August 30, 2012	26,560,436	1	Implementation of the Program of Actions for Reduction in Excessive Power Losses in Distribution Grids
7	May 30 2013	May 30 2013 1-01-34747-E-006D	November 14 2013	98,469,787	1	
Total				154,562,275		

On December 15, 2016 Bank of Russia registered the additional issue of ordinary shares of IDGC of the Northern Caucasus, PJSC, state registration number 1-01-34747-E. As for the end of the reporting year allotting of the shares of the additional issue is not finished, the Notice about the results of the aforementioned additional securities issue is not submitted to the Bank of Russia.

Structure of the Authorized Capital

as of December 31, 2018

Information on the Number of Registered Persons in the Register of Shareholders (without Disclosure of Data on Clients of Nominal Holders, regardless of the Issuer Account)

Share holder type	Number of registered persons	Number of shares, pcs	Share of placed shares, %
Owners – individuals	2,215	817,257	0.1
Owners – legal entities	52	697,427,355	81.91
Nominal holders (first level)	1	150,357,807	17.66
Trustees (not depositors of nominal holders)	1	2,838,192	0.33
Securities of unknown person	1	11 727	0.001
Total	2,270	851,452,338	100

Information on Shareholders with a Share in the Authorized Capital of more than 5%*,**

Shareholder	Location	Number of shares, pcs	Share in the authorized capital, %
Rosseti, PJSC	Russia, Moscow	839,086,356	98.55

* Together with actually placed shares of the current issue

** Changes in the composition of shareholders with a share in the authorized capital of more than 5% during 2018 did not occur. The Company does not have information on the existence of ownership interests in shares exceeding 5%, in addition to those already disclosed by the Company.

Information on the Participation of Residents and Non-Residents in the Authorized Capital of IDGC of the Northern Caucasus, PJSC (as for May 3, 2018 – the Date of Making the List of Persons Entitled to be Present at the Annual General Meeting of Shareholders)

Share holder type	Number of shareholders	Number of shares, pcs	Share in the authorized capital, %
Residents	3,866	389,306,808	99.92%
Non-residents	27.0	241,110	0.06%

Information on the Share of the Russian Federation, Constituent Units of the Russian Federation, Municipal Entities in the Authorized Capital*

Shareholder category	Russian Federation	Constituent units of the Russian	Municipal entities	Total
	No share in the authorized capital	Ministry of Property Relations of the Stavropol Territory	Municipalities in the Republic of Dagestan	
Number of voting shares		488	405,105	405,593
Share in the authorized capital		0.00006	0.04758	0.04764

*Together with actually placed shares of the current issue

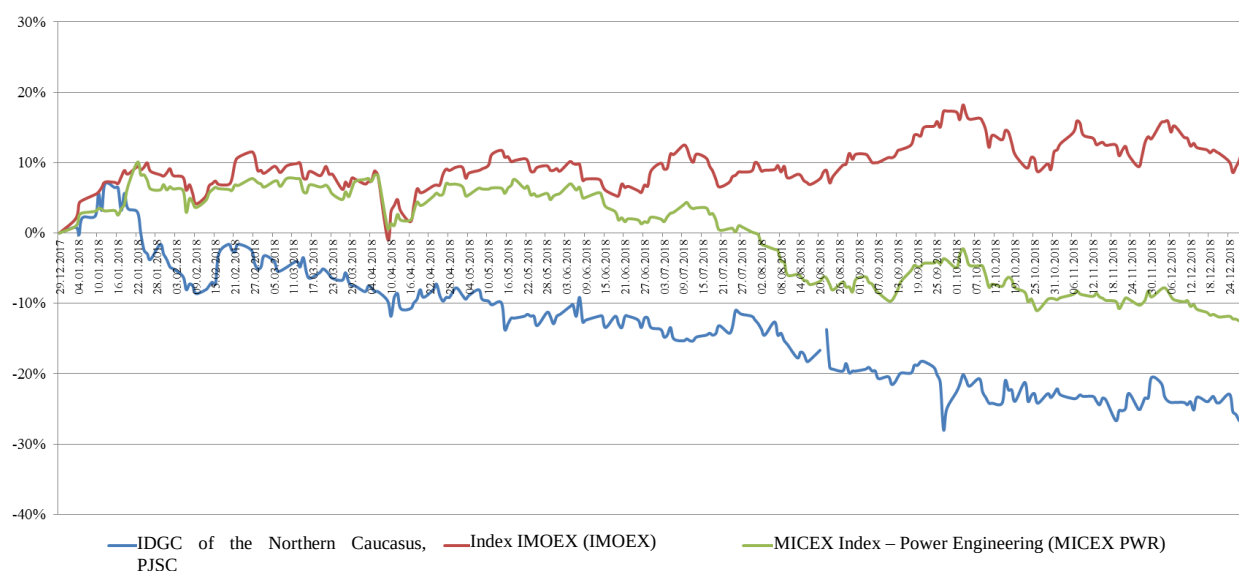
The Company does not have shares of IDGC of the Northern Caucasus, PJSC. The controlled legal entities of IDGC of the Northern Caucasus, PJSC do not own shares in the Company. Preference shares were not issued by the Company.

Company on the Stock Market

Capitalization, Value and Dynamics of Shares of IDGC of the Northern Caucasus, PJSC, for 2016–2018 on the basis of Trading on Moscow Stock Exchange, PJSC

Indicator	December 31, 2016	December 31, 2017	December 31, 2018	Dynamics for 12 months (2018), %
Market Price, rubles	22.55	18.6	13.78	-25.9
Capitalization, million rubles	3,485.4	2,874.9	2,129.9	-25.9
Indicator	2016	2017	2018	Dynamics for 12 months (2018), %
Maximum price per year, RUB	24.10	24.70	20.15	-18.4
Minimum price per year, RUB	11.90	13.25	13.02	-1.7
Average daily trading amount, million rubles	0.80	0.60	0.11	-82.3
Average daily trading amount, thousand pcs	42.50	27.00	6.71	-75.1
Average daily volume of trading, transactions	173	105	41	-60.6

Dynamics of Capitalization of IDGC of the Northern Caucasus, PJSC, Index MICEX-Power Industry and Index IMOEX in 2018



Information on trends and factors influencing the dynamics of capitalization is set forth in the section "Business Model and Position in the Industry" ("Macroeconomic Factors of Development") of the Annual Report.

6. Anti-Corruption Policy

Subject to Clause 13.3 of Federal Act No. 273-FZ dd. December 25, 2008 “About Fighting against Corruption” in IDGC of the Northern Caucasus, PJSC, in 2018 a set of measures and goals was being implemented aimed to prevent and fight corruption.

In the reporting period IDGC of the Northern Caucasus, PJSC, rendered constant control and regular monitoring of the efficiency of implemented anti-corruption standards and procedures and controlled implementing thereof.

Implementation of regulations and anti-corruption policy requirements was carried out in the reporting period in the context of the List of anti-corruption measures in Rosseti, PJSC, and its subsidiaries and affiliates (Appendix No. 1 to the Anti-Corruption Policy) and the Actions Plan for prevention and combating corruption in IDGC of the Northern Caucasus, PJSC, in 2018.

In order to improve the legal regulation of anti-corruption activities of the Company and the controlled companies, to form a common approach to work on prevention and combating corruption in 2018, a number of organizational and administrative documents governing the main areas of work were developed, implemented and updated:

- Order No. 80 dd. February 14, 2018 “About Approving the Program of Anti-Corruption Measures in IDGC of the Northern Caucasus, PJSC, and controlled companies for 2018”;
- Order No. 184 dd. March 30, 2018 “About Approving the Typical Methods of Estimating the Corruption Risks in IDGC of the Northern Caucasus, PJSC, and controlled companies”;
- Decree No. 59r dd. April 24, 2018 “About Approving the Regulation about the Procedure for Personal Data Processing in the Automated System of Reviewing and Collecting the Information about Beneficiaries in IDGC of the Northern Caucasus, PJSC, and controlled companies”;
- Order No. 598 dd. September 24, 2018 “About Approving the Plan of Corruption-Fighting Measures in IDGC of the Northern Caucasus, PJSC, and controlled companies for 2018”;
- Order No. 607 dd. December 4, 2018 “About Making Amendments to Order No. 607 dd. September 13, 2016”;
- Order No. 834 dd. December 29, 2018, “About the measures to prevent corruption – to prevent and settle the conflict of interests in IDGC of the Northern Caucasus, PJSC, and controlled companies”;

Such organizational and administrative documents to an adequate degree enable the Company to perform anti-corruption operations, to estimate the state of work, to correct and improve in day-to-day operations in the context of the Russian law.

Within the task of the annual declaration of conflict of interest, in the first quarter of 2018 the campaign was carried out on the annual declaration of conflict of interest of employees of administrative personnel of the executive office of the Company and controlled companies for 2017 in accordance with Order of IDGC of the Northern Caucasus, PJSC, of March 2017, 2016 No. 834 “On measures to prevent corruption – to prevent and settle the conflict of interest in IDGC of the Northern Caucasus, PJSC, and controlled companies”. In the course of declaring 21 cases of pre-conflict situations/conflicts of interests were discovered regarding the Company’s employees in connection with their nearest relatives working under their direct control, i.e. one of the relatives in the course of

its employment duties performing participates in decisions making that may result in material or non-material benefit for another relative. Results of the declaration campaign for 2017 were considered on April 27, 2018 at the meeting of the Commission of IDGC of the Northern Caucasus, PJSC, and controlled companies on the compliance with corporate ethics and settlement of the conflict of interest (Minutes No. 2 dd. May 3, 2018). At present 6 discovered cases of pre-conflict/conflicts of interests are adjusted (nearest relatives are removed from direct control by transfer, their dismissal, employees ceased to be founding members), 15 pre-conflict cases due to the absence of any vacancies for translation are under the strict control of the Company's managers.

In order to exclude any personal interests of employees (candidates) in the course of their employment duties implementing and business decisions making, and identification, prevention and resolution of the conflict of interest in the reporting period, the work was undertaken to verify the declarations of conflict of interest of applicants for work in the Company and its controlled companies. For the year 2,061 declarations of applicants for work are checked, respective opinions are executed. 101 opinion are executed and submitted to the structural subdivisions of the Company's and its controlled companies' HR Department and organization design having influenced making the decisions to refuse to make a labor contract with an applicant for any vacancy (inaccurate information provided by the applicant in the declaration of such applicant's conflict of interests, received information about an applicant's unreliability, etc.).

The Company has Order No. 777 dd. November 23, 2017, in effect approving the Procedure for accepting, reviewing and handling filer's (employees, contractors of IDGC of the Northern Caucasus, PJSC, and controlled companies, other natural and legal persons) appeals of any possible corruption facts (Procedure). The Procedure provides for a consolidated mechanism to arrange accepting, reviewing and handling appeals filed by the employees of IDGC of the Northern Caucasus, PJSC, and controlled companies, contractors and other natural and legal persons about any possible corruption facts and governs settling the goals of any possible corruption facts checking and respective measures elaborating to suppress corruption offences. Such Procedure is based upon the principles of opposing to corruption in any forms and kinds, including when interacting with shareholders, investors, contractors, public authorities representatives, self-government, political parties, employees of IDGC of the Northern Caucasus, PJSC, and its controlled companies, impropriety of restricting by the Company's and controlled companies' employees to the information required for complex reviewing of any received appeal, ensuring the protection of filers having notified of corruption offences in the Company's and its controlled companies offences, from formal and informal sanctions.

Such Procedure provides for available for all parties means of appeals sending and preliminary consideration, terms and such consideration control, the form of keeping the Log of Registering and Recording Filers' Appeals in connection with possible corruption facts in all the Company's branches and controlled companies.

In 2018 in accordance with the established procedure 10 appeals were registered about possible corruption facts in the Company and its controlled companies. In the course of performed checks the information provided by the filers in nine cases was not confirmed, upon one check regarding a Company's employee the investigation department in Pyatigorsk opened Criminal Case No. 11802070011010108 subject to Part 3 of Clause 159 of the Criminal Code of the Russian Federation. Further on the crime was requalifies into Para. "b" of Part 7 of Clause 204 of the Criminal Code of the Russian Federation.

As a part of the implementation of standards and procedures aimed at ensuring diligent work, for identification of the facts of affiliation and other abuse, in the first quarter of 2018, measures were performed to verify information on income, property and property-related obligation in respect of

employees holding positions in IDGC of the Northern Caucasus, PJSC, controlled companies, and their close relatives for 2017. Results of the income declaring campaign for 2017 were reviewed on March 14, 2018 at the meeting of the Committee of IDGC of the Northern Caucasus, PJSC, and controlled companies to comply with corporate ethics standards and conflict of interests governing.

As part of implementing requirements of a common Corruption Fighting Standard in conducting corruption fighting control in the procurement, in the reporting period procurement documentation and participants in the procurement/contractors were checked in order to assess their level of reliability and integrity, conflict of interest settlement, exclusion of affiliation and other abuse associated with positions held in IDGC of the Northern Caucasus, PJSC.

To lower the risk of the Company's involvement into corruption activity and other unfair practices a unified automated system of information analysis and collecting about contractors' beneficiaries (UAS of IACB) was implemented. Department of Security and Corruption Fighting checks the level of reliability and financial stability of suppliers and contractors.

To define the common approach and unify the process of ensuring the transparency of financial and business operations of the Company, its controlled companies, including excluding the cases of the conflict of interests and other abuse IDGC of the Northern Caucasus, PJSC, has adopted Order No. 589 dd. September 6, 2016 "About Approving the Procedure for Receiving and Processing the Information about the Contractors' Ownership Chain".

The Procedure specifies the sequence of actions to receive, prepare, submit and deliver the information about the contractors ownership chain, including ultimate beneficiaries to the UAS of IACB of Rosseti, PJSC. It also specifies the responsible persons in the Company, controlled companies for consolidation, processing and submitting to Rosseti, PJSC, the information about contractors and their beneficiaries. The procedure governs including to the agreements made by the Company with contractors binding provisions for contractors complying with so-called corruption-fighting standard. On a regular basis in 2018 the information about contractors and their beneficiaries for the agreements made by the Company was processed and uploaded to the UAS of IACB (for 2018 15,096 agreements were uploaded).

The Company has drafted a Corruption-Fighting Clause to be added to all agreements to be made by the Company and its controlled companies regulated by Decree No. 138r dd. August 18, 2016 "About Improving the Corruption Fighting Operations in IDGC of the Northern Caucasus, PJSC" and complying with the requirements set by the regulations of the Corruption Fighting Policy.

As part of implementing requirements of a common Corruption Fighting Standard in conducting corruption fighting control in the procurement, a check was made of procurement documentation and participants in the procurement/contracting parties in order to assess their level of reliability and integrity, affiliation excluding, conflict of interest and other abuses discovering, associated with the positions held in IDGC of the Northern Caucasus, PJSC. According to the results of checks, 1 694 opinions were made. In the course of the checks some possible signs of corruption were identified that have a negative impact on the performance and financial stability of the Company, respective information was prepared for the Company's managers.

For the overall estimation of the Company's contractors the Company's contractors were assessed consistently, their reliability level, any corruption risks availability at the stage of entering into contractual relations. In 2018 more than 1,428 agreement drafts made with contractors were checked, 116 were send to supervisors for development. Such defects as the absence of the Corruption Fighting Clause in the agreements text, contractors' failure to provide the information about such contractors'

owners or inaccurate presentation of the ownership chain. Thereof 118 agreements drafts had not been approved since for a contractor acting as a party to the agreement the security block had negative opinions (negative information regarding a contractor, etc.). At the stage of execution of the agreement, control was carried out concerning of compliance with requirements of Anti-Corruption Clauses and timely provision of changes made to the chain of counterparty owners.

To inform the public of the degree of corruption fighting standards implementing into the interaction of the Company and its controlled companies with their partners and contractors IDGC of the Northern Caucasus, PJSC, has made available at its official web-site rubric “Corruption Fighting Policy” containing main principles and complete text of the Corruption Fighting Policy of Rosseti, PJSC, and its subsidiaries and affiliates approved by the Board of Directors of IDGC of the Northern Caucasus, PJSC, on January 26, 2017 (Minutes No. 297 dd. January 27, 2017).

In 2018 no messages by the Company’s and its controlled party’s employees about receiving a gift due to the position they are holding or their employment duties performing was recorded.

In the course of implementing the provisions of the Corruption Fighting Policy as to collecting and checking the information about the income, property-related obligations to execute Order No. 306 dd. September 13, 2016 “About Arranging the Operations to Declare the Information about the Property, Income and Property-Related Obligations” to discover the facts of affiliation and other abuses in the first quarter of 2018 the measures were implemented to check the data about the income, property and property-related obligations regarding the employees holding positions in IDGC of the Northern Caucasus, PJSC, and its controlled parties, and their nearest relatives for 2017. Such declaring results are considered on March 14, 2018, at the meetings of the Committee of IDGC of the Northern Caucasus, PJSC, and its controlled companies to comply with corporate ethics and settling the conflict of interests (Minutes No. 2 dd. March 16, 2018).

IDGC of the Northern Caucasus, PJSC, is taking the active part in collective initiatives to fight corruption.

The Chamber of Commerce and Industry of the Russian Federation on May 25, 2015, issued Certificate No. 2071 about IDGC of the Northern Caucasus, PJSC, ratifying the Corruption-Fighting Charter (developing companies are the Chamber of Commerce and Industry of the Russian Federation, Russian Union of Industrialists and Entrepreneurs, All-Russia Public Organization “Opora of Russia” and “Delovaya Russia”).

Thus, upon ratifying the Corruption-Fighting Charter the Company has voluntarily assumed the obligation to exercise a definite set of business conducting rules suggesting implementing to the corporate policy of corruption-fighting programs, monitoring and assessment of results of implementing thereof, effective financial control, ensuring the principle of corruption-fighting measures publicity, refusal from illegal advantages receiving, participation in tenders based on the principles of transparency and competition, assisting public justice and complying with the law, and other measures.

In the first six months of 2018 subject to the Regulation about the Consolidated Register of those having ratified the Corruption-Fighting Charter in the context of monitoring the measures implementation to fight corruption to confirm complying with the requirements of the Corruption-Fighting Charter of Russian Business, the Department of Security and Corruption Fighting of IDGC of the Northern Caucasus, PJSC, sent filled-in declarations about complying with the provisions of the Corruption-Fighting Charter of Russian Business of IDGC of the Northern Caucasus, PJSC, and its controlled companies to the Chamber of Commerce and Industry of the Russian Federation.

7. Public Relations, State Authorities and Mass Media Relations

Relations with State Authorities and Civil Society Institutions

Interaction with Public Authorities

To implement the projects and settle the goals referring to the power industry regulating with the North Caucasian Federal District, to execute the instructions made by the Government Commission arranged to deal with the matters of the North Caucasian Federal District social and economic development headed by Chairman of the Government of the Russian Federation D.A. Medvedev IDGC of the Northern Caucasus, PJSC, ensures interaction with the public authorities at all levels on a regular and consistent basis.

Taking into consideration the specific character of all seven constituent units of the Russian Federation falling with the area of the company's responsibility IDGC of the Northern Caucasus, PJSC, is constantly improving the tools to create effective, mutually beneficial and constructive communications model with power structures.

For the reporting period IDGC of the Northern Caucasus, PJSC, participated in more than 220 meetings and conferences dealing with the outstanding issues of the power grid complex of the North Caucasian Federal District. Upon the results of the company's initiatives the system of works is built with public authorities and institutions.

At the federal level interaction was made with the Power Committee of the State Duma of the Federal Assembly of the Russian Federation, the Committee of the Federal Council for Economic Policy, Government Commission of the Russian Federation dealing with FEC matters and economy's power efficiency raising, Ministry of Power of the Russian Federation, Chamber of Accounts of the Russian Federation, FAS of the Russian Federation, Ministry for Emergency Situations of Russia, MIA of the Russian Federation, Ministry of the Russian Federation for the challenges in the North Caucasus, Sovet Rynka, Non-Profit Partnership, Office of the Authorized Representative of the Russian President in the NCFD.

At the regional level the interaction was made with the heads of the constituent units of the Russian Federation in the NCFD, governments chairmen and vice prime-ministers of the North Caucasian regions supervising the industry, heads of the Ministry of Power, Ministry of Economic Development at the regional levels, HD of the MIA in the NCFD, force structures and institutions, heads of municipal structures administrations.

Representatives of IDGC of the Northern Caucasus, PJSC, were included to cross-agency commissions, headquarters and work groups of the NCFD:

- cross-agency work groups dealing with the challenges of the fuel and energy complex in the NCFD functioning;
- cross-agency commission to counteract the economic offences in the sphere of FEC;
- commission to prevent and liquidate emergencies under the Authorized Representative of the Russian President in the North Caucasian Federal District;
- headquarters to perform renovation works when liquidating mass breaches in power supply in the NCFD;

- working group to develop industrial manufacturing within the North Caucasian Federal District.

From July 20 to August 20, 2018 large-scale training was arranged to practice cooperation among Rosseti, PJSC, subsidiaries and affiliates in the course of damage control and mitigation in the power grid complex within the Republic of Dagestan. Power engineers training was initiated by Rosseti, PJSC, to improve the situation in the region's electric power industry.

In the course of preparation for trainings initiated by IDGC of the Northern Caucasus, PJSC, under the Government of the Republic of Dagestan a working group was established to provide assistance including the members of the Republic's Government, heads of Rostekhnadzor, Rospotrebnadzor regional divisions, supervising ministries, force structures, municipal structures administrations.

Seamless and constructive interaction of IDGC of the Northern Caucasus, PJSC, with public authorities of all levels helped to implement all the scheduled measures and to make training at the high level.

Relations with Civil Society Institutions

IDGC of the Northern Caucasus, PJSC, annually takes direct part in campaign headquarters during the Election Days for elections arranging and holding. In March 2018 the company's staff showed themselves as active citizens taking part in voting to elect the President of the Russian Federation. A systematic work was performed among the electorate to clarify the procedure of the voting holding. At polling stations throughout the North Caucasian Federal District 24 hours a day duty of responsible employees was arranged and transportation means were provided to help electors with restricted mobility to get to such stations.

In the course of the annual event to commemorate the Victory Day in 2018 employees of branches and controlled companies of IDGC of the Northern Caucasus, PJSC, were taking active part in municipal and regional measures, joined to Immortal Regiment, Saint George's Ribbon campaigns.

IDGC of the Northern Caucasus, PJSC, interacts with higher and secondary special educational institutions. To ensure the practical focus of training the students of power specialties, their professional focus to be employed in the power grid complex, and to revive the traditions of the youth labor education IDGC of the Northern Caucasus, PJSC, in the reporting period arranged and performed the measures in the course of student's construction team "Elbrus" having united the students from all the North Caucasus.

Charity

IDGC of the Northern Caucasus, PJSC, carries on charity work guided by the Regulation about the Procedure for Forming and Using the Sponsors Support and Charity Funds where principal goals for assistance rendering, procedure of applying, and the procedure and source of financing are defined.

In 2018 the company rendered assistance in educational activity performing and in the sphere of culture.

Conference and Exhibition Activities

Conference and exhibition activities of IDGC of the Northern Caucasus, PJSC, are the principal instrument of business activity stimulating, communication development with the constituent units of

the Russian Federation being in the company's area of responsibility, inter-regional links strengthening.

Guided by the Regulation about the Conference and Exhibition Activities of Rosseti, PJSC, and its subsidiaries and affiliates in 2018 the company participated in major trade shows, forums and conferences, including:

- Russian Investment Forum Sochi-2018 (September 15–16, Sochi) is a modern platform for constructive dialogue between business and government with a view to the implementation of implementing the investment projects;
- Saint Petersburg International Economic Forum-2018 (May 24–26, Saint Petersburg) is a unique event in economics and business. The forum has been held since 1997, and from 2006, it is arranged under the patronage and with the participation of the Russian President. For the previous twenty years the Forum has become the world's leading platform for communication of business representatives and discussion of key economic issues facing Russia, emerging markets and the world in general.
- the exhibition of achievement of Rosseti, PJSC, subsidiaries and affiliates following the results of 2017 in the course of holding the Annual General Meeting of Shareholders of Rosseti, PJSC (June 29, Moscow) is an annual event resuming the business and financial operations of Rosseti, Group of Companies, for 2017 headed by the Chairman of the Board of Directors of Rosseti, PJSC, with the participation of the company's shareholders;
- International Forum for Power Efficiency and Power Development "Russian Power Week" (October 3-6, Moscow) is a platform providing the opportunity for joint search of the ways to settle the priority goals to develop Russian and world FEC;
- All-Russia Workshop and Meeting with the Subject: "Tariff Regulation in 2018 of the goal of regulatory agencies for 2019" (October 15-19, Republic of Crimea, Yalta), the event's coordinator was the FAS of Russia. The matters were discussed in connection with tariff regulation at the federal level and the level of constituent units of the Russian Federation. The delegation from IDGC of the Northern Caucasus, PJSC, took an active part in strategic sessions and thematic tables of the workshop;
- International Forum "Power Grids-2018" (December 4-7, Moscow) was an important and topical industry event of 2018. For the first time it was arranged by Rosseti, PJSC. The matters for discussing in the course of the Forum dealt with the widest aspects of the industry's digital transformation. The delegation of IDGC of the Northern Caucasus, PJSC, took part in round tables to discuss the topics like digitalization, cybersecurity, technological innovations, staff development, cooperation with the subjects of small and medium entrepreneurs.

Interaction with Mass Media

Social Communications

In 2018 the Department for Interaction with Mass Media implemented a number of target innovation projects assisting the effective forming of social communications subject to the Unified Communication Policy of Rosseti, PJSC. The principal emphasis was laid on settling the matters in connection with power losses lowering in power grids and preventing the cases of third parties injury rates because of power at the Company's power grid objects.

Within the developed and approved "Plan of Events Dealing with Information Support of the Operations Performed by IDGC of the Northern Caucasus, PJSC" in 2018, a comprehensive work was carried out aimed at forming among the population of knowledge in the field of laws on payment discipline, payment culture skills, and power theft prevention. For achieving the result, various forms and methods of communication with the general public were involved. To implement PR-projects non-profit organizations, higher educational institutions of the NCFD, youth, mass media were involved. To broadcast the stated goal, all possible information methods of influence on the target audience were widely used: video clips and plots on TV, radio, information messages in the Internet mass media, printed (federal and regional) mass media, social media, thematic printed media materials distribution.

“High Voltage” Project was an information support for trainings to work out the cooperation of Rosseti, PJSC, subsidiaries and affiliates to liquidate emergencies in the power grid complex of the Republic of Dagestan (Training).

For the fullest information support of the events held in the course of the Training aimed to reduce excessive power losses and theft in the grids and to raise the power supply quality for power supply consumers the Program of Information Support of the Training, reference information about the Training and presentation specifying the list of challenges typical for the power grid complex of the Republic of Dagestan, volume of used efforts and means, forecasted effects were prepared. For a swifter adaptation of those participating in the Training from Rosseti, PJSC, subsidiaries and affiliates a special check list was prepared and handed out. The interaction system with mass media was arranged.

483 publications about the Training were issued from February 2018 based upon the information submitted by IDGC of the Northern Caucasus, PJSC. During the Training (from July 20 to August 21) 294 publications in mass media were traced, the information provided by IDGC of the Northern Caucasus, PJSC, was broadcast inter alia by federal Mass Media: TASS, RIA Novosti, Interfax, Regnum, Lenta.ru, Gazeta.ru, RBC, Rossiyskaya Gazeta, Izvestiya, Komsomolskaya Pravda, MC-Caucasus, etc.

In republican editions, namely Dagestanskaya Pravda, RIA Dagestan, Molodezh Dagestana, Lezgi Gazet, etc., the information about the performed works in the context of the Training and about saving by the employees of Rosseti, PJSC, subsidiaries and affiliates the children drowning in the Caspian Sea was widely covered. Besides, camera crews of NNT Dagestan, RGVK Dagestan, Perviy Kaspiyskiy TV-Channel visited the power grid objects in person having prepared live reports of the events.

The Department for Counteraction with Mass Media of IDGC of the Northern Caucasus, PJSC, during the Training arranged 8 press tours including 4 with the participation of republican mass media and 4 for federal journalists. The mass media representatives were shown all kinds of works, had an opportunity to take comments from the managers and specialists of Rosseti, Group of Companies, public authorities representatives, talk with local residents, participate in the Training formal opening and closing. For the federal mass media journalists an educational excursion was arranged to the ancient fortress of Derbent, whose history subject to scientists data amounts approximately to five thousand years.

In the course of a press tour camera crews of RBC TV-Channel and Russia-24 visited Dagestan.

All republic TV-Channels were actively broadcasting the information distributed by virtual united press center coordinated by the Department for Interaction with Mass Media of IDGC of the Northern

Caucasus, PJSC. On RGVK Dagestan two social and political programs “Podrobnosti” with two repeats went on the air. On a daily basis during the Training holding at RGVK Dagestan TV-Channel in program “News Time. Makhachkala”, and on municipal TV-Channels in the districts where the Training were held advertisements appeared on the air about such measures holding by the joints forces of Rosseti, PJSC.

All in all, from July 20 to August 20, 2018 on republican TV-Channels RGVK Dagestan, GTRC Dagestan and NNT Makhachkala 36 television plots and 94 repeats with the subject of the Training of Rosseti, Group of Companies were on the air.

The Department for Interaction with Mass Media of IDGC of the Northern Caucasus, PJSC, on a daily basis collected information, photo and video materials to create an exclusive film and plot about the Training that were created and placed at the official web-site of IDGC of the Northern Caucasus, PJSC, at YouTube video-hosting channel, in social media and in personal blogs.

The Department for Interaction with Mass Media of IDGC of the Northern Caucasus, PJSC, took an active part in creating and distributing three targeted issues of corporate newspaper Rossiyskie Seti dedicated to the Training in Dagestan: generating the scenario plan of each issue, preparing materials and illustrative photos.

During the drives to the plots of works performing the population received special “Check Lists for a Power Supply Consumer” providing the information about impropriety of power theft and about the administrative penalties for the payment discipline breaching. Children and adolescents received the Brochure entitled “Check List of Power Safety” containing 15 “don’t dos” warning about the things that shall not be done being near power objects.

Competition “EnergoKholms” was held among the employees of district (regional) electric grids, municipal power grids, power supply divisions of branches and controlled companies of IDGC of the Northern Caucasus, PJSC, to award for the best production figures as to lowering excessive losses in the grids and to strengthening the payment discipline of power consumers. The competition was aimed at motivating the personnel to identify the facts of uncountable and non-contractual power consumption and reducing the accounts receivable.

On a monthly basis in all branches of IDGC of the Northern Caucasus, PJSC, and its controlled companies intermediate results of the competition were summarized, and 77 employees became the best. At the services sections power losses reducing, power theft facts, consumers payment discipline raising were noted.

Commendation Certificates, cash awards and commemorative prizes received 11 winners who following the year’s results achieved the best figures at their sections.

In mass media 244 publications were placed, in social media and personal blogs 422 publications, 1 video plot and 2 radio plots.

Promotional Event “Black List of Non-Payers” – a special section was created on the official website of IDGC of the Northern Caucasus, PJSC, where the lists of non-payers – TGC and other legal entities having accounts receivable for power transmission services, and they are updated on a monthly basis.

Project "Stop, Energy Thief!"

In the course of the project a number of measures was held aimed to make the population aware of the sphere of law as to the payment discipline, power theft, preventing unaccounted power consumption. In mass media 97 publications were placed, 2 video plots, 3 radio plots, in social media 143 publications.

Raiding Measures

In the regions where the Company is presented raids were performed together with mass media, law enforcement structures representatives, local authorities at the consumers addresses to prevent power theft with vivid printed media materials distribution. Stickers "Stop, Power Thief!" with the slogan "For someone who does not pay for power, his neighbor pays twice" were applied next to homeowners, organizations and enterprises whose owners are malicious defaulters or are caught in illegal connections to electric grids.

Flash Mob "Stop, Power Thief!" was arranged among the student of heating and fitting division of the Nevinnomyssk Power Technical Secondary School. The event's participants marched along the principal street in Nevinnomyssk of the Stavropol Territory and acted the scene of catching and putting behind bars of a thief having stolen the power. In conclusion the passers-by received flyers and leaflets calling never to let power resources stealing. Bright leaflets "Stop, Power Thief!" that day also appeared at the porches of multi-storeyed houses and at the places of people mass gathering.

Intellectual Game "Power Detective" was specially developed and held for participants of inter-regional summer educational Forum "Youth Power" held in Kislovodsk during August 24-30, 2018. Stavropol power engineers offered the forum participants to prove themselves by taking part in the competition built subject to the principles of famous game "Mafia". During "Power Detective" the guys not only played the parts they were given to (minister of energy, director of a power company, engineer, controller, electrician and bad characters) but also discussed challenging issues in the power sphere – fighting with power theft, reasons of invoices late payment by residents and measures to repay the debt for power.

Event "Floating Non-Payers"

In the course of the project Event "Floating Non-Payers" was held that due to its non-typical form raised the public's attention to the problem of debts for power resources. In joint measures arranged by employees of power grid and power supply companies the North Caucasian republics more than 150 active members took part: power engineers, their children, residents, representatives of mass media, regions' public institutions. The event of making rafts and letting them float along mountain rivers overgrew the borders of social and environment flash mob and became reputation and economically targeted since the chief takeaway of power engineers measures is aimed to raise the payment discipline and settle the payment defaulting matters influencing the stability of power supply for the constituent units of the NCFD.

Project "Let there be light!" – a demonstration of videos on improvement of the payment discipline and prevention of the power theft on the republican TV channels (including under social advertising terms and conditions) and in social media. Heroes of a series of video clips created by the Department's structural subdivisions were well-known sportsmen, spiritual leaders, cultural figures, heads of different levels of the constituent units of NCFD – media persons, using their example, were urging to make timely payments for power.

16 video clips were shown 380 times at regional TV-channels for social advertising purposes including GTRK “Karachaevo-Cherkessiya”, TC “Arkhyz-24”, VGTRK GTRK “Ingushetiya”, at TV-Channel “Svoe TV”, GAU SC “Stavropolskoe Televidenie”, etc. The video clips were posted in social media and at official accounts of IDGC of the Northern Caucasus, PJSC, and YouTube channel.

Round table on "Consolidation of Grids in the North Caucasus: challenges, solutions, results" was held on June 20, 2018 in Pyatigorsk. IDGC of the Northern Caucasus, PJSC, acted as the general partner of the project implemented by Kommersant Publishing House. In the course of discussing relevant issues for power consumers top managers of IDGC of the Northern Caucasus, PJSC, Deputy General Director for Property Management and Legal Matters of Leningrad Regional Grid Company, JSC, Elena Myzhevskikh, representatives of public authorities of the NCFD subjects, territorial grid companies of the North Caucasian republics were taking part. Daniel Dmitriev, Adviser of Chairman of the Management Board of the Association "Non-Commercial Partnership of Territorial Grid Companies" (Moscow) appeared as an expert and co-speaker.

Publications were made in Newspaper Kommersant-Yug and other mass media.

In accordance with the active social and information policy of Rosseti, PJSC, in 2018, effective work was carried out in the Internet space. It was proposed to speak up, ask a question of concern or report power theft in the North Caucasus energy sector in social networks and personal blogs. The official accounts of the Company were actively used to inform the general public and discuss issues related to the power industry on the following resources:

Facebook – www.facebook.com/paomrskskru;

Instagram – www.instagram.com/mrsk_sk;

VK – https://vk.com/mrsk_sk;

Odnoklassniki – www.ok.ru/mrsksk;

Twitter – <https://twitter.com/ostrikovsu>.

In 2018 **the Program of Public and Information Measures to Prevent Cases of Injury to Third Persons at the Facilities of the Power Grid Complex of IDGC of the Northern Caucasus, PJSC**, was implemented.

Experts of IDGC of the Northern Caucasus, PJSC, developed a set of measures aimed at preventing violations of the rules of power safety, including among children, increasing the level of knowledge of the population of the North Caucasian Federal District, stimulating the cognitive interest in the power safety, careful attitude to energy resources with the use of acquired knowledge and skills in everyday life.

Special lessons were held on power safety, information and advocacy materials were distributed in general educational institutions. Special educational and communication projects on the power safety, rational and careful use of energy resources were implemented.

The Department for Interaction with Mass Media used interactive and non-standard forms of work with children and adolescents, allowing to involve the maximum number of schoolchildren in the educational process.

Competition "Let's Tell the Consumer" was held among students of higher education institutions and colleges of NCFD, employees of the branches of IDGC of the Northern Caucasus, PJSC, and last resort suppliers of NCFD and the Republic of Kalmykia for the best text and graphic design of leaflets on complying with power safety rules.

The competition was held in May – June 2018 – 46 works were received.

The three winners of the competition were awarded with diplomas and commemorative prizes, had special thanks from IDGC of the Northern Caucasus, PJSC, and nine its participants received commemorative prizes.

In regional printed and Internet mass media of the NCFD 55 publications were placed, 80 publications were posted in social media.

Project "Power Marathon" included a number of events to ensure power safety for children, pupils of general educational institutions, students of higher and secondary special educational institutions.

Play "Secret of the Lightning Queen"

In 2018 the guest performances of the troupe of the Stavropol Puppet Theatre that showed Performance "Secret of the Lightning Queen" with the focus on complying with the power safety rules staged on the initiative and together with the specialists of IDGC of the Northern Caucasus, PJSC. In 2018 there were 22 shows in the towns and settlements of the Stavropol Territory, the exposure made 2,716 children and adolescences from 6 to 14.

Achieved effect: serious theoretical knowledge and cognitive information on the power safety using the modern theatrical means were brought to the viewer, were understandable and accessible to the child's perception.

Power Battle "Fire Up Brains!"

The quiz focusing on power safety was held with the troops from students team "Elbrus" at the platform of the corporate museum of Stavropolenergo branch of IDGC of the Northern Caucasus, PJSC.

Intellectual Quiz "You are an Expert!"

Two quizzes were held with the subject of power safety with the students from Nevinnomyssk Power Technical Secondary School, pupils from the 9th form of SES No. 14 of Pyatigorsk.

The area of responsibility of Ingushenergo branch of IDGC of the Northern Caucasus, PJSC

- a comprehensive inspection was held of transformer substations and overhead power lines located at and around the territory of educational institutions with the participation of representatives of the Ministry of Education and Science of the Republic of Ingushetia and camera crew of NTRK "Ingushetiya";

- an excursion was arranged to substation "Malgobek-3" of 110 kV for the students graduating from the North-Caucasian Fuel and Energy College named after T.H. Tsurov educating to receive the specialty of "Wireman for Power Equipment Repair and Maintenance in Industries".

Event “Principles of Power Safety”

For prevention of injuries injury rates because of power in 2018, specialists from IDGC of the Northern Caucasus, PJSC, and controlled companies conducted 2,164 lessons on power safety in educational institutions, school and out-of-town recreation camps, orphanages. Genuine interest among schoolchildren and students was caused by excursions to the facilities of the power grid complex of the North Caucasus.

Employees of Stavropolenergo branch of IDGC of the Northern Caucasus, PJSC, during the ***Week of Power Safety*** used a specially developed "Standard program of the electrical safety lesson for conducting lessons in secondary schools in the Stavropol Territory", which is intended to the same extent as for chiefs and chief engineers, masters of linear sections of regional electric networks, and for teachers of the OBZH of secondary educational institutions. In 2018 within the Week of Power Safety in General Educational Institutions of the Stavropol Territory 1,504 lessons were given focusing on complying with the power safety rules and 14 classes in children's health camps.

The specialists from Karachayevo-Cherkesskenergo branch of IDGC of the Northern Caucasus, PJSC, in the course of interaction with educational authorities of the Karachay-Cherkess Republic gave a class in connection with preventing children injury rates because of power for the students of the day-time division of social support “Ostrovok Nadezhdy” for families and children having a deprived background of Nadezhda, Republican Social Rehabilitation Centre for those being under-age. In Adyge-Khablskikhy District Power Grids of Karachayevo-Cherkesskenergo branch of IDGC of the Northern Caucasus, PJSC, in the course of the measures to prevent injury rates because of power a Doors Open Day was arranged for pupils from 9-11 forms of the secondary school of Ikon-Halk aul of the Nogayskiy District of the Karachay-Cherkess Republic.

The specialists from Sevkavkazenergo branch of IDGC of the Northern Caucasus, PJSC, in the course of the Week of Power Safety in May 2018 in 80 educational schools and pre-school institutions in all republic's regions and in Vladikavkaz in Tamisk children's health camp held classes for power safety. About four thousand children took part in the classes aged from 5 to 15. 1,500 copies of print media materials were handed out: leaflets, check lists for power safety, timetables, bookmarks.

The specialists of Ingushenergo branch of IDGC of the Northern Caucasus, PJSC, gave 91 classes for power safety in general educational institutions, school and out-of-town children's health camps in all four Ingushetiya districts, Dzheirakhskiy, Synzhenskiy, Nazranovskiy, Malgobekskiy. Participants' age was from 6 to 16. 160 copies of print media materials were handed out to them.

Master-Class "Save Gosha!"

During the master classes, the personnel of the power company trained schoolchildren and students of higher education institutions and colleges for the provision of first aid to a conditionally injured person from the impact of electric current with training of skills on the robot simulator “Gosha”. They also explained how dangerous games are near power facilities, which facilities on the street should not be approached, they taught to safely leave the step voltage area with a "goose" step. Workshops were held with pupils from general educational institutions in summer health camps within the NCFD, students from unified construction team “Elbrus” of IDGC of the Northern Caucasus, PJSC.

Within the Stavropol Territory (Pyatigorsk, Georgievsk, Stavropol, Derbetovka, Kazminka) 19 “Save Gosha!” master classes were held with the pupils from 2-9 forms of general educational institutions.

Within the Karachay-Cherkess Republic in the course of interaction with the educational division of Prikubanskiy and Zelenchukskiy municipal structures of the Karachay-Cherkess Republic in local schools together with OBZH teachers 5 “Save Gosha!” master classes were arranged for the pupils from 8-11 forms.

The specialists from Kabbalkenergo branch of IDGC of the Northern Caucasus, PJSC, arranged an excursion for the troops from unified students team “Elbrus” to the company, substation Nalchik of 110 kV and “Save Gosha!” master class.

Competition of Compositions focused on “Power: a Friend or an Enemy?” was held in all regions of IDGC of the Northern Caucasus, PJSC, presence among the pupils from 5-8 forms with a visual illustration of mastered knowledge (making handicraft items, drawings providing). The authors of the best compositions were awarded by commemorative prizes, the most interesting works were posted in VKontakte.

Event “Danger to Life” is a demonstration on TV and in social media video clips in connection with power safety for social advertising purposes, in TV programs and plots dedicated to power.

At schools and kindergartens of the NCFD subjects demonstrative corporate printed materials were distributed: bookmarks, brochure “Check List for Safety”, thematic calendars where in comprehensible form the subject of safe power handling is raised.

In 2018 on the topic of power safety:

- prepared press releases – 97;
- published information messages in mass media – 1,230;
- TV plots were broadcast, including the rent of video clips – 160;
- radio plots were broadcast, including the rent of audio clips – 15;
- printed materials made and distributed – 6,341.

The active information support of the projects in social media and personal blogs: «VK», «Odnoklassniki», «Facebook», «Instagram» at pages of official accounts of IDGC of the Northern Caucasus, PJSC, Company’s branches.

Event “PTL-STOP”, in the course of which press tours for mass media and bloggers are held to discover illegal buildings at protected zones of electric power transmission lines.

Republic of North Ossetia – Alania

In July 2018 a press tour was held around the illegal buildings at protected zones of power transmission lines for journalists of regional mass media in the area of responsibility of Sevkavkazenergo branch of IDGC of the Northern Caucasus, PJSC. There participated representatives of GTRK Alaniya, newspapers “Severnaya Osetia”, Information Portal “15-Region”, newspaper “Slovo”. The participants of the press tour visited Iriston Horticultural Partnership where 8 power transmission lines are located of 110 vK and 2 power transmission lines of 35 kV, and mass construction of housing estates is carried out for people to reside; in Dovator street in Vladikavkaz under the PTL a cafe, shops, etc. were built and are now operating; on the Terek embankment in Vladikavkaz there is a recreation area, children’s amusement arcades. 33 publications and 1 TV plot are placed in the mass media.

Republic of Ingushetia

A press tour was performed at the construction area in Chechenskaya street in Nazran, at the crossroads of Chakhiev and Bazorkin streets involving 8 participants representing Ingushenergo and Ingushetiya, GAU NTRK, branches of IDGC of the Northern Caucasus, PJSC.

7 publications and 2 TV plots are placed in the mass media.

In 2018 **the Program of Information Events for IDGC of the Northern Caucasus, PJSC, in All-Russian Festival #TogetherMore** was implemented.

Sevkavkazenergo branch of IDGC of the Northern Caucasus, PJSC, in the course of the festival arranged the following events:

- excursion to the power facility for participants of educational camp «IT-Camp Alania/EnergyNet – digitalization in power industry»;
- a Doors Open Day for the students of profile faculties at higher educational institutions of the Republic Severnaya Osetia-Alaniya (GGAU, KSGMI);
- thematic classes #Togetherness in the republic's educational institutions;
- presentations, game simulations and tests for students focused on “Power Efficiency and Power Safety”.

4 information materials in mass media and social media and personal blogs were published, 4 TV-plots at Alaniya GTRK and Osetiya-Iriston NTK.

Karachayevo-Cherkessskenergo branch of IDGC of the Northern Caucasus, PJSC, arranged the following events:

- in the republic's general educational institutions the specialists of the region's power grids of the branch held the Week of Power Safety and Power Safety;
- for 50 pupils of the Nogayskiy District a Doors Open Day was arranged at the training area in Adyge-Khabl'skiy DPG with a photo session for everyone interested in a wireman's outfit;
- holding a competition of compositions with the subject: «My Family's Contribution into Power Saving», where participated 20 pupil of the SEI of the Caucasus Prikuban District of the Karachay-Cherkess Republic.

At the official web-site and in social media and personal blogs 75 publications were posted, including in republican newspapers Den Respybliki, Nogay Davysy, Cherkessk: vchera, segodnya, zavtra.

Stavropolenergo branch of IDGC of the Northern Caucasus, PJSC, arranged the following events:

- two power quizzes “Power Challenge-2018” dealing with the matters of power development, complying with power safety rules, using the mechanisms of power safety and power efficiency. Participants of youth Forum Mashuk-2018 were involved in quizzes together with the employees of the region's power companies, students of universities and secondary educational institutions of the Stavropol Territory, representatives of the Ministry of Power and Communication of the NC.

- participation of representatives of Stavropolenergo branch was initiated in the Project by the Ministry of Housing and Public Utilities of the Stavropol Territory named “School of Intelligent User”. Heads of regional power grids participated as lecturers at classes in “School of Intelligent User” reading lectures focusing on power saving and power efficiency raising. Such classes were held at 26 municipal institutions of the Stavropol Territory. Among the audience were the representatives of management companies, chairmen of POA, social institutions employees, residents of multiple dwelling unit and private residences.

- 390 power saving classes for pupils of secondary educational schools of the Stavropol Territory.

- Project “Team of Conscious” was implemented: a competition was held among the teams for the best propaganda of power saving rules complying; a photobook was created of the teams of power conscious at the pages of the company’s official accounts in social media and personal blogs.

- participation in Family Festival “My Mother, Father and Me are an Active Family”: holding 4 master classes focusing on power safety, lectures in connection with power saving for the festival’s participants together with DANCO, Centre of Project Initiatives;

- excursions “Power of the Stavropol Territory: from its Sources to the Present Day” at Bely Ugol HPP in Essentuki for the students of power faculties of the NCFU, employees of Severokavkazskoe RDU branch of SO EES, JSC.

53 publications were placed in the mass media.

Communication with Mass Media

Based on the results of 2017 IDGC of the Northern Caucasus, PJSC, with the result of 13,102 mentions in the media is ranked seventh in the rating of information activity of subsidiaries and affiliates of Rosseti, PJSC. At the same time, 98% of publications were neutral and positive.

During 2018, the problems of the energy complex of the North Caucasus and effective methods for their solution turned out:

- 722 press releases on the subject of payment discipline, accounts receivable, legal work, control of unaccounted consumption, etc.;
- 7 304 publications in the federal and regional print and Internet media;
- 450 broadcasts of television and television programs;
- 91 radio broadcasts (280 broadcasts).

In 2018, we worked closely with the federal media, including Kommersant, RBC, Rossiyskaya Gazeta, Expert Ug, AIF, Komsomolskaya Pravda, M-Kavkaz, News Agency Interfax Ug, TASS, Kavpolit portal, “FEC. Strategii Razvitiya”, “Regionalnaya Energetika i Energoberezhenie”, “Kavkaz Segodnya”, “Eto Kavkaz”, “Bloknot”, “Energetika i Promyshlennost”.

The Department for Interaction with Mass Media of IDGC of the Northern Caucasus, PJSC in the reporting year was building its work in accordance with the unified communication policy of the group of companies "Rosseti". In the reporting period the main objectives were creation and promotion of a positive image of the IDGC of the Northern Caucasus, PJSC, ensuring effective public relations management and publicity capital management (image property and business reputation).

The principles of interaction of IDGC of the Northern Caucasus, PJSC with the public and the media:

- disclosure of information about the company's activities in accordance with the Regulation on the Implementation of the Unified Communication Policy of IDGC of the Northern Caucasus, PJSC;
- providing relevant information, covering all the aspects of the company's activities in a maximally complete and unbiased way;
- provision of timely responses to all information inquiries submitted.

Information as to Interaction with Mass Media for 2019

In 2019, the Department for Interaction with Mass Media will continue to work actively to create and promote a positive image of IDGC of the Northern Caucasus, PJSC, to conduct a unified coordinated information policy of Rosseti, Group of Companies; organization through the mass media of purposeful and consistent work on explaining current and strategic tasks to be performed by the Company; defending the interests of the Society in public conflicts and crisis situations.

In accordance with the tasks outlined, in 2019 the IDGC of the Northern Caucasus, PJSC, has planned to hold long-term PR actions in key areas of the company's activities.

All planned and implemented actions and events will receive full-scale information support.

Fight against non-payments and losses of power in grids

Events: Cup of the Leader, Stop, Energy Thief!, Power Has No Borders, Black List of Non-Payers, High Voltage.

Round Table grounded by newspaper Kommersant with the Subject “Innovative Approaches in the Sphere of Power” focusing on implementing the measures to digitalize power grids within the North Caucasus. Participation of IDGC of the Northern Caucasus, PJSC, as a general partner with the invitation of federal experts and interested structures from regions of presence.

Electrical safety, energy saving

- Events: Power Supply Marathon, Me and Power, Principles of Power Safety, Safe Summer, TV series “Proshka and Serezhka”;

- the events in the context of All-Russian Festival #Togetherness, classes on energy saving;

- information support in mass media and social media of raids on checking the condition of electrical installations on the eve of school holidays in the territory of children's health camps and educational institutions.

Demonstration of videos on electrical safety on TV on an ongoing basis.

Reliability and Trouble Free Operation. Popularization of power engineer profession

Events: PTL-STOP, Meet Power!, Conductor, North Caucasus: Grids Digitalization, Power Engineer in the Focus!, photographs exhibition “Power in the Focus”.

Cycle of information and insightful materials about the power grid complex of the North Caucasus.

8. Human Capital and Social Responsibility

HR and Social Policy

The key objectives of the HR and social policy of IDGC of the Northern Caucasus, PJSC, aimed at achievement of target benchmarks of the Power Grid Complex Development Strategy of the Russian Federation are as follows:

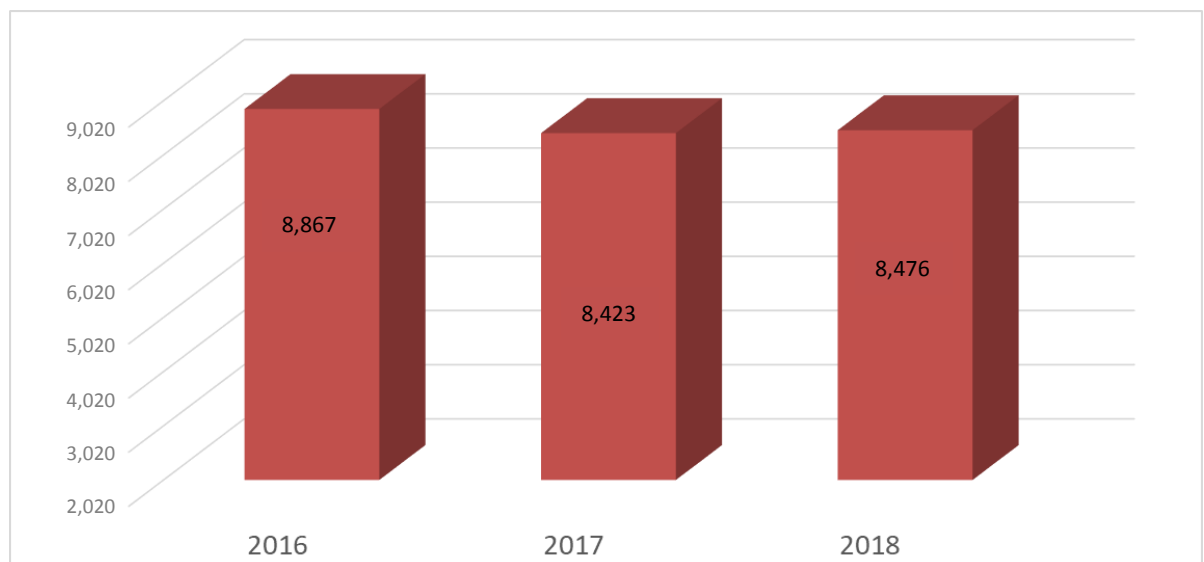
- planning staffing needs—ensuring availability of accurate information on the operational and predictive numerical and qualitative needs in the labour force, necessary and sufficient to perform the tasks assigned by the Company;
- timely provision of the Company's staffing needs with required qualifications;
- ensuring efficiency of the staff, productivity growth in the Company.

These key objectives of the HR and social policy are achieved by implementing a set of measures in various areas of activities and achievement of the target benchmarks:

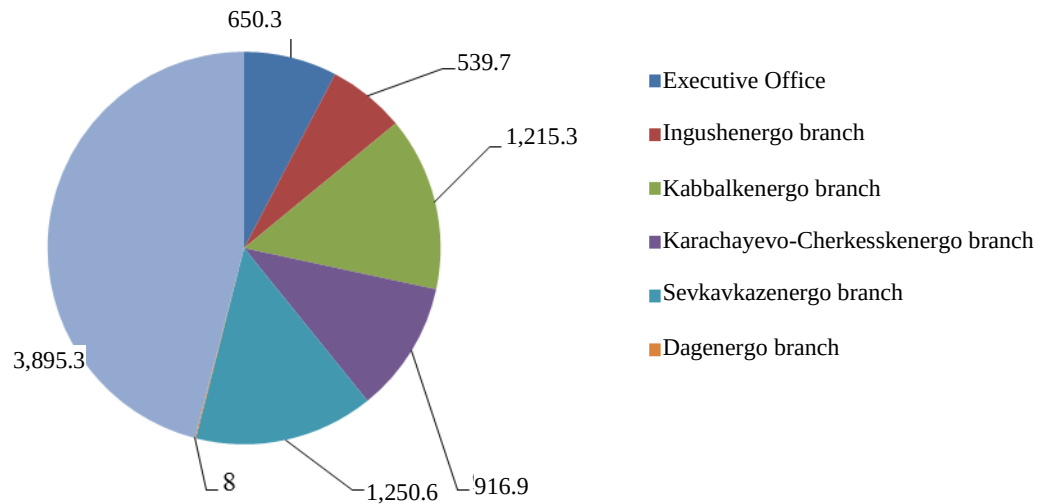
- in the field of organizational design;
- in the field of personnel provision and development;
- in the field of personnel efficiency management (personnel motivation);
- in the field of social benefits and guarantees;
- in the field of safety of the personnel and the labour culture.

Number and Structure of the Personnel

The average number of employees of IDGC of the Northern Caucasus, PJSC, in 2018 amounted to 8,476 persons, which is higher than for the same period of 2017 by 0.64%. Minor growth of average headcount was due to recruitment of production personnel to the districts of power grids.



**Average number of employees of IDGC of the Northern Caucasus, PJSC,
in dynamics for 2016-2018**



Distribution of the Average Number of Employees in 2018

The personnel staffing level of IDGC of the Northern Caucasus, PJSC, for the previous three years is stable and is maintained at a sufficiently high level of at least 97%, and in 2018 it made 97.9%.

Employees average age in 2018 compared to 2017 lowered and made 45 years old (in 2017 – 46 years old), active staff turnover in 2018 made 5.2%. As to the gender composition the Company corresponds to the typical ratio for power grid companies: men's share is 76%, women share is 24%.

For the previous three years we are facing lowering the share of employees from 25 to 50 years old (-0.4 pp) and from 50 years old to retirement age (-1.3 pp) with simultaneous growth of working pensioners (+2.2 pp) share.

IDGC of the Northern Caucasus, PJSC, staff has quite a high level of skills of workers – 76.9% of the employees of the company have vocational education. This indicator increased by 2 pp for the previous three years.

Personnel Training and Development, Personnel Reserve

In 2018 the events were arranged in the Company to implement occupational standards, including:

- a review was made to verify compliance of the internal regulatory documents to occupational standards requirements;
- a review was made to verify compliance of the positions names in the Company's staff schedule to occupational standards requirements;
- a review was made to verify compliance of the Company's employees qualification level to occupational standards requirements;

Following the results of the performed works to comply with the occupational standards requirements:

- amendments were made to the employees job descriptions and regulations about subdivisions;
- amendments were made to the Company's staff schedule to change the positions names;
- plans were drafted to bring the Company's employees qualification level in compliance with the requirements provided by occupational standards.

Training is one of the priorities of the HR and Social Policy of the Company and is regulated by the standard of organization SO 5.053 "Training, retraining and advanced training of personnel", with the

Rules for work with personnel in the organizations of the electric power industry of the Russian Federation.

The share of employees who took part in training activities in the reporting year off-the-job to the average number of personnel is 25.4% (2,154 persons), which is by 44.7 pp (3,752 persons) lower compared to 2017.

The largest share among the trained employees of IDGC of the Northern Caucasus, PJSC, is production personnel – 95.2% (2,051 persons). This indicator in 2017 was 97.9%.

On the basis of corporate off-the-work training centers in 2018 professional training, retraining and upgrade was provided to 1,013 persons, which amounts to 47.03% of the total number of trainees, which is by 37.07 pp (3,954 persons) lower than in 2017 (in 2017 on the basis of corporate training centers 4,967 persons were trained (84.1% of the number of trainees).

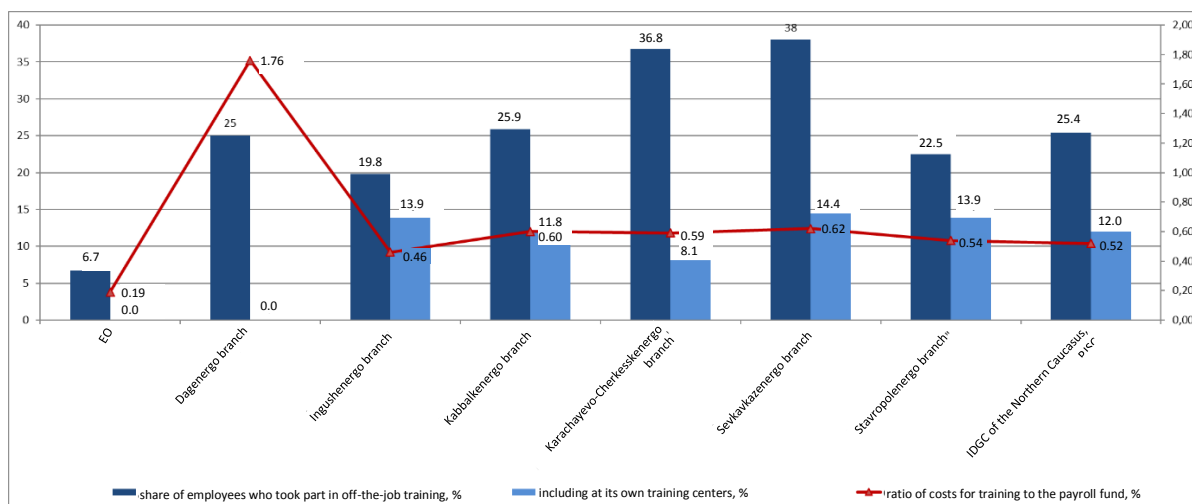
The main share of trainees in the reporting period on the basis of corporate training centers is also production personnel – 99.2% (1,005 persons).

Key suppliers of educational services for IDGC of the Northern Caucasus, PJSC, besides its internal training centers, are the following:

- FSI "Teaching office "Rostekhnadzor", Moscow;
- CHU DPO "Training Center" Cherkessk;
- RSE Promenergo, LLC, Vladikavkaz;
- FGAOU DPO "Stavropol CPPK", Stavropol;
- GKOU SPO "Kabardino-Balkarian College "Builder", Nalchik.

The actual costs for the staff training amounted to 22,175.6 thousand rubles, whereof 12,923.6 thousand rubles (58%) were spent for employees training in its own training centers. In 2017, for personnel training 21,841 thousand rubles were allocated, of which for training in corporate training centers – 14,849.7 thousand rubles (68%). The ratio of the actual costs of training personnel to the payroll fund amounted to 0.52% in the reporting year (in 2017 – 0.52%).

Share of employees who took part in off-the-job training events and ratio of training costs to the payroll fund in the reporting year, %



Information on Training Centers of IDGC of the Northern Caucasus, PJSC



One of the largest professional industrial educational institutions is located in the North Caucasian Federal District – NOU Learning Works (Essentuki), founded by IDGC of the Northern Caucasus, PJSC. In 2018, it trained 1,013 employees of the Company, representing 47% of the total number of employees trained. The number of places to study in the training center is 285. The training building has: 13 classes, 2 laboratories, 5 workshops, and a library. Classes are equipped with interactive and multimedia complexes, computers. NOU "Learning Works" is equipped with the power grid training area with the power facilities of all types, on the basis of which professionals and workers are also trained. There is a hotel for 100 persons.

The personnel of Kabbalkenergo and Sevkavkazenergo branches of the Company is annually trained in the training classrooms – structural units of branches.

The classroom of Sevkavkazenergo branch is not licensed for educational activity, but is equipped with workshops, laboratories, class with specific equipment, training areas, which are widely used in the production training using state-of-the-art methods and technologies for developing practical skills of trainees.

The classroom of Kabbalkenergo branch is not licensed, but has a technical library, instructional materials, computers, a video projector, VCR and educational posters, as well as an automated system for personnel training ASOP-Expert, a trainer-editor TFr-12trenDetail and a robot simulator "Gosha" to learn how to provide intensive care.

Classrooms have training areas in the premises of DPG, on the basis of which specialists and workers of branches are trained.

In 2018 the team consisting of 16 Company's employees participated in open corporate championship of professional skills "Young Professionals" arranged by Rosseti, PJSC, subject to WorldSkills methods in the following competences:

- intelligent system of power metering system;
- relay protection and automation equipment maintenance and repair;
- cable power transmission lines operation.

Formation and development of the personnel reserve are one of the key areas in the implementation of the Company's HR and social policy. The main objective of the work with the personnel reserve in the Company is to satisfy the personnel needs of the Company for employees prepared for duty target positions. For achieving these objectives, the Rules on the personnel reserve Management has been developed and is being implemented.

In accordance with the requirements of the Rules, the Company established:

1) management personnel reserve for the positions:

- Head of the Department, Directorate, Office, Service (with the exception of Deputy Chief Engineer);
- Deputy Director of the branch by area (with the exception of Deputy Director of the branch – Chief Engineer);
- Deputy Chief Engineer by area;
- Chief Accountant;
- Head of the Office, Department, Service;
- head of PP/DPG/HPP.

2) personnel reserve for key positions:

- Chief Engineer of PP/DPG/HPP;
- Foreman at PP/DPG/HPP;
- DS Manager.

3) youth personnel reserve.

The personnel reserve of the Company consists of highly qualified professionals with experience of at least three years in the area, profile target positions; with good results in production activities; with the capacity required for further professional development and career growth.

In 2018 among the management personnel reserve were 218 prospective Company's employees. Personnel reserve availability as for the end of the reporting period made 83.1%.

The youth personnel reserve of the Company as for the end of the reporting period made 23 employees.

For all members of the personnel reserve the individual development plans are formed, according to which the employees are trained for the target positions.

The main emphasis in the preparation of the members of the personnel reserve is on the development of practical skills – succession pool members are involved in development of regulatory documents, the target position is replaced by a succession pool member for the period of absence of the head (vacation, business trip, etc.).

During the reporting year, the Company organized distance learning for the members of the personnel reserve for the position of Head of RES on a regular basis in the format of videoconferences (videoconferencing seminars held by managers and executive personnel specialists of IDGC of the Northern Caucasus, PJSC with the participation of invited experts) on a wide range of issues related to the field of activity of the head of the production unit: technological, organizational, human resources management.

In 2018, succession pool members (70 persons) were trained in NOU "Learning Works" (Essentuki) and in specialized educational institutions of additional professional education located in Moscow and St. Petersburg.

One of the employees included to the management personnel reserve successfully completed training in the course of the educational program of Overdrive-2018 International Forum of Young Power Engineers and Manufacturers in Moscow, and being the member of "Power" team participated and was awarded by the Diploma for being the second in interactive session for youth projects generating aimed to develop and popularize the fuel and energy complex of the Russian Federation.

Out of 90 appointments for executive positions held in the branches and the executive office of the Company in 2018, 50 posts (56%) are staffed by internal candidates, of whom 14 employees are from management and youth personnel reserve (16%).

Social Responsibility

The main objectives of the social policy of IDGC of the Northern Caucasus, PJSC are the following:

- creation of favorable conditions for professional actualization of employees;
- ensuring and maintaining of the social stability in the Company;
- stimulation of employees to high-performance work, which contributes to their welfare.

Social benefits and guarantees of employees of the Company are regulated by the Collective Agreement of the Company for 2015-2018 in full compliance with the Labour Code of the Russian Federation.

For increasing the social security of employees, the Company concluded a voluntary health insurance agreement No. 0218LM0031 dated June 25, 2018 between the Company and SOGAZ, OJSC. The agreement provides for out- and in-patient sanatorium-and-health-resort service. Each Company's employee may have a medical advise of highly specialized doctors or have laboratory tests, receive treatment and diagnostic procedures, undergo sanatorium-and-health-resort treatment. In case of urgent necessity power engineers may ave in-patient treatment in a medical institution.

In order to ensure an adequate standard of living for the employees of the Company at the retirement age, to create conditions for the effective resolution of HR issues related to the recruitment, retention and motivation of the personnel, the Regulation on Non-State Pension Provision is in force in the Company.

The Company annually provides targeted material support for non-working pensioners, war veterans. Benefits in addition to the state pension shall be paid non-working pensioners and veterans awarded during their work with departmental awards, merit badges and honors.

Promotion of a healthy lifestyle is one of the most important areas of the Company's social policy. Therefore, the Company's employees took an active part in the following sporting events during the year:

- in March 2018, the team of the Company took part in the Volleyball Tournament of Rosseti, PJSC;
- in April 2018, the team of the Company took part in the Mini Soccer Tournament "Rosseti Cup";
- in July 2018, the team of the Company took part in the Table Tennis and Track and Field Athletics Tournaments "Rosseti Cup";
- in September 2018, the team of the Company took part in the Swimming Tournament;
- in October 2018, the team of the Company took part in the Basketball Tournament;
- in November 2018 the team of the Company took part in the Conference and 7th Open Chess Tournament among Power Engineers Dedicated to the Memory of M.M. Botvinnik.

In April and October 2018, the Company's employees took an active part in the city-wide subbotnik (Saturday voluntary work day).

During 2018, the Company's young specialists took part in the following major industry forums:

- in March 2018 5 employees took part in selection events to participate in the International Youth Power Forum of 2018;
- 2018 employees of the Company took part in Overdrive-2018 International Forum of Young Power Engineers and Manufacturers;
- in the period from July 2 to August 15, 2018 in the territory covered by the branches of IDGC of the Northern Caucasus, PJSC, the work to be performed by student's construction team "Elbrus" was arranged. Among the construction team 35 students from universities performed the works in the course of repair program implemented by their own resources.

In February 2018, children of the Company's employees took part in the contest of children's drawings "Rosseti: Children Drawing".

Within celebration of the New Year, employees' children aged from 0 to 14 years were given Christmas gifts.

Thus, on December 22, 2018, a ceremony dedicated to the celebration of the Power Engineer's Day was organized, when employees were awarded in connection with their professional holiday.

In total, in 2018, within Group of Companies IDGC of the Northern Caucasus, PJSC, 972 employees were awarded, including:

- awards of Rosseti, PJSC – 121 employees;
- awards of the Ministry of Energy of the Russian Federation – 58 employees;
- awards of IDGC of the Northern Caucasus, PJSC – 253 employees;
- awards of association RaEl – 23 employees;
- regional awards – 211 employees;
- awards of branches/Companies – 306 employees.

Key Performance Indicators

Achievement of the priority development objectives of the Company is assessed by the system of key performance indicators (KPI) applied in the Company.

The system of key performance indicators for the Company's General Director is established on the basis of:

Sub-Para. 50 of Para. 15.1 of Clause 15 of the Company's Charter;

- decisions of the Board of Directors of the Company dated April 5, 2017 (Minutes No. 292 dated April 7, 2017).

In accordance with the specified decisions the Company's Board of Directors established the following composition and target values of key performance indicators for 2018:

Quarterly Indicators

Composition of indicators	Results achieved in 2017	Target Indices for 2018	Achieved Results in 2018
Consolidated operating profit (EBITDA)	1st quarter – 25.9%; 2nd quarter – 19.3%; 3rd quarter – 23.5%; 4th quarter – (–9.3%)	for the 1st quarter, six months and nine months of the reporting year ≥ 0.0%; for the year ≥ 3.0%	1st quarter – (–21.9%); 2nd quarter – (–11.1%)

Consolidated net debt / EBITDA	1st quarter – 3.7 pcs; 2nd quarter – 4.0 pcs; 3rd quarter – 3.7 pcs; 4th quarter – 4.0 pcs	1st, 2nd, 3rd quarters ≤ 4.4%; 4th quarter ≤ 4.0%	1st quarter – 4.7 pcs; 2nd quarter – 3.8 pcs
Implementation of the plan of measures for reducing the accounts receivable of subsidiaries and affiliates	1st quarter – 425.7%; 2nd quarter – 696.6%; 3rd quarter – 407.0%; 4th quarter – 628.5%	for 1st – 4th quarters ≥ 100.0%	1st quarter – 396.8%; 2nd quarter – 184.6%
No growth of major accidents	1st – 4th quarters – 0	for 1st – 4th quarters – no growth	1st quarter – 0; 2nd quarter – 0
No growth of injured in accidents	1st quarter – 0.0572 pcs; 2nd quarter – 0.0000 pcs; 3rd quarter – 0.0000 pcs; 4th quarter – 0.01179 pcs	for 1st – 4th quarters – no growth	1st quarter – 0.0000 pcs; 2nd quarter – 0.0000 pcs
Level of power losses	1st quarter – 27.04%; 2nd quarter – 23.80%; 3rd quarter – 21.99%; 4th quarter – 22.26%	1st quarter ≤ 23.51%; 2nd quarter ≤ 21.16%; 3rd quarter ≤ 19.86%; 4th quarter ≤ 20.50%	1st quarter – 25.25%; 2nd quarter – 22.30%
Payment of power losses	1st quarter – 100%; 2nd quarter – 100%; 3rd quarter – 111%; 4th quarter – 108%	for 1st – 4th quarters ≥ 100%	1st quarter – 101%; 2nd quarter – 101%

Annual indicators

Composition of indicators	Results achieved in 2017	Target Indices for 2018
Consolidated net cash flow	–2,933.6 million rubles	≥ 81.0 million rubles
reduction in operating expenses (costs) per unit	–17.0%	≥ 2.0%
Increase in the capacity utilization of power grid equipment	Achieved	Achieved
Level of power losses	21.78%	≤ 20.50%
Reduction in investment costs per unit	0.85 pcs	≤ 1.00 pcs
Increase in the labour efficiency	–2.52%	> 2.00%
Efficiency of innovative activities	not estimated	≥ 90%
Compliance with the facility commissioning schedule	18%	≥ 90%
Compliance with the timing of technological connection	1.0 pcs	≤ 1.1 pcs
Achievement of the reliability level of provided services	0.13 pcs	≤ 1.00 pcs

Actual values for the 3rd, 4th quarters 2018, and also 2018, taking into account the terms and procedures of reporting, which is a source of information for their calculation, at the time of annual report generation were not summarized and approved by the Company's Board of Directors.

The indices for 2018 are compared with the values of quarter indices for 2017 in the table. The KPI system applied in the Company is interconnected with the amount of the variable part of the management remuneration – for each of the indicators there is a relative share set in the scope of paid bonuses, quarterly and annual bonuses are paid subject to the compliance with the respective KPIs.

Contact Information

Full business name

Публичное акционерное общество «Межрегиональная распределительная сетевая компания Северного Кавказа» (Russian)
Interregional Distribution Grid Company of Northern Caucasus, Public Joint-Stock Company (English)

Abbreviated business name

ПАО «МРСК Северного Кавказа» (Russian)
IDGC of the Northern Caucasus, PJSC (English)

Postal address

13a Podstantsionnaya str., Pyatigorsk, Stavropol Territory, 357506, Russian Federation

Corporate Internet site

<http://www.mrsk-sk.ru>

Primary state registration number

1062632029778

INN [Taxpayer Identification Number]/KPP [Tax Registration Reason Code]

2632082033/263250001

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General Director (as for December 31, 2018)

Yury Viktorovich Zaytsev

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In accordance with the decision of the Board of Directors of IDGC of the Northern Caucasus, PJSC, dated March 28, 2019 (Minutes No. 375 dated March 28, 2019) Yury Viktorovich Zaytsev was removed from its position of the General Director of IDGC of the Northern Caucasus, PJSC, and Vitaliy Valerievich Ivanov was elected General Director of IDGC of the Northern Caucasus, PJSC.

Shareholders and Investors Service

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Corporate Secretary

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http://www.mnsk-sk.ru/customer/internet-reception/ask_specialist/

Registrar

STATUS JSC

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E-mail address: office@rostatus.ru

Telephone: +7 (495) 280-04-87

Fax: +7 (495) 678-71-10

License dated March 12, 2004 No. 10-000-1-00304 (unlimited), issued by the Federal Securities Market Commission

Contacts and details of IDGC of the Northern Caucasus, PJSC are published on the Company's website in "Company/Contacts and Details".

Glossary

For the purposes of this Annual Report (as well as for the purposes of the Russian version of the Annual Report), the following basic concepts, definitions and abbreviations are used.

ABBREVIATIONS AND ACRONYMS	
EBITDA	Earnings before Interest, Taxes, Depreciation and Amortization
MBA (Master of Business Administration)	Master of Business Administration, Master of Business Administering, Master of Economic Management, qualification degree of a master in management
RAB	Regulatory Asset Base, return on investment method
JSC	Joint Stock Company
AO-energo	joint stock company of power engineering and energy connectivity
ASCM	automated system of a company's management
ASRCR	automated system of reports collection and reviewing
GDP	Gross Domestic Product
HVL	high-voltage power line
OL	overhead lines
HS	High school
GTRK	state television and radio broadcasting company
HPP	hydraulic power plant
pcs	pieces
UES of Russia	unified energy system of Russia
H&U	housing and utilities
CJSC	Closed Joint Stock Company
INN	taxpayer identification number
IT	information technologies
km	kilometer
kop.	kopek
KPI	Key Performance Indicators
PTL	power transmission line
MIA of Russia	Ministry of Internal Affairs of the Russian Federation
Million	million
B	billion
MICEX	Closed Joint Stock Company MICEX Stock Exchange
IDGC	Interregional Distribution Grid Company
SME	small and medium entrepreneurship
IFRS	International Financial Reporting Standards
MUE	Municipal Unitary Enterprise
RGP	required gross proceeds
VAT	value added tax

NP	non-profit partnership
OJSC	Open Joint Stock Company
LLC	Limited Liability Company
RAD	regulatory and administrative documents
WPCM	wholesale power and capacity market
PJSC	Public Joint Stock Company
CSO	Customer Service Outlet
pp	percentage point
SS	substation
RAS	Russian Accounting Standards
RTS	Open Joint Stock Company Russian Trading System Stock Exchange
RUB	ruble
RF	Russian Federation
DPG	district power grids
ICS	Internal Control System
ITCS	internal technical control system
PPE	Personal protection equipment
NCFD	North Caucasian Federal District
MM	mass media
RMS	risk management system
TV	television
TS	transformer substation/technological connection (depending on the context)
TRE&R	technical re-equipment and reconstruction
TGC	territorial grid company
K	thousand
pcs	pieces
CPB	Central Procurement Body
Instagram	Instagram (the application for exchanging photos and videos with the elements of social media)
What's app	What's App (the popular free-of-charge system of immediate text messaging for mobile and other platforms supporting voice and video communications)
Viber	Viber (the application enabling to make toll-free calls via Wi-Fi network (Wi-Fi, the technology of wireless local area network) or mobile networks (payment is made only for the Internet traffic) between the users having installed Viber and to send text messages, pictures, video and audio messages, documents and files)
VK	Vkontakte (International Name: VK; a Russian social media; enabling its users to send messages to each other, create their own pages and communities, exchange pictures, tags, audio and video records, play browser games)
Telegram	Telegram (is a cross-platform messenger enabling to exchange

	messages and media files of various formats)
Facebook	the largest social network in the world and the company of the same name that owns it
Twitter	a social network for public messaging via the web interface, sms, instant messaging or third-party client programs for Internet users of any age
PR	Public relations (public relations, public communication, public affairs, community connections, public interaction)
SmartGrid	SmartGrid (means smart power supply grids – updated power supply grids using information and communication networks and technologies to collect information about power generation and power consumption enabling to automatically raise the efficiency, reliability, economic benefit and stability of production and power distribution)
YouTube	youtube (the video hosting company that provides its users with video storage, delivery and display services)
WorldSkills	worldskills (from English “world”, “skills”)
UNITS OF MEASUREMENT	
Ampere (A)	unit of electric current measurement in the International System of Units (SI)
Watt (W)	unit of power measurement in the International System of Units (SI)
Watt-hour (Wh)	non-standard measurement unit of work or amount of generated energy. It is used primarily for measuring power consumption at home, in national economy and for measurement of power generation in the power industry
Volt (V)	unit of voltage measurement in the International System of Units (SI). It is equal to the electrical voltage causing a constant current in the circuit at 1 amp power output 1 Watt
Volt-ampere (VA)	non-standard measurement unit of full capacity of electric current
Litre (l)	metric unit of volume measurement
TERMS	
Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA)	Analytical index equal to the amount of profit before the deduction of interest expenses, taxes, depreciation and amortization
Gross domestic product (GDP)	market value of all final goods and services (that is intended for direct consumption) made during the year in all sectors of the economy in the State for consumption, exports and savings, regardless of the nationality of used factors of production
Dividend Policy	set of principles and methods used by the Company to determine proportions between a capitalized part of the Company's profits and a part of the Company's profits paid out as dividends, as well as a system of relations and principles to determine the procedure and time frames for payment of dividends, to determine the Company's responsibility for non-fulfilment of obligation to pay dividends
Unified National (all-Russian) Power Grid	complex of power grids and other power grid facilities owned on the basis of the right of ownership or otherwise as stipulated by federal laws by power industry entities and ensuring the steady supply of power to consumers, operation of the wholesale market, as well as

	parallel operation of the Russian power system and power systems of foreign countries
Unified Energy System of Russia (UES of Russia)	set of production and other power property assets of a single production process (including production in the mode of combined production of power and heat), and power transmission under centralized operational dispatch management in the power industry
Sole Executive Body	official acting on behalf of the Company on the basis of the Company's charter and having the right to exercise legal capacity of the Company in all issues not within the competence of other bodies of the Company
Investment community	investors, analysts, professional participants of the securities market, rating agencies, other specialized and consulting organizations in the field of finance and investment
Interregional Distribution Grid Company (IDGC)	open joint stock companies created during the restructuring of the power industry, formed as operating (or operating and holding) companies within the framework of the reorganization of IDGC and DGC by merger
Required gross proceeds (RGP)	economically reasonable amount of funds necessary for a company to carry out regulated activities during the accounting regulation period
Distribution Grid Companies	open joint stock companies formed as a result of the division of AO-energo by activity-based transmission facilities not belonging to the Unified National (All-Russian) Power Grid
Registrar	legal entity being a professional securities market participant, providing to joint stock companies services for maintenance of the register of shareholders, registration of transfer of the right of ownership to shares, distribution of materials to shareholders and other services
Market Capitalization	product of the number of shares of the relevant category (type) per market price of one share disclosed by the trading organizer in the stock market
EDITORIAL ASSUMPTIONS IN THE TEXT OF THE REPORT	
Stakeholders (except for the information about transactions in case there is an interest in making thereof)	shareholders, customers, contractors and business partners, investors, public authorities, employees of IDGC of the Northern Caucasus, PJSC and other natural and legal persons with an interest in financial and economic activity of IDGC of the Northern Caucasus, PJSC (definition of "stakeholders" is used in international practice to refer to this category of persons)
Executive Office (Administrative office)	administrative office (headquarters) IDGC of the Northern Caucasus, PJSC, carrying out accounting and control functions, system-wide coordination and administration of branch offices and controlled companies
Executive Director	member of the executive body(bodies) of IDGC of the Northern Caucasus, PJSC
Key Performance Indicators (KPI)	system of financial and non-financial indicators affecting qualitative or quantitative change of the results with regard to the strategic goal of IDGC of the Northern Caucasus, PJSC
Company	IDGC of the Northern Caucasus, PJSC/IDGC of the Northern Caucasus OJSC

Corporate Governance	is the system of relations between the Company's executive officers, its Board of Directors, shareholders and other stakeholders being the instrument of the Company's goals setting and the means for such goals achieving and of effective control ensuring for the Company's operations by its shareholders and other stakeholders.
Independent Director	In accordance with the recommendations contained in the Corporate Governance Code (recommended by the Bank of Russia in accordance with the letter dated April 10, 2014 No. 06-52/2463), Independent Director is a person who has sufficient professionalism, experience and independence to have own opinion and is able to make objective and honest judgements, independent from the influence of executive bodies of the Company, separate groups of shareholders or other interested parties. Thus in normal conditions a candidate may not be regarded as an independent candidate (elected member of the Board of Directors), if he or she is associated with the company, its major shareholder, major counterparty or competitor of the Company or is associated with the government. Additional conditions are contained in Clauses 103-107 of the Code.
Non-Executive Director	member of the Board of Directors, who is not a member of the executive bodies of the company and does not meet all the requirements for an independent director
Controlled company	legal person under the management of IDGC of the Northern Caucasus, PJSC under the agreement on transfer of powers of the sole executive body. At the end of 2018 the controlled companies of IDGC of the Northern Caucasus, PJSC were: grid: Chechenenergo, JSC, Dagestan Grid Company, JSC, Energy supply: Dagestan Power Supply Company, PJSC, Kabbalkenergo, JSC, Kalmenergosbyt, JSC, Karachayev-Cherkesskenenergo, JSC, Sevkavkazenergo, JSC.

Limitation of Liability

This Annual Report of IDGC of the Northern Caucasus, PJSC, for 2018 is only for information purposes and does not present itself an advice or a convincing reason for carrying out transactions with the securities of IDGC of the Northern Caucasus, PJSC. The Annual Report was prepared on the basis of the information available to IDGC of the Northern Caucasus, PJSC at the time of its preparation.

The Annual Report contains information on the results of IDGC of the Northern Caucasus, PJSC, activities for 2018 (in a number of cases for a longer period), assessments and predictions by IDGC of the Northern Caucasus, PJSC, authorized management bodies concerning future events, development prospects for IDGC of the Northern Caucasus, PJSC, and industry that IDGC of the Northern Caucasus, PJSC, is most involved in, as well as the likelihood of certain events or completion of certain actions.

Information in this Annual Report about executive officers and control bodies members (year of birth, education, place of employment for the previous 5 years, Company's shares ownership) are disclosed complying with the requirements provided by the Russian Federation for personal data protection. IDGC of the Northern Caucasus, PJSC obtained the consent of the above persons (except for the member of the Board of Directors A.S. Kolesnikov and O.S. Sergeeva) for disclosure of the specified information (year of birth, education, work places for the last 5 years, ownership of Company's shares).

All reports of a forecast nature, which are in this Annual Report, as well as all following oral and written forecasts, which IDGC of the Northern Caucasus, PJSC or any person working on behalf of the Company may be responsible for, are categorically limited by the reservations set out below. Forecast reports may include reports concerning business activities, financial condition, income, economic indicators, results of business and production activities, production and consumption volume policies, disbursements, expenses, growth prospects, useful life of assets, reserves, time scale for starting and completing production projects, acquisition, liquidation or disposal of certain legal entities, other similar factors and economic forecasts concerning IDGC of the Northern Caucasus, PJSC activities, as well as the industry and market, in which IDGC of the Northern Caucasus, PJSC, operates. All claims included in this Annual Report, other than reports containing historical facts, may be reports of a forecast nature. Words such as "consider", "expect", "intend", "plan", "will", "may", "should", "could be", "suggest", "anticipate", "try", "presume", "rely upon", "continue", "aim" and any word or expression with similar meaning or facts with disclaimers usually indicate the forecast nature of the report.

Any opinions or forecasts presented in this Annual Report are the views of IDGC of the Northern Caucasus, PJSC, its governing bodies, management, and personnel at the time the report was compiled. If the date of this report is not relevant, the opinions and forecasts contained therein may not reflect the current judgement of the management or governance bodies of IDGC of the Northern Caucasus, PJSC. Therefore, the information contained in this report may not be considered complete, exhaustive, and justified.

Forecast reports are not a guarantee of future indicators, as the actual performance of IDGC of the Northern Caucasus, PJSC in the future may differ from the forecast results for a number of reasons. The specified reasons concern a number of well-known and unknown risks, uncertainties, and other factors. IDGC of the Northern Caucasus, PJSC, gives no guarantees (apart from situations provided for by the law) that the actual results, scales or indicators of its activities or the industry where it operates will correspond to the results, scales or indicators of its activities clearly expressed or suggested in any report of a forecast nature contained in this Annual Report. IDGC of the Northern Caucasus, PJSC does not take responsibility for distributing or publishing any updates or changes to reports of a forecast nature, which reflect changes in expected or new information, as well as subsequent events, conditions or circumstances. Acquisition of securities of IDGC of the Northern Caucasus is associated with risks described in this Annual Report. Neither IDGC of the Northern Caucasus, PJSC, nor its governance bodies, nor the personnel shall bear any responsibility for any losses arising as a result of using this report or its contents or arising in connection with this report.

In addition, as for the date of this Annual Report preparing, the Bank of Russia has not provided the Notice of the results of additional issue of securities by IDGC of the Northern Caucasus, PJSC, (ordinary registered non-documentary shares, state registration number 1-01-34747-E dated December 15, 2016). In certain subsections of this Report the information is provided taking into consideration the actually allotted shares of the current issue, and there is a reference to such fact.

The English version of the Annual Report of IDGC of the Northern Caucasus, PJSC is shortened compared to the Russian version of the Report.