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COMPANY OF NORTHERN CAUCASUS"
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No. _____, 20__

To No. _____ from No. _____, 20__ .

Considered and approved by the Board of Directors
of IDGC of Northern Caucasus, OJSC

Minutes No. 164 dated May 5, 2014

Approved by the General Annual
Meeting of Shareholders
of IDGC of Northern Caucasus, OJSC

Minutes No. 14 dated June 24, 2014

2013 ANNUAL REPORT OF IDGC of Northern Caucasus, OJSC

**Acting
General Director**

S. A. Arkhipov

Chief Accountant

N.V. Larionova

Contents

Address from the Chairman of the Board of Directors, IDGC of Northern Caucasus, OJSC	5
Address from the Acting General Director, IDGC of Northern Caucasus, OJSC	6
Address of the Deputy General Director for Economic and Financial Affairs, IDGC of Northern Caucasus, OJSC	7
1. Company Review and the Context of its Activity	8
IDGC of Northern Caucasus, OJSC today	8
Company structure	9
Business model and vision of the future	9
Brief history	14
Development strategy	15
Company's Achievements in 2013	18
Other important corporate events in 2013	19
Internal control and risk management system model	20
Priority activities	32
2. Value creation for stakeholders. State and region	34
Key events in the country and region in 2013	34
Macroeconomic development factors	34
Territory of Responsibility and Regional Policy	37
Contribution to the regional economy's development	40
Public and government relations	47
Charity	49
Environmental Policy	50
3. Creating value for stakeholders. Shareholders and investors	52
Financial performance	52
Financial and performance analysis	52
Net profit distribution	56
A decision on the distribution of net income of IDGC of Northern Caucasus, OJSC received in 2013 will be approved by the General Shareholders Meeting.	56
Status of net assets	56
Optimization of Expenses	56
Credit history and debt position	57
Tariff regulation	61
Capital structure	68
Fixed assets	69
Long-term financial investments	71
Share Capital	72
Shareholder and investor relations	83
Corporate governance	83
Principles and documents	83
Management and supervisory bodies	85
Management team	115
Revision Commission	117
Auditor	121
Registrar	123
Rating information	123
Transparency of information	124
Participation in non-profit organizations	126
Information on transactions	127
4. Value creation for stakeholders. Consumers and customers	128
Competitive analysis	128
Production report	128
Transmission and distribution of power supply	128

Resource conservation and energy efficiency	132
Technological connection	136
Settlements with customers	142
Customer relations	147
Investment activity	149
Technical equipping and equipment renovation	160
Main characteristics of transmission capacities	160
Repair and operation activity.....	161
Increase of power grid reliability.....	163
Innovation Development	168
Perspective development	173
Development of automated technological management systems	177
Information Technologies and Telecommunication	179
Procurement activity	185
5. Value creation of stakeholders. Personnel	188
HR policy	189
Personnel quantity and structure	190
Personnel training and human development	193
Social programs and measures.....	199
Labor and health protection.....	201
Contact information	204
Branches and representative offices	206
Disclosures	208
Appendices	209

Dear user,

This 2013 Annual Report was executed in accordance with the requirements of Russian law on the securities market. Meanwhile, we believe that the business success of IDGC of Northern Caucasus is significantly influenced by different groups of stakeholders (persons interested in the company's activity), in particular: governmental authorities (federal and regional), population of the region, mass media, investment community (mainly shareholders and investors, stock exchanges, rating agencies, financial analysts), consumers and customers, business partners, and company staff. In connection with this, we did not consider it possible to restrict ourselves to the requirements of Russian law and include the elements of Sustainability Reporting Guidelines (GRI) in the report (level C+ with external approval). Thus, this Annual Report is aimed at and intended for the said groups of stakeholders and describes the process of value creation for each of them by the company.

In the operation period there were changes in the business structure of IDGC of Northern Caucasus, OJSC. For instance, some subsidiaries did not perform their principal activity, having rented out their property to other legal entities. Moreover, one of these legal entities is a subsidiary of IDGC of Northern Caucasus, OJSC. A detailed description of the business structure evolution is given in the section "Brief History". In this connection, this Annual Report is mainly prepared in accordance with the principle of consolidated reporting, that is, it includes data on the subsidiary – distribution grid company, and also in certain cases, on the organization that operated the power grid facilities of the Ingushetia subsidiary. The stated limit of this Annual Report coverage may considerably influence the comparability with previous reports and/or other similar organizations/counterparts.

**Yours sincerely,
Team of IDGC of Northern Caucasus, OJSC**

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Address from the Chairman of the Board of Directors, IDGC of Northern Caucasus, OJSC

In 2013 the Board of Directors of IDGC of Northern Caucasus, OJSC focused its efforts on strategic management and performance monitoring over executive bodies in the interests of the Company and its shareholders. We gave particular attention to the resolution of fundamental problems in the Northern Caucasus electrical energy supply, namely, unsatisfactory payment discipline of grid services suppliers, as well as the problem of excessive losses of energy in distribution grids.

The resolution of these problems is a necessary condition for strengthening the financial and economic position of the IDGC of Northern Caucasus, OJSC group of companies. Consequently, about a third of our efforts last year focused on these questions related to business planning and financial management, as well as implementation of the energy efficiency policy. In order to monitor how the company's executive bodies implemented the orders given by the Board of Directors, we regularly considered the General Director's reports focused on various spheres of activity. We decreased the load on the company's business processes without reducing the degree of control and regularity of meetings. Thus, the number of issues considered by the Board of Directors decreased by almost 10% in comparison with 2012.

We believe that an efficient and transparent system of relations between the company's management bodies and shareholders is a necessary condition for the successful realization of plans and a decisive factor for the company's work. In this regard, we paid special attention in 2013 to the development of best corporate management practices in IDGC of Northern Caucasus, OJSC. For instance, considerable efforts were directed toward increasing the company's transparency. A number of important documents in this sphere were approved: updated provisions on information policy and insider information of the corporate management code. We approved the first Corporate Ethics Code of IDGC of Northern Caucasus, OJSC, the implementation of which we are certain will make a substantial contribution to the strengthening of the trust of all groups of stakeholders in IDGC of Northern Caucasus, OJSC: state and region, shareholders and investors, consumers and customers, partners, personnel.

Since the start of its entrance onto capital markets, IDGC of Northern Caucasus, OJSC has faced the task of implementing best corporate management practices in the company. We have achieved a great deal in the past few years: the company's transparency has increased, the interaction of all management authorities has been established, committees under the Board of Directors have been formed, and an independent board of directors is in operation. The positive changes were sure to find their reflection in quality ratings of the company's management, which also display positive dynamics. In 2013 Russia's largest international rating agency, Expert RA, increased the management quality rating of IDGC of Northern Caucasus, OJSC by two points and assigned it a mark of 8 (best corporate management practices).

We, the members of the IDGC of Northern Caucasus, OJSC Board of Directors, understand our responsibility to shareholders and consider our main goal to be the conscientious and competent performance of company management duties. Just as before, we will apply maximum efforts in the future to ensure growth of the company's value, as well as the protection and efficient realization of their rights by investors.

Yours sincerely, Yuri Nikolaevich Mangarov

Address from the Acting General Director, IDGC of Northern Caucasus, OJSC

Last year was not easy for IDGC of Northern Caucasus, OJSC. The company continues to perform its main task related to the electricity supply of the Northern Caucasus Federal District as efficiently as possible in hard economic conditions and within the framework of strengthening state regulation of the industry. At the same time, 2013 was marked by the active realization of strategic objectives related to the consolidation of distribution grid assets, an increase in the accessibility of technological connection to grids, a decrease in electric power losses, and a reduction in accounts receivable for electricity transmission services.

The company's specialists applied maximum efforts to fully implement a large-scale range of works to prepare the electrical distribution grid for the autumn and winter period. Major repairs of over 6.6 thousand km of overhead power lines and about five hundred potential transformers have been performed. As a result, the number of power disturbances and interruptions in consumer electricity supply has considerably decreased in comparison with previous years. Consequently, the peak loads have performed on a decent level.

Through the step-by-step implementation of the investment program of IDGC of Northern Caucasus, OJSC in the amount of 3.2 billion rubles, we are creating a solid basis for the upgrading and retrofitting of grids, which makes it possible for the national and economic complex of Northern Caucasus regions to develop dynamically. Over 621 km of power transmission lines and 277 MVA of transformer capacity were put into operation during the year.

The company achieved good financial and economic outcomes against a backdrop of decent production indicators by means of production process optimization, and it received a profit of 537 million rubles by Russian Accounting Standards. This was also supported by active claim-related work, which made it possible to collect 8.5 billion rubles from debtors in the judicial procedure. In fact, receipts for the year amounted to 4 billion rubles.

The efficient performance of tasks facing IDGC of Northern Caucasus, OJSC and progressive development is impossible without corresponding staff potential. A great deal of effort was put forth in 2013 in order to increase labor productivity and employee qualifications, teach and develop the managers, and exchange experience among employees of the company's subdivisions. Two-thirds of the company's employees completed professional training, retraining and qualification improvement.

Within the framework of annual expenses reduction, the management structure of IDGC of Northern Caucasus, OJSC is being improved, operational expenses are being reduced, and the process of investment activity optimization is continuing.

Our priorities at the present stage of development include a further increase in efficiency, debt burden reduction, and unconditional performance of all production programs, which in the end should lead to additional growth in investment attractiveness and market price of the company's securities.

I am sure that the team of IDGC of Northern Caucasus, OJSC can put forward maximum efforts to meet all of the challenges without reducing production efficiency and to achieve excellent performance results.

Yours sincerely,
Sergey Alexandrovich Arkhipov

**Address of the Deputy General Director for Economic and Financial Affairs, IDGC of Northern
Caucasus, OJSC**

The results of IDGC of Northern Caucasus, OJSC activity in 2013 showed net profit in the amount of 537.6 million rubles, which is 340.2 million rubles (38.8%) lower than the net profit indicator in 2012 and 724.6 million rubles higher than the approved planned value.

The net profit reduction in comparison with the actual indicator for 2012 is caused by the outrunning growth of non-controlled expenses over the growth in proceeds from electricity transmission services provision.

These indicators have been formed in the challenging conditions of the negative impact of the consumers' non-payment for electricity transmission services on the financial and economic results of the company's activity. An additional bad debt reserve created in the Company's accounting as of December 31, 2013, made up 1,051.7 million rubles in balance terms.

Measures related to expense optimization and income receipt from operations with assets have been taken in IDGC of Northern Caucasus, OJSC. In 2013 controlled expenses were reduced by 9.6% in comparison with actual figures for 2010.

The cost of net assets at the end of 2013 made up 20.1 billion rubles, the increase for 2012 – 2.9 billion rubles.

The Company's financial flows were optimized to relieve the actual debt burden. The Debt/EBITDA ratio was 3.00 for 2013 with a target of 4.05 and the 2012 actual value of 2.30.

Following rate regulation in 2013, the increase in electricity transmission rates was 5.3% on average for the subsidiaries of IDGC of Northern Caucasus, OJSC.

All of the subsidiaries of IDGC of Northern Caucasus, OJSC that perform operational activities, except for the Ingushetia subsidiary, continue to function in the conditions of RAB regulation, which makes it possible to meet the needs of IDGC of Northern Caucasus, OJSC for investment resources. As the Ingushetia subsidiary started its operational activity on May 1, 2013, it functioned in the conditions of regulation through the method of economically viable expenses.

In 2013 we continued the work aimed at an increase in information transparency with regard to financial reporting indicators for the shareholders and investment community. Since 2011 consolidated financial statements have been prepared for IDGC of Northern Caucasus, OJSC and its subsidiaries in accordance with international standards.

According to an auditor's report from KPMG, the financial position and financial and operational performance results of IDGC of Northern Caucasus, OJSC over the period between January 1, 2013, and December 31, 2013, were fairly represented in the 2013 accounts.

Yours sincerely,
Ivetta Vladimirovna Tkhakakhova

1. Company Review and the Context of its Activity

IDGC of Northern Caucasus, OJSC today

IDGC of Northern Caucasus, OJSC is an operational interregional distribution grid company that functions in the Russian power sector. This is a natural monopoly, with the rates for its services established by regulatory authorities.

Principal types of activity:

- ❖ services for electricity transmission and distribution;
- ❖ technological connection of consumers to the grid infrastructure.

Year of the legal entity's registration

2006.

Industry

electric energy

Region

Northern Caucasus Federal District, Russian Federation

It is a part of Rosseti energy holding

Share on the market of electricity transmission services

about 50%

Serves 1% of the Russian territory and 6% of the Russian population

Manages one retail and two grid companies

Shares are traded on the Moscow Exchange stock market

Structure of owners: Rosseti OJSC (92%), other shareholders (8%)

Grid length

114.3 thousand km

Installed capacity

14.9 GVA

Number of substations

25 thousand

Average number of employees

8.2 thousand persons

Market capitalization

2013.	09 billion rub.	-40%
2012.	1.5 billion rub.	

Revenue

2013.	12,502.0 million	11%
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	rub.	
2012.	11,251.7 million rub.	

Net profit

2013.	537.6 million rub.	-38.8%
2012.	877.8 million rub.	

EBITDA

2013.	2,190.9 million rub.	-5.6%
2012.	2,320.0 million rub.	

Productive supply*

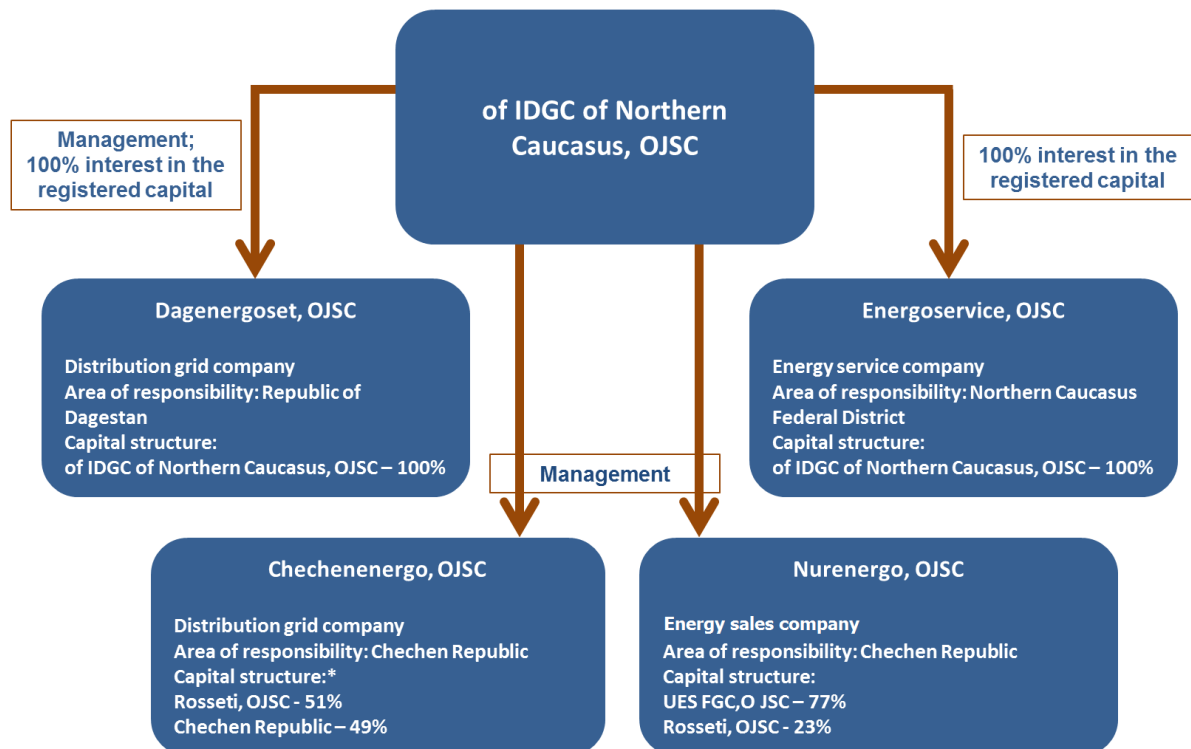
2013.	13,311 million kWh	0.9%
2012.	13,195 million kWh	

Electricity losses*

2013.	3,257 million kWh	-3.4%
2012.	3,373 million kWh	

taking into account the Dagero subsidiary

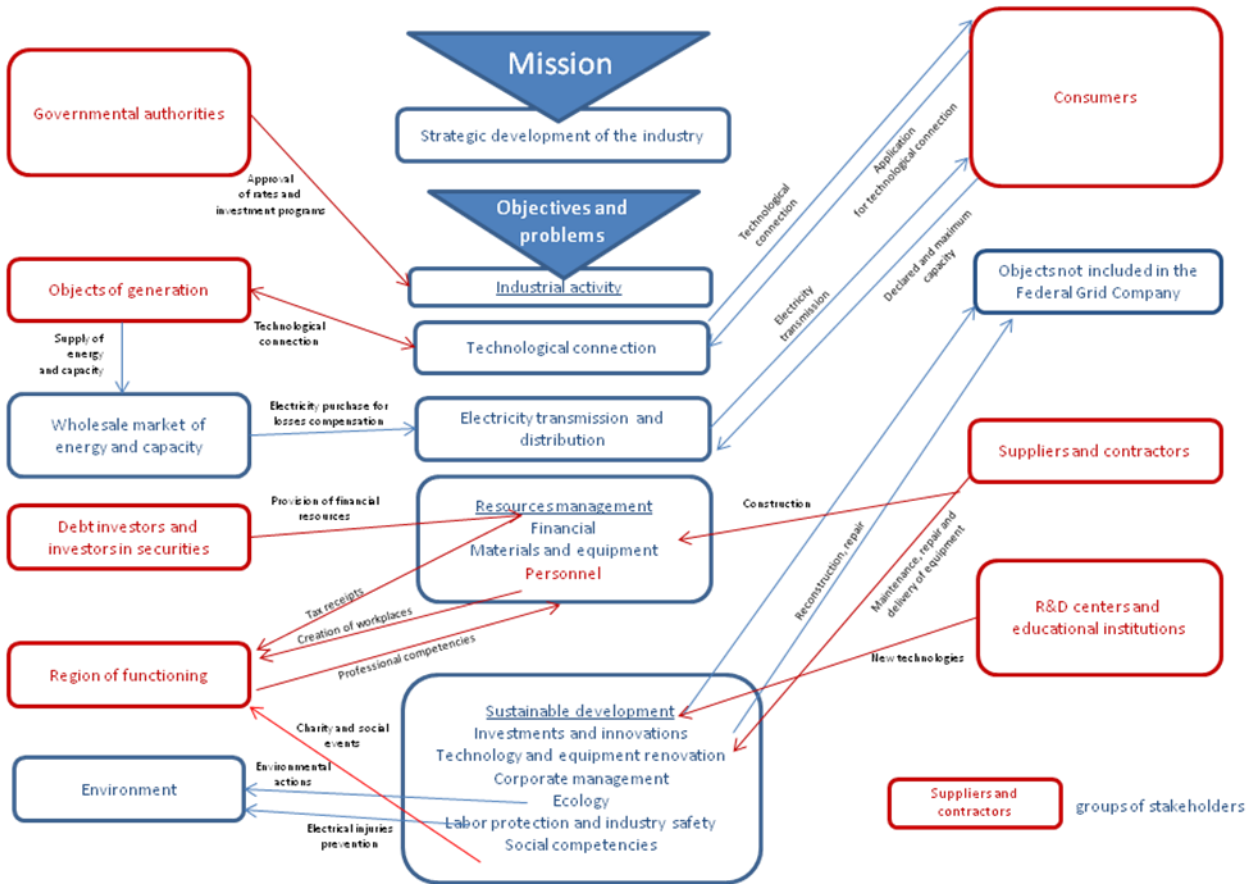
Company structure



* excluding the shares of current emission

Business model and vision of the future

Integrated business model



❖ Governmental authorities: RF Government, RF Ministry of Energy, FST of Russia

See Possibilities and risks / Industry risks

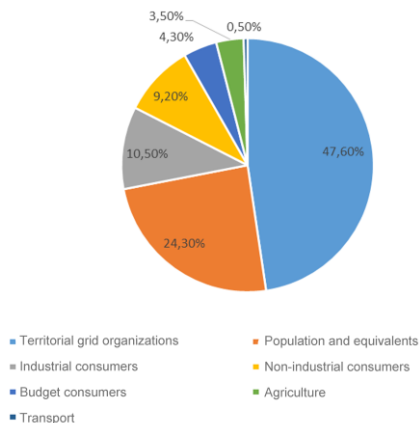
❖ Region of operation: 170 thousand sq. km (1% of the area of Russia), population of 9.6 million persons (6.6% of Russia's population)

See Territory of Responsibility and Regional Policy

❖ Debt investors and investors in securities: banks, investors in ordinary shares

See Financial report / Credit history and debt position; Shareholder capital / Emission activity

❖ Consumers:



See Production report / Transmission and distribution of electrical energy, Technological merger

- ❖ Suppliers and contractors: small and medium businesses (72.9% in the total annual amount of purchases, including first-level subcontractor agreements)

See Procurement activity

- ❖ Objects of generation:

See Production report / Transmission and distribution of electrical energy, Technological merger

- ❖ Research and development centers and educational institutions: FSEI CPE "Petersburg Energy Institute of Advanced Training" (Saint Petersburg), Non-State Educational Establishment "International Institute of East-West Cooperation" (Moscow), NPO "KONTS EES" Corporate Energy University (Moscow), Non-State Educational Establishment "Moscow Modern Business Institute" (Moscow), etc.

See 4. Innovation development, Personnel training and staff development

- ❖ Personnel: 8,215.5 employees

See Personnel

We believe that electrical energy will face new challenges in the current century. Their efficient resolution will be the basis for what situations the industry will face – possibilities of development or threats to existence.

The Unified Energy System of Russia (UES) is the world's largest centrally controlled, synchronously operating power pool, covering almost the entire developed territory of the country.

The establishment of the UES was driven by the need for a more rational use of energy resources, a reduction in the cost of produced electrical energy and an increase in reliability of the country's power supply. RAO UES of Russia, OJSC, an electric power holding company, was dismantled in 2008. The industry reform meant to separate potentially competitive (electricity generation and supply) and monopolistic (electricity transmission) types of activities. The measures taken were mainly focused on higher operational and managerial efficiency, as well as the attraction of funds from private investors.

However, in our opinion, the existing reality shows that no competitive electricity market has in effect been created. We realize that this inevitably leads to a rise in tariffs, which is controlled by the state regulation methods, and the regulation becomes much more stringent.

Energy market participants have taken different positions in response to tariff growth:

Participant	Strangleholds on the system if maximum price load is exceeded
Large consumers (over 50 MW)	Construction of proper generating facilities
Average industrial commercial consumers (0.5-10 MW)	Reduction in energy consumption, construction of proper generating facilities
Population	Political requirements for tariff control, non-payments

The most important events that occurred in the industry in 2011-2012 testify to a lack of important changes in governmental and business position*:

1. implementation of new rules of electricity price formation – "adaptation" of non-regulated price system to the consumers' needs, but the end user's options are in fact limited;

2. privatization of large state companies within 5-7 years is announced, but property consolidation is continuing;
3. consolidation in grids: Rosseti energy holding company obtains control over FGC UES, OJSC;
4. results of artificial tariff "control" in 2011-2012: growth in cross-subsidization, increasing load on large consumers; expansion of proper generation facilities; reduced volumes of investment program financing by generators and grid companies and increase in debt burden;
5. policy in relation to renewable sources of energy did not change, projects are mainly sponsored by international funds;
6. division of retail and network activity: new rules of assigning the status of the guaranteeing supplier have been adopted, increasing debts of retail companies, some of them are on the verge of bankruptcy, a number of companies were deprived of the guaranteeing supplier status.



Challenges for power industry:

1. Changes in the fuel and energy balance: slow scaling of renewable sources of energy
2. Certainty of the main power industry deployment scenarios: transition from post-carbon energetics, energy efficiency
3. Considerable need for investments during a shortage of financial resources



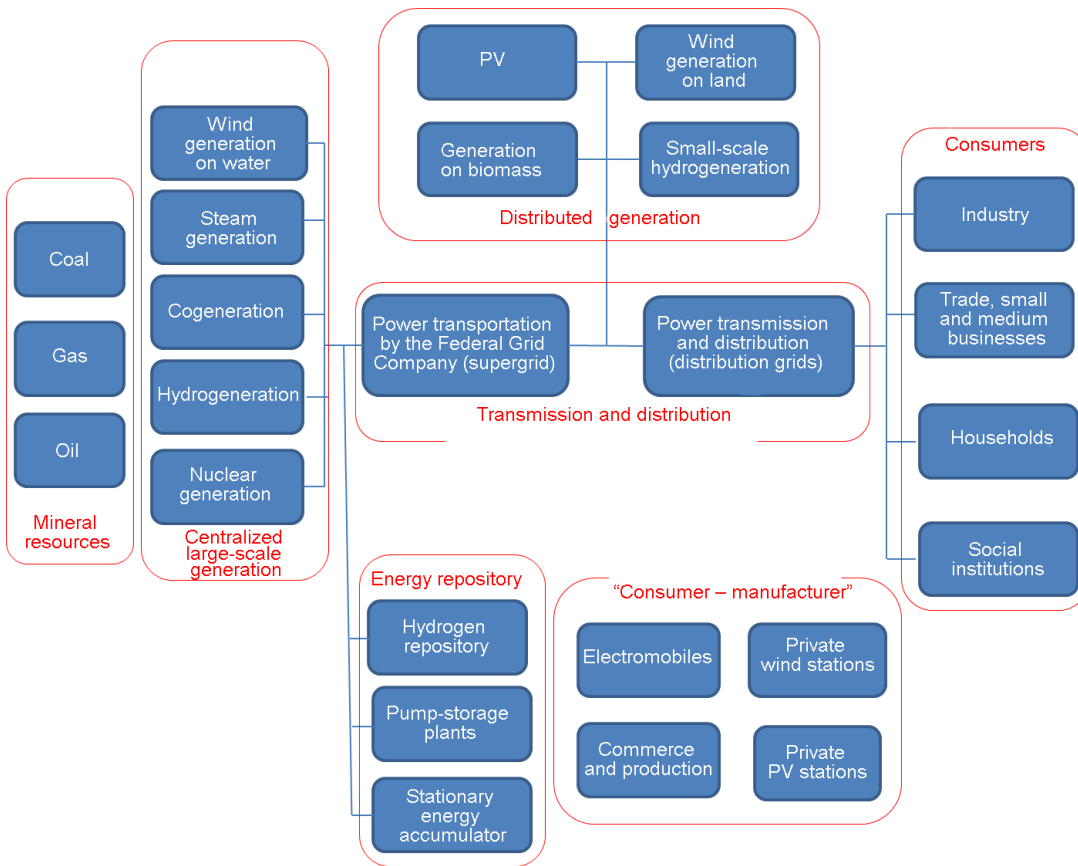
Growing uncertainty of the power industry's future

Possible answers:

1. "Energy efficiency+" – modernization of the existing energy system: centralized power distribution grids with one-sided electricity flow (manufacturer – consumer), large-scale centralized generation, carbon energetics;
2. "New paradigm" – new energetics: renewable resources, other power system architecture based on a decentralized "smart grid."

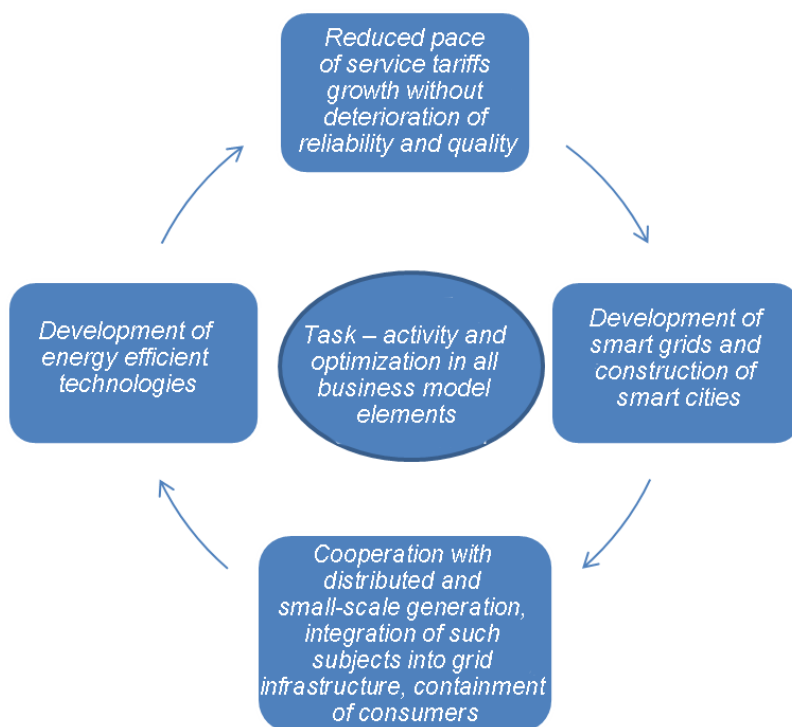
Source: North-West Strategic Developments Center Fund, IDGC of Northern Caucasus, OJSC

Vision of the future of the power supply industry



Resource limitations necessitate the implementation of the "new paradigm." However, complete transition to this development scenario is only possible in the long-term perspective. Therefore, we believe that the scenario of the power industry market development in the short- and mid-term perspective will be a combined variant of two presented scenarios: centralized grids and generation with growing decentralization scaling (implementation of "smart cities," distributed and small-scale generation, "manufacturers-consumers").

For us it will mean:



Brief history

Brief description of the stage	Event description
<p>Establishment of a vertically integrated power supply company Result – provision of a reliable power supply for the country</p>	<p>July 1903 Bely Ugol HPP Bely Ugol, the first large hydroelectric power plant in Russia with a capacity of 700 KW, was started up on the Podkumok River (Stavropol Krai). It served as a basis for launching the longest (20 km) power transmission lines of the time with a voltage of 8 KW.</p>
	<p>1913 Pyatigorsk TPP A thermal power plant was put into operation in Pyatigorsk. Scientists headed by M. Shatelen put the thermal power plant in a ring with Bely Ugol HPP (a prototype of the Russian Unified Energy System).</p>
	<p>1992 RAO UES of Russia, OJSC UES of Russia, a Russian Open Joint-Stock Company for energy and electrification, was founded.</p>
<p>Reform of the power supply industry Result – private investments were attracted into industry development</p>	<p>April 2006 – September 2007 Disaggregation by activity The grid assets of Kabbalkenergo, OJSC; Karachaevo-Cherkesskenergo, OJSC; Sevkavkazenergo, OJSC; and Ingushenergo, OJSC were transferred to KEUK, OJSC in payment for an extra issue of shares. Kabbalkenergo, OJSC; Karachaevo-Cherkesskenergo, OJSC; Sevkavkazenergo, OJSC; and Ingushenergo, OJSC became energy supply companies, and four branches were created within the structure of KEUK, OJSC.</p>
	<p>August 4, 2006 SGC, OJSC SGC, OJSC was registered. The decision to establish it was made by its sole founder – RAO UES of Russia, OJSC.</p>
	<p>August 1, 2007 of IDGC of Northern Caucasus, OJSC SGC, OJSC was renamed as Interregional Distribution Grid Company of Northern Caucasus, Joint-Stock Company.</p>
	<p>December 25, 2007-April 1, 2008 Consolidation Dagenergo, OJSC; KEUK, OJSC; and Stavropolenergo, OJSC were taken over by IDGC of Northern Caucasus, OJSC. IDGC of Northern Caucasus, OJSC became a unified operating distribution grid company in Northern Caucasus.</p>
	<p>July 1, 2008 IDGC Holding, OJSC IDGC Holding, OJSC was formed by spinning off from the reorganized RAO UES of Russia, OJSC. It performs corporate management of operational IDGCs. The right of ownership to the portfolio of shares of IDGC of Northern Caucasus, OJSC passes to IDGC Holding, OJSC.</p>
	<p>December 15, 2011 Split-off of energy supply companies IDGC of Northern Caucasus, OJSC terminated its agreements on the delegation of authority of a sole executive body of energy supply companies.</p>
	<p>Transformation into a liquid, profitable, reliable object for investments Result – the strengthening of financial standing and better energy efficiency</p>
<p>November 30, 2010 Transition to RAB FTS of Russia approved the transition to RAB tariff regulation for five branches of IDGC of Northern Caucasus, OJSC, starting January 1, 2011.</p>	
<p>January 27, 2010 – February 8, 2011</p>	

	<p>Dagenergoset, OJSC A distribution grid company – Dagenergoset, OJSC – was founded as a subsidiary. It moved under the management of IDGC of Northern Caucasus, OJSC.</p>
	<p>March 23, 2011 Energoservice, OJSC An energy service company – Energoservice, OJSC – was founded as a subsidiary. It is designed to increase the energy efficiency of the regional grid companies.</p>
<p>Anti-crisis management Result – creation of a solid business structure</p>	<p>Yuzhenergo Management functions of AO-energo of the South of Russia were entrusted to RAO UES of Russia, OJSC (Pyatigorsk, Stavropol Krai).</p> <p>August 1, 2001 KEUK, OJSC In the town of Zheleznovodsk (Stavropol Krai), Open Joint-Stock Company Caucasian Energy Management Company, a management company, was registered for the energy systems in Northern Caucasus – Ingushetia, Kabardino-Balkarian, Karachay-Cherkess, and North Ossetia.</p> <p>March 2005 Rehabilitation and restructuring project The Rehabilitation and Restructuring Project was approved for the AO-energos managed by KEUK, OJSC.</p> <p>September 2006 AO-energo management Southern Grid Company (SGC), OJSC was charged with the management of Kabbalkenergo, OJSC; Karachaevo-Cherkessenergo, OJSC; Kalmenergosbyt, OJSC; Sevkvkazenergo, OJSC; Dagestan Energy Supply Company, OJSC; Nurenergo, OJSC; Ingushenergo, OJSC; KEUK, OJSC; Stavropolenergo, OJSC; and Dagenergo, OJSC.</p> <p>January 19, 2010 Northern Caucasus Federal District By the decree of President of Russia D. Medvedev, the Northern Caucasus Federal District was separated from the Southern Federal District, with the center in Pyatigorsk.</p>

Development strategy

In 2013 the power distribution grid encountered new challenges, and a number of threats that appeared in previous years became stronger. Nevertheless, the vector of our development remains the same: to become and remain a leader of competencies and a responsibility center for reliable supply to the region's consumers. For strategic planning, we primarily applied the foresight method; the objectives remain the same, but we correct the means and instruments of their achievement in accordance with reality and the actual conditions of conducting business. We believe that in this way we may ensure flexibility and promptness in the resolution of the issues at hand.

The strategic planning horizon is mid-term, which is directly related to the forecasting of the social and economic development in Russia. This forecasting may also be performed on a mid-term basis.

Being an integral part of Rosseti electric power holding company, IDGC of Northern Caucasus, OJSC follows the general strategy of the electrical distribution grid (<http://www.rosseti.ru/about/mission/>).

On November 22, 2012, the RF President signed Decree No. 1567 "On Russian Grids Joint-Stock Company," which made provision for the formulation of a development strategy for Rosseti, OJSC, as well as a development strategy for the electrical distribution grid in Russia. To execute said presidential Decree, the RF Ministry of Energy developed Order No. 511-p on April 3, 2013 "On Approval of Russia's Electrical Distribution Grid Development Strategy," as well as a schedule of regulatory legal acts for the implementation of the strategy.

Thus, we see the mission of IDGC of Northern Caucasus, OJSC as reliable and quality provision for the growing needs of the economy and social development of the Russian Federation subjects are located in the company's responsibility area, on the condition of affordable consumer payment for services provided.

Milestones and tasks of strategic development	2013 plan declared in the previous report	Actual 2013 figures	Justification of reasons and cause for revision	Planned 2014 figures
System reliability, security and sustainable functioning of the distribution electricity grid				
reduction of grid wear	regulatory level	about 70% See Prospective development, Repair and maintenance activity	-	the plan was not revised
reduction of energy losses in grids (level of losses)	18.41%	19.39% See Production report	implementation of measures to reduce losses See Production report	16.39%
Activity Efficiency				
growth in profits (amount of proceeds)	12,227.4 million rub.	12,502.0 million rub. See Financial results	-	12,472.9 million rub.
profitable level of activity	availability of net profit in accordance with RAS	availability of net profit in accordance with RAS See Financial results	-	the plan was not revised
Reduction of expenses, rational use of own and loaned funds	KPI "Reduction of expenses for purchase of goods (work/services) per unit of production by at least 10% annually for three years in real terms at 2010 prices" \geq 100%	106% See Optimization of Expenses	-	the plan was not revised
Expansion and modernization of distribution grid assets as a result of large-scale innovative technological upgrade				
attraction of resources for large-scale fixed assets renovation	2.6 billion rub. (in accordance with the 2013 business plan and 2012-2016 prospective development plan)	loaned funds were acquired in the amount of 2.1 billion rubles, and investors' funds invested in shares came to 2.4 billion rubles. See Credit history and debt position, History of emission activity	-	1 billion rub. (in accordance with the 2014 business plan and 2012-2016 prospective development plan)
implementation of innovative technologies that comply with the world standards	<ul style="list-style-type: none"> ❖ ITT Strategy realization ❖ funds for R&D – 20.2 million rub. 	<ul style="list-style-type: none"> ❖ ITT Strategy realization ❖ "Smart City" project and the composite materials plant construction project were launched ❖ actual financing of R&D – 91% of planned <p>See Contribution to region development,</p>	completion of works under concluded agreements	2.7 million rub.

		Innovation development, Information Technologies and Telecommunications		
energy efficient policy implementation	the effect of the Energy Saving and Energy Efficiency Improvement Program amounts to 39.732 million KWh or 76.2 million rub.	plan for the reduction of power losses in 2013 (in physical units) was fulfilled at 113% See Resource saving and energy efficiency	-	Completion of implementation of the integrated program of activities for reducing excessive power losses in the distribution grids in the territory of Northern Caucasus
Investment attractiveness				
increase in the company's value	positive dynamics	the speed of value reduction was reduced See Company on the stock exchange	Regulatory risks	the plan was not revised
implementation of best corporate management practices openness and transparency of activity	the plan was not stated	<ul style="list-style-type: none"> ❖ Corporate Ethics Code was adopted, as well as new versions of provisions on information policy and insider information ❖ The rating of management quality increased by 2 points and reached 8 (Best corporate management practices) See Corporate governance	-	prevention of property concentration information flow intensification
observance of investors' rights and legal interests	Prevention of conflicts with investors	There were no conflicts. See Corporate governance, Joint-stock capital	-	the plan was not revised
Socially responsible business practice				
contribution to the support of stable high economic development of the region and population employment rate	Stable power supply, improvement of access to infrastructure. Creation of job	Stable energy supply is provided. See Production report, Increasing power grid reliability Access to infrastructure has been improved. See Technological connection Jobs have been created. See HR Policy See Contribution to	-	the plan was not revised

		the regional economy's development		
contribution to social progress of society	performance of charity and social events	events have been performed	-	the plan was not revised
creation of a tightly-knit, socially protected, creative and economically motivated team		See Charitable activity, Social programs and events		
environmental conservation	negative trend of emissions	negative trend of emissions	-	the plan was not revised
		See Environmental Policy		
improvement of conditions for work and rest, better labor safety for employees in accordance with global standards	negative trend of injuries	negative trend of injuries	-	the plan was not revised
		See Labor and health protection, Social programs and events		

Company's Achievements in 2013

Contribution to the regional economy's development: See 2. Value creation for stakeholders. State and region / Contribution to regional development.

Consolidation of power grid assets

Division of the managed joint-stock company, Nurenergo, OJSC, by types of activity (into network and retail businesses)

The managed joint-stock company Chechenenergo, OJSC started its operating activity related to power transmission and distribution

http://www.mrsk-sk.ru/press_center/company_news/detail.php?ID=6899

Obtained result – a unified responsibility center for reliable power supply has been formed in the Chechen Republic

Development of best corporate management practices

In June a decision was made for the first time to pay dividends on ordinary shares of IDGC of Northern Caucasus, OJSC

http://www.mrsk-sk.ru/press_center/company_news/detail.php?ID=6899

Obtained result – the investment attractiveness of the shares of IDGC of Northern Caucasus, OJSC has increased

The rating of management quality increased by 2 points and reached 8 (Best corporate management practices) (agency – Expert RA)

http://www.mrsk-sk.ru/press_center/company_news/detail.php?ID=6978

Obtained result – investors were shown that there are no legal risks with investments in the company's securities

The 2012 annual report became one of the top 10 reports regarding the quality of preparation among Russian and CIS companies (the rating was calculated by Expert RA)

http://www.mrsk-sk.ru/press_center/company_news/detail.php?ID=7211

The 2012 annual report took 1st place in the category "Best issuer's annual report in the Northern Caucasus Federal District" (results of the XVI Annual Federal Contest of annual reports and sites, organized by "Securities Market" journal, INVESTOR.RU social network, Bank of Russia)

http://www.mrsk-sk.ru/press_center/company_news/detail.php?ID=7208

Obtained results:

- a switch to integrated reporting (based on international Sustainability Reporting Guidelines (GRI) that shows interdependence of financial indicators and social responsibility indicators);
- showed the company's long-term economic value

Other important corporate events in 2013

Corporate governance and interaction with shareholders	
March 15	An extraordinary General Meeting of Shareholders took place A decision was made to increase the registered capital http://www.mrsk-sk.ru/press_center/company_news/detail.php?ID=5475
June 14	Oleg Mikhailovich Budargin was elected General Director of Rosseti, OJSC A corresponding decision was made by the Board of Directors of Rosseti, OJSC. http://www.rosseti.ru/press/news/index.php?ELEMENT_ID=12592
June 19	An annual General Meeting of Shareholders took place Decisions were made to elect the members of the Board of Directors and the Revision Commission and to pay dividends for 2012, and the annual accounting reports, the annual report and the auditor were approved. http://www.mrsk-sk.ru/press_center/company_news/detail.php?ID=6039
July 15	Vladimir Semenovich Shukshin was elected Chairman of the Board of Directors of IDGC of Northern Caucasus V. S. Shukshin was elected Chairman of the Board of Directors for the second time. He took over the leadership of the elective body in September 2012 for the first time. http://www.mrsk-sk.ru/press_center/company_news/detail.php?ID=6229
May 30	An additional issue of shares of IDGC of Northern Caucasus, OJSC was registered by the Federal Service for Financial Markets FSFM of Russia registered an additional issue of shares of IDGC of Northern Caucasus, OJSC in the quantity of 125,722,698. http://www.mrsk-sk.ru/press_center/company_news/detail.php?ID=5938
June 7 – October 7	Placement of additional ordinary shares of IDGC of Northern Caucasus, OJSC 98,469,787 shares were placed. 2.5 billion rubles was brought in for the purposes of taking measures to reduce power losses in grids.
Strategic planning	
December 23	The investment program of IDGC of Northern Caucasus, OJSC will make up 2.4 billion rubles in 2014. A business plan, including the 2014 investment program, was approved at the meeting of the Board of Directors of IDGC of Northern Caucasus, OJSC. http://www.mrsk-sk.ru/press_center/company_news/detail.php?ID=7546
April 22	Rosseti and the Republic of Ingushetia will develop the republic's power distribution grid under a concluded Agreement O. M. Budargin, Chairman of the Administrative Board of FGC UES, OJSC, and Y-B.B. Evkurov, the Head of the Republic of Ingushetia, signed an Agreement in the city of Magas on actions aimed at tightening payment discipline, ensuring reliable power supply and developing the region's power distribution grid. http://www.mrsk-sk.ru/press_center/company_news/detail.php?ID=5632
Operational activity	
May 1	Start of the operational activity of the Ingushetia subsidiary From 2006 up to the specified period of time, the grid property of the Ingushetia subsidiary of IDGC of Northern Caucasus, OJSC was rented by Ingushenergoset, OJSC. In April the agreement was terminated by agreement of the parties.
October 1	Chechenenergo company, operated by IDGC of Northern Caucasus, OJSC, started its operational activity Reformation of the power industry was completed in the territory of the Chechen Republic, as a

	<p>result of which Chechenenergo OJSC will be responsible for electrical energy transmission, and the functions of the energy supply company will lie with Nurenergo, OJSC, which earlier combined the transportation and retailing functions.</p> <p>http://www.mrsk-sk.ru/press_center/company_news/detail.php?ID=6899</p>
	<p>New appointments</p>
since May 1	<p>The energy supply companies of the Northern Caucasus were headed by Sergey Vitalievich Cheremisinov</p> <p>S. V. Cheremisinov was appointed Acting General Director of guaranteeing power suppliers in the Northern Caucasus Federal District and the Republic of Kalmykia (included in the Rosseti group of companies).</p> <p>http://www.mrsk-sk.ru/press_center/company_news/detail.php?ID=5695</p>
since November 30	<p>Artur Magometovich Aushev was appointed Acting General Director of guaranteeing power suppliers in the Northern Caucasus Federal District and the Republic of Kalmykia (appointed General Director as of December 20, 2013).</p> <p>http://www.mrsk-sk.ru/press_center/company_news/detail.php?ID=7126</p>
	<p>Development of customer-oriented approach</p>
August	<p>The Consumer Council of Services was established</p> <p>The goal is to create an institution for public control over the implementation process for the power distribution grid development strategy by IDGC of Northern Caucasus, OJSC, including an increase in the accessibility of power infrastructure, the efficiency of operational and investment activity, a customer-oriented approach and social responsibility, and informational openness, as well as the establishment of an institution for public control.</p> <p>http://www.mrsk-sk.ru/press_center/company_news/detail.php?ID=6343</p>

Internal control and risk management system model

The Internal Control and Risk Management System (ICRMS) of IDGC of Northern Caucasus, OJSC is an element of the corporate governance system, encompassing the entire range of control procedures, methods and mechanisms developed by the Board of Directors, Revision Commission, executive management bodies, leadership and all employees of IDGC of Northern Caucasus, OJSC, aimed at ensuring reasonable guarantees for goal achievement in the following areas:

efficiency and effectiveness of activity organization;

adherence to requirements of legislation applicable to the activity of IDGC of Northern Caucasus, OJSC, as well as the requirements of local regulatory acts of IDGC of Northern Caucasus, OJSC;

prevention of unlawful actions by the employees of IDGC of Northern Caucasus, OJSC and third persons in relation to the assets of IDGC of Northern Caucasus, OJSC;

veracity, completeness and timeliness of preparation of all types of reports.

The Board of Directors of IDGC of Northern Caucasus, OJSC approved a number of regulations for the purpose of developing the ICRMS:

Risk Management Policy of IDGC of Northern Caucasus, OJSC;

Internal Control Policy of IDGC of Northern Caucasus, OJSC.

The ICRMS is being improved at all management levels within IDGC of Northern Caucasus, OJSC in the following control areas:

Preventive control which includes the following:

construction and optimization of processes (areas of activity) with alignment of the minimum required control procedures developed, with consideration of expenses for their realization and effect from their implementation;

formalization (regulation) of activity – the processes of IDGC of Northern Caucasus, OJSC are described in internal documents; the participants, their powers and liability are recorded in documents; control points and events are identified;

risk management measures – IDGC of Northern Caucasus, OJSC ensures monitoring, identification and evaluation of risks, development and implementation of risk management measures.

Ongoing control which includes the following:

execution of control procedures by process owners (heads of subdivisions) and the employees of IDGC of Northern Caucasus, OJSC within the framework of performing their principal functional responsibilities;

control over the achievement of qualitative and quantitative indicators of activity by IDGC of Northern Caucasus, OJSC and certain areas of activity (monitoring the efficiency of current processes). Corrective actions are performed following the monitoring.

Follow-up control which includes the following:

internal audit – performed through conducting:

reviews of structural subdivisions, processes, projects and areas of activity in the Company;

evaluation of reliability and efficiency of the functioning of the Company's internal control system;

participation in internal investigations following abuse (fraud), infliction of harm to IDGC of Northern Caucasus, OJSC and inappropriate and inefficient use of resources;

external audit – performed by the external auditor of IDGC of Northern Caucasus, OJSC by conducting audits of the annual reports of IDGC of Northern Caucasus, OJSC in accordance with RAS and evaluation of the state of the Company's internal control system;

audits – performed by the Revision Commission of IDGC of Northern Caucasus, OJSC by monitoring the financial and economic activity of IDGC of Northern Caucasus, OJSC for compliance with RF legislation and the Company's Charter and internal documents;

self-evaluation – performed by the heads of structural subdivisions or the top executives of IDGC of Northern Caucasus, OJSC by evaluating the reliability and efficiency of the functioning of the internal control system in the areas of activity (processes) supervised by them, including evaluation of efficiency, cost effectiveness and effectiveness of supervised processes and adherence to applicable requirements of laws and internal documents of IDGC of Northern Caucasus, OJSC.

Participants of the internal control system include:

The Board of Directors of IDGC of Northern Caucasus, OJSC and its committees;

Revision Commission of IDGC of Northern Caucasus, OJSC;

Sole executive body (General Director) of IDGC of Northern Caucasus, OJSC;

Collegial consulting and advisory bodies established by the sole executive body of IDGC of Northern Caucasus, OJSC to perform particular functions (committees, commissions, etc.);

Heads of blocks and structural subdivisions of IDGC of Northern Caucasus, OJSC;

Employees of the Company's structural subdivisions that perform control procedures as part of their work duties;

Internal Control and Risk Management Service (ICRMS) responsible for realizing the function of internal audit, internal control and risk management.

Powers and responsibility of the main participants of the internal control system:

The competence of the Board of Directors of IDGC of Northern Caucasus, OJSC, within the framework of the internal control system, includes ensuring the creation, control over functioning and determination of the general strategy of internal control system development in IDGC of Northern Caucasus, OJSC.

The competence of the Revision Commission of IDGC of Northern Caucasus, OJSC includes:

control over the financial and economic activity of IDGC of Northern Caucasus, OJSC;

ensuring supervision over compliance of the financial and economic operations performed by IDGC of Northern Caucasus, OJSC with the laws of the Russian Federation and the Company's Charter;

independent evaluation of information about the financial status of IDGC of Northern Caucasus, OJSC;

confirmation of veracity of the data contained in reports and other financial documents of IDGC of Northern Caucasus, OJSC.

The Auditing Committee of the Board of Directors of IDGC of Northern Caucasus, OJSC does the following as part of the internal control system:

ensures the process of an auditor (auditors) selection and their evaluation;

ensures the evaluation of the veracity of the financial reports of IDGC of Northern Caucasus, OJSC (including the external auditor's opinion);

evaluates the external auditor's opinion;

evaluates the efficiency of the internal control system, prepares proposals for its improvement.

The General Director of IDGC of Northern Caucasus, OJSC does the following as part of the internal control system:

ensures the creation and daily functioning of an efficient and reliable internal control system in IDGC of Northern Caucasus, OJSC;

presents proposals related to improvement of the internal control system to the Board of Directors for consideration.

Heads of blocks and structural subdivisions of IDGC of Northern Caucasus, OJSC do the following as part of the internal control system:

ensure implementation of the internal control system principles;

organize an efficient control environment for supervised processes (areas of activity);

are responsible for the efficient achievement of operational goals of the supervised processes (areas of activity);

ensure regulation of supervised processes (areas of activity);

evaluate the supervised processes (areas of activity) in terms of the need for their optimization to increase the efficiency and comply with the changing conditions of the external and internal environment and organize development of proposals to improve control procedures;

ensure the elimination of detected faults in control procedures and the control environment of processes;

manage the risks of supervised processes (areas of activity) and organize performance of control procedures.

Employees of the structural subdivisions of IDGC of Northern Caucasus, OJSC who perform control procedures as part of their work duties:

perform control procedures as part of internal control system functioning in accordance with employment instructions and the established regulating documents;

ensure monitoring of control procedure execution;

perform a self-evaluation of the efficiency of the performed control procedures and take part in internal control system improvement;

ensure the timely informing of direct managers about cases when the execution of control procedures and risk management measures become impossible for any reason and/or a change is required in the design of control procedures/risk management measures in connection with changes in internal and/or external conditions of functioning of IDGC of Northern Caucasus, OJSC, including ensuring the development and submission of proposals on the implementation of control procedures and risk management measures in the relevant spheres of activity to top executives for consideration.

ICRMS, responsible for implementing the function of the internal audit, internal control and risk management, performs:

Preventive control by performing the following functions:

Implementation of policies, standards and procedures related to building up the internal control and risk management system:

ensuring the development and improvement of the internal control system in IDGC of Northern Caucasus, OJSC, control over the activity of structural subdivisions and subsidiaries of IDGC of Northern Caucasus, OJSC in the sphere of development and improvement of the internal control and risk management system;

implementation of a single methodology and regulation of activity related to the development and improvement of a risk-oriented internal control system, performance of internal audit standardization in IDGC of Northern Caucasus, OJSC, unification of the activity of revision commissions of subsidiaries and dependent organizations;

coordination of activities related to the support and monitoring of the target state of the internal control and risk management system;

disclosure of information about the state of the internal control and risk management system for external users.

Risk management organization:

organization and coordination of activities related to risk detection, evaluation and management;

evaluation of sufficiency and efficiency of risk management measures, control over the execution of plans for risk management measures;

giving of recommendations to risk owners and top executives concerning risk management issues and the effectiveness of measures taken;

consideration and approval of risk management measures and a strategy of response to external threats by the executive management bodies of IDGC of Northern Caucasus, OJSC;

provision of information to the management bodies of IDGC of Northern Caucasus, OJSC about the results of risk management, tendencies and condition of the risk management system.

Assistance in the construction of efficient processes, including assistance to top executives in the building of a control environment, elaboration of recommendations related to the description and implementation of control procedures into processes and assignment of responsibility to officials.

Ongoing control by performance of the following functions:

Monitoring of internal control measures and procedures performance in IDGC of Northern Caucasus, OJSC;

Conducting of additional procedures of ongoing control in key and high-risk processes (finances, investments, purchases, activity related to power transportation and technological connection, etc.) through participating in working groups, commissions, and collegial bodies, ensuring an analysis is conducted, giving findings and preparing expert opinions (with consideration for the need to keep a balance of participation in current control and independence during follow-up control);

Organization of efficient interaction and support of the activity of the Revision Commission of IDGC of Northern Caucasus, OJSC:

organization of interaction with the Revision Commission of IDGC of Northern Caucasus, OJSC;

organizational support of the activity of the Revision Commission of IDGC of Northern Caucasus, OJSC;

organization of the development of corrective measures following the audits of IDGC of Northern Caucasus, OJSC, aimed at eliminating faults and implementing recommendations given by the Company's Revision Commission, control over their execution.

Interaction with state regulatory authorities on internal control matters:

organization of ensuring compliance with the requirements of the state control authorities for the internal control system;

ensuring interaction with state regulatory authorities during performance of control measures;

coordination of activity related to the development of corrective measures aimed at eliminating faults and implementing recommendations and instructions given by state regulatory authorities, control over their execution;

Interaction with the external auditor of IDGC of Northern Caucasus, OJSC on the matters of evaluating the efficiency of the internal control and risk management system:

assistance and provision of information about the state of the internal control system in the Company;

agreement on the conclusions of external auditors about the state of the internal control and risk management system;

evaluation of the external auditor's work quality, preparation of an opinion following the results of this evaluation and bringing it to the attention of interested parties.

Interaction with the Auditing Commission of the Board of Directors of IDGC of Northern Caucasus, OJSC:

interaction with the Auditing Commission of the Board of Directors of IDGC of Northern Caucasus, OJSC on the matters of internal control and risk management, as well as the internal audit:

ensuring the maximally efficient implementation of the Auditing Commission's functions. Preliminary analysis of all materials brought for the consideration of the Auditing Commission of the Board of Directors of IDGC of Northern Caucasus, OJSC, in terms of complete disclosure and objectivity of information;

Preparation of expert opinions, conclusions and proposals on the materials brought for the consideration of the top executives and management bodies of IDGC of Northern Caucasus, OJSC on matters related to the competence of ICRMS, responsible for realizing the function of the internal audit, internal control and risk management.

Follow-up control by performance of the following functions:

Ensuring the efficient functioning of the internal audit:

planning, organization and conducting of internal audits of structural subdivisions, subsidiaries, processes, projects and areas of activity;

elaboration of recommendations for an increase in the efficiency and effectiveness of the activity, an improvement in corporate management, and the efficiency of internal controls and risk management processes following internal audits and evaluations;

evaluation of reliability and efficiency of the functioning of the internal control and risk management system;

participation in internal investigations following abuse (fraud), infliction of harm, inappropriate and inefficient use of resources;

follow-up control and control over implementation of corrective measures following the internal audit;

provision of information to the management bodies about the results of the audit and the state of the internal control and risk management system, main tendencies and changes in activity, submission of proposals related to increasing the efficiency of activity;

Organization and coordination of the activity of revision commissions of subsidiaries and dependent organizations, as well as post-control and control over the elimination of violations and faults detected in the course of audits, performance of recommendations and instructions of revision commissions by the subsidiaries and dependent organizations.

Main risk factors

The activity of IDGC of Northern Caucasus, OJSC bears risks that investors should take into consideration. The risk factors we consider to be the most important at this time are described below.

Country and regional risks

Country and regional risks are chiefly attributable to macroeconomic factors existing on a global, national, and regional level. These factors can negatively affect capital raising opportunities, liquidity indicators, investment and operational effectiveness and, eventually, the shareholders' value of IDGC of Northern Caucasus, OJSC. Moreover, crisis phenomena occurring in the global economy adversely affect industrial output and electricity consumption volumes, reducing the Company's proceeds.

The ongoing world financial crisis is the key macroeconomic risk factor influencing the key indicators of commodity and financial markets: fuel, energy and other raw material prices, capital value, world currency rates, inflation.

The economy of Russia, as of other BRICS countries, is developing and therefore sensitive to global crisis phenomena. This is due to its dependency on energy prices, low volumes and volatility of the Russian financial market, and the transient state of the national banking system.

Seeking to minimize the macroeconomic risk implications, IDGC of Northern Caucasus, OJSC is implementing a set of measures to optimize the percentage of borrowings in the overall capital structure and improve the efficiency of IDGC of Northern Caucasus, OJSC's operating and investment costs.

Industry risks

The core activities of IDGC of Northern Caucasus, OJSC, electricity transmission and technical connection services, are regulated by the state.

The tariff regulation policy is aimed at containing electricity tariff growth, which can result in reduced tariff sources for IDGC of Northern Caucasus, OJSC to carry out investment and operational activities.

In minimizing the afore-mentioned risks, IDGC of Northern Caucasus, OJSC pursues a balanced policy to improve the efficiency of its investment and operational activities while reducing expenses and planning the structure of funding sources in the best possible way.

One of the regulation-related risk factors, the imperfection of functioning mechanisms on the retail electricity market, leads to differences between electricity grid and energy supply companies regarding electricity and power consumptions applied in tariff computations. This results in disputable and overdue receivables for electricity transmission services rendered by IDGC of Northern Caucasus, OJSC, which decreases the liquidity and financial stability of IDGC of Northern Caucasus, OJSC. IDGC of Northern Caucasus, OJSC is implementing measures to remove causes of conflicts with consumers, reduce disputable and overdue accounts receivable, and interact with federal authorities in preparing amendments to retail market rules, establishing judicial practices and setting positive precedents. Furthermore, IDGC of Northern Caucasus, OJSC is implementing a program for the future development of electricity accounting systems on the retail electricity market, as was approved by the Company's Board of Directors.

The transition to return on investment (RAB) regulation presents a number of risks for IDGC of Northern Caucasus, OJSC. The following are of special note:

regulators might challenge the initial invested capital base as assessed by independent evaluators;

losses might occur due to an incorrectly predicted structure of electricity transmission by voltage level and overestimated committed capacity against actual capacity, taken into account while making tariff-balance decisions;

income deferred as a result of smoothing might be lost (when determining planned parameter values for RAB tariff computation, energy regulators may redistribute required gross proceeds over years within the same long-range period up to a maximum of 12% of the RGP base value).

To reduce such risks, IDGC of Northern Caucasus, OJSC enters into agreements with energy regulators, determining volumes and sources of finance for investment activity within long-term regional development programs. Agreements are basically aimed at eliminating subjectivity when making tariff-balance decisions by developing and implementing a cost management program, including by implementing the Russian President's commission to reduce expenses for the purchase of goods (work/services) per unit of production by at least 10% annually for three years in real terms at 2010 prices.

Another regulation-related risk borne by IDGC of Northern Caucasus, OJSC is the one of decreasing demand for technical connection and electricity transmission services as compared to target volumes, taken into account by regional bodies when making tariff-balance decisions. To reduce this risk, IDGC of Northern Caucasus, OJSC continues to monitor requests and use them as the basis for predicting productive electricity supply and demand for technical connection services in the following year, and make timely requests for regulatory bodies to set fees for technical connections on individual projects.

At the same time, there is an increased risk of inability to satisfy all technical connection requests in a timely manner because of the large volume, which can adversely affect proceeds and also cause anti-monopoly infringement in electricity transmission and technical connection services. To solve this problem, IDGC of Northern Caucasus, OJSC is improving its business process related to handling technical connection requests from consumers. In the meantime, IDGC of Northern Caucasus, OJSC seeks to raise awareness of technical connection services among consumers, including public placement of information on services provided and the creation of Customer Service Centers, and it also takes measures to increase the accessibility of the technical connection procedure.

Financial risks

Acting within the planned financial and economic model, IDGC of Northern Caucasus, OJSC faces factors that can lead to a shortage of funds for investment and operational activities.

The most significant financial risk factors are related to the imperfection of functioning mechanisms on the retail electricity market and have been explained under the Industry Risks section. There are some risk factors, however, that potentially affect financial and economic performance.

Inflation Risks

Adversely affecting the financial and economic activities of IDGC of Northern Caucasus, OJSC, inflation can lead to losses in the real value of accounts receivable, an increase in interest payable on capital loans, and an increase in the cost of construction under the investment program.

The current inflation rate has no material effect on the financial position of IDGC of Northern Caucasus, OJSC. Based on the plans of the Russian Central Bank to control inflation and its near-term forecasts, the inflation should not significantly affect the financial performance of IDGC of Northern Caucasus, OJSC.

Currency risks

An adverse change in the exchanges rates of foreign currencies to the ruble could affect the operational and investment performance of IDGC of Northern Caucasus, OJSC.

Currency risks have no material effect on IDGC of Northern Caucasus, OJSC because settlements with contractors are made in the Russian currency only. However, since the range of goods and equipment purchased by IDGC of Northern Caucasus, OJSC includes imported components, a substantial increase in the currency rate could result in higher prices for purchased products. It is therefore the policy of IDGC of Northern Caucasus, OJSC to focus on import substitution, which does not lead to an increase in prices for purchased products.

Interest rate risks

The dynamics of change in the refinancing rate of the Russian Central Bank reflects the current macroeconomic situation in the economy and influences the cost of attracting credit resources. A rise in respective credit rates could result in an unplanned increase in expenses for the debt servicing of IDGC of Northern Caucasus, OJSC.

To reduce its interest rate risk, IDGC of Northern Caucasus, OJSC pursues a balanced credit policy aimed at optimizing the credit portfolio structure and minimizing debt servicing expenses.

Liquidity risks

The activities of IDGC of Northern Caucasus, OJSC are exposed to risk factors that could lead to a reduction in liquidity and financial stability. The cross-subsidization between consumer groups and the low payment discipline on the retail electricity market are the most significant factors.

The cross-subsidization resulted from the policy implemented by regional authorities and aimed at controlling tariffs for certain consumer groups (public, agricultural and budgetary consumers, etc.).

The 2013 total accounts receivable of IDGC of Northern Caucasus, OJSC grew by 29% as compared to 2012. The overdue receivables grew by 67% over the year. The lack of effective enforcement mechanisms to apply to defaulters and differences in announced power distribution capacities occurring in settlements with guaranteeing suppliers were the key contributors to the low payment discipline, which led to a significant increase in accounts receivable.

In case of occurrence of the afore-mentioned risks, IDGC of Northern Caucasus, OJSC can become unable to meet financial and other restrictive covenants, set forth in credit contracts, such as debt to EBITDA ratio, debt to equity ratio, current liquidity ratio, and net asset value.

Seeking to minimize this risk factor, IDGC of Northern Caucasus, OJSC monitors the capital structure and determines optimal borrowing parameters and also takes measures to reduce cross-subsidization and optimize the working capital structure.

Operational risks

IDGC of Northern Caucasus, OJSC continues its activities in the republics of the Northern Caucasus Federal District. Below are negative factors influencing the performance and development of the energy industry in the Northern Caucasus: large-scale industry is weakly developed, the republics depend on federal subsidies, socio-economic tensions, specific geography and climate of the region. Emergencies are likely to occur as a result of natural disasters (hurricanes, shower and ice rains, floods, snow slips, etc.), which could lead to system discrepancies in performance and efficiency of distribution electricity grid equipment and to failures in energy supply to the consumers of IDGC of Northern Caucasus, OJSC.

Operational and technological risks influencing energy supply reliability are chiefly related to

depreciation and obsolescence of power grid assets and failure to meet operating conditions and operating modes of power grid equipment or to implement a repair plan as required. Other operational and technological risk factors include:

natural and human-made emergencies;

reduced efficiency of the asset management system of IDGC of Northern Caucasus, OJSC (a shift in operational reliability priorities, incorrect ranking of repairable assets);

transition to operation with forced allowable power flows;

factors related to equipment operation including maximum deviations from regulatory and technical requirements, personnel errors, and dispatch schedule and discipline violations.

The afore-mentioned risks could have substantial economic and reputation ramifications. Moreover, said risk factors influence losses in power grids, increasing the expenses of IDGC of Northern Caucasus, OJSC for the purchase of electric energy to compensate for losses.

To help decrease the probability of operational and technological risks, IDGC of Northern Caucasus, OJSC is carrying out activities aimed at improving power supply reliability and avoiding technological disturbances, including:

clearing and expanding 0.4 to 220 kV line routes;

reconstructing electricity grid facilities;

expanding the fleet of redundant power supply units, motor vehicles, and special machines for remedial operations;

an integrated renovation program for power grid assets;

renovating switchgear equipment and telemetry systems;

improving data acquisition and transmission systems and disturbance analysis and prediction systems, and integrating an automated asset management system for remedial operations;

improving the emergency stock management system for remedial operations;

increasing the number of mobile emergency response teams and improving the quality of manning;

a program for reducing injury risks at power grid facilities;

training, supervision and certification of personnel engaged in process equipment operation.

In addition, to further minimize operational and technological risks, the Board of Directors of Rosseti, OJSC approved a Regulation (Minutes No. 138 of Oct. 23, 2013) regarding the unified technical policy of Rosseti, OJSC for the distribution grid. A corresponding unified technological policy for the power distribution grid was approved by the Board of Directors of IDGC of Northern Caucasus, OJSC (Minutes No. 152 of Dec. 28, 2013).

IDGC of Northern Caucasus, OJSC is also integrating a production asset management system based on essential equipment conditioning with further registration of the state of assets and their importance for consumers.

Investment (project) risks

IDGC of Northern Caucasus, OJSC actively invests in renovating and expanding its grid infrastructure, facing the risk of capital investment depreciation and efficiency reduction when implementing investment, innovation development and R&D programs.

The development investment programs require significant internal and external funds under conditions meeting RAB regulation parameters, which is an investment risk factor.

Even though sufficient financial resources were available to implement the investment program, the assimilation schedule could still be violated and the start-up of IDGC of Northern Caucasus, OJSC investment program facilities could be delayed, including due to contractors' or suppliers' failure to perform their obligations or perform the same in a timely manner.

Resolution No. 159 of Feb. 27, 2013, made by the Russian Government, "On Amending the Rules for Approving Investment Programs of Power Industry Entities with Government Participation and Grid Organizations," was meant to exclude facilities, not included in land-use planning documents, from the investment program of IDGC of Northern Caucasus, OJSC, and as a consequence, there is a risk that the construction-in-progress volume might increase.

To reduce this risk, IDGC of Northern Caucasus, OJSC considers the following key performance criteria while developing investment programs: improved availability of grid infrastructure, reduced depreciation and renovated power grid facilities, high utilization of commissioned capacities.

While developing an investment program, it is also essential to bring investment projects into agreement with local and regional development plans. IDGC of Northern Caucasus, OJSC is also monitoring the implementation and financing of the investment program and conducting cause analyses to find out why actual implementation parameters deviate from the target ones.

IDGC of Northern Caucasus, OJSC integrated and is improving a construction management system for major investment projects. The system enables efficient management of construction processes and prompt interaction across the teams of IDGC of Northern Caucasus, OJSC, as well as contractor organizations, by switching to a three-level management system for the Company's major investment projects. This management system will help improve the management quality and responsibility for implementing major investment projects, reduce risks related to construction period extensions, and minimize risks of failure to meet the targets of IDGC of Northern Caucasus, OJSC's investment program.

Compliance risks

Frequent changes in Russian legislation in the context of state regulation of the industry and a variety of regulatory requirements and restrictions contribute to the risk related to IDGC of Northern Caucasus, OJSC's failure to comply with legislation and other legal acts, requirements of regulatory and supervisory bodies or local documents of IDGC of Northern Caucasus, OJSC, determining its internal policies, rules and procedures (compliance risk).

The activities of IDGC of Northern Caucasus, OJSC are regulated and supervised by various authorities such as the Federal Anti-Monopoly Service, Federal Tariff Service, Bank of Russia, Federal Tax Service, Ministry of Energy, Federal Service for Ecological, Technological and Nuclear Supervision, Account Chamber of the Russian Federation, etc. Furthermore, as a company with indirect state participation through Rosseti, OJSC, IDGC of Northern Caucasus, OJSC fulfills a number of commissions from the Russian President and Government. Compliance risk factors are therefore particularly important.

Being a natural monopoly holder, IDGC of Northern Caucasus, OJSC is exposed to the risk that it may be deemed in breach of anti-monopoly legislation as regards technical connection services, disclosure of information on services rendered, and procurement activities. This risk is reduced by ensuring that consumer requests and applications are promptly handled and by clearly prescribing and ensuring prompt disclosure of information in accordance with the legislation of the Russian Federation.

The Bank of Russia regulates and supervises the activities of IDGC of Northern Caucasus, OJSC to the extent of compliance with securities laws, including disclosure of material facts that could affect the value of securities, and measures against misuse of insider information.

The Account Chamber of the Russian Federation is statutorily responsible for ensuring and verifying that federal budget expenditures are utilized in a timely manner and evaluating whether the use of public funds and federal properties is efficient and practicable.

Changes in tax laws concerning an increase in rates or a change to tax calculation procedures can result in lower profitability indicators and a higher tax burden for IDGC of Northern Caucasus, OJSC.

IDGC of Northern Caucasus, OJSC owns, holds by lease, or has the perpetual right to use most of the land plots where distribution assets are located. It has not, however, registered rights to some of the plots as required by legislation. Legislation also requires that the perpetual use rights to ownership or leasehold be re-registered until January 1, 2015.

To minimize the said factor, IDGC of Northern Caucasus, OJSC is implementing a program to re-register the perpetual use rights and taking measures to improve compliance control. IDGC of Northern Caucasus, OJSC has approved local documents aimed at making the Company's financial and economic activities more efficient and transparent, and preventing corruption. It is also monitoring changes to existing legislation, affecting various aspects of the financial and economic activities of IDGC of Northern Caucasus, OJSC.

Statutory insider information requirements apply to IDGC of Northern Caucasus, OJSC as an issuer to the extent that IDGC of Northern Caucasus, OJSC trades its financial instruments at Russian trading facilities: MICEX – RTS (shares). There are three areas of compliance control exercised in IDGC of Northern Caucasus, OJSC with regard to insider information in pursuance of IDGC of Northern Caucasus, OJSC's internal control policy and for the purpose of law enforcement: preventive, ongoing and follow-up control.

In establishing preventive compliance control procedures, the Board of Directors of IDGC of Northern Caucasus, OJSC approved the Resolution on Insider Information of IDGC of Northern Caucasus, OJSC (Minutes No. 135 of June 20, 2013), meeting the requirements of Federal Law No. 224-FZ of July 27, 2010, "On Measures against Misuse of Insider Information and Market Manipulation and on Making Amendments to Individual Laws of the Russian Federation." As a result, the following procedures were established:

Setting rules for making the insider list of IDGC of Northern Caucasus, OJSC;

Making the insider information list of IDGC of Northern Caucasus, OJSC;

setting rules for circulating insider information;

setting rules for making transactions with insider financial instruments of IDGC of Northern Caucasus, OJSC;

making insider information confidentiality agreements and addenda to labor contracts with the insiders of IDGC of Northern Caucasus, OJSC.

In addition, to improve preventive control, the Board of Directors of IDGC of Northern Caucasus, OJSC approved the Corporate Ethics Code (Minutes No. 127 of March 15, 2013), governing corporate responsibility and the insider code of conduct.

The ongoing compliance control in IDGC of Northern Caucasus, OJSC includes the following control procedures:

maintaining an insider list;

keeping records of notifications on additions to or removals from the insider list and on securities transactions made by insiders of IDGC of Northern Caucasus, OJSC;

enforcing rules for making transactions with insider financial instruments based on information (notifications) on transactions made by insiders of IDGC of Northern Caucasus, OJSC;

enforcing insider information laws within pre-contract preparations.

The follow-up compliance control includes analyzing:

price trends for the financial instruments of IDGC of Northern Caucasus, OJSC on organized markets;

the influence of the news background on price trends of financial instruments;

transactions with the securities of IDGC of Northern Caucasus, OJSC, declared in notifications sent by insiders to the Company;

information on transactions made by shareholders from the securities registrar.

Shareholder value risks (corporate risks)

The possibilities to manage the growth and profitability of IDGC of Northern Caucasus, OJSC are realized as part of the strategy. The Company's shareholder value is influenced by both internal and external factors.

Seeking to minimize the afore-mentioned risks, IDGC of Northern Caucasus, OJSC, relying on the Corporate Ethics Code approved by the Board of Directors (Minutes No. 127 of March 15, 2013), is making efforts to achieve the balance of interests of its shareholders and to observe and protect the rights guaranteed to all shareholders by Russian law.

Priority activities

A report on the results and plans of development of IDGC of Northern Caucasus, OJSC for priority activities is presented in different sections of the Annual Report. Below is a guide for users' convenience.

Implementation of measures for the transition to tariff regulation using the return on investment (RAB) method

See Tariff policy

Personnel potential development

See Personnel training and development

Implementation of measures for registering ownership of real properties and land plots

See Fixed assets

Reduction of power losses in grids and accounting system development

See Production report

Maintenance of the specified reliability and quality of rendered services

See Tariff policy, Interaction with Customers, Enhancement of electricity grid reliability.

Transition to innovation development

See Innovation development

Implementation of measures for reducing overdue receivables for electricity transmission services and dispute resolution

See Settlements with consumers

Consolidation of the electricity grid assets of IDGC of Northern Caucasus, OJSC

See 2013 Achievements, Settlements with consumers

Introduction of a construction management system for major investment projects

See Investment activity

Introduction of a production asset management system

See Investment activity

Implementation of the Information Technology, Automation and Telecommunications Strategy of IDGC of Northern Caucasus, OJSC for the period up to 2016

See Information Technologies and Telecommunications

Smart Grid creation and Smart City construction

See Contribution to the regional economy's development

Development of telecommunications

See Information Technologies and Telecommunications

2. Value creation for stakeholders. State and region

Key events in the country and region in 2013

Economy: search for growth catalysts

from September 1 – creation of a megaregulator on financial markets – the powers of the Federal Service for Financial Markets were transferred to the Bank of Russia

November 18 – RF State Duma approved stronger penalty for electricity stealing

December 2 – RF President V. V. Putin signed a law on the federal budget for 2014 and the scheduled period of 2015 and 2016. The RF budget deficit in 2014 is planned to reach the level of 389.6 billion rubles (0.5% GDP), and the revenue in 2014 will make up 13.6 trillion rubles. The budget was formed on the basis of the average annual oil price of 93 dollars a barrel.

December 23 – the State Duma adopted laws on pension reform that establish a new procedure of charging pensions from the beginning of 2015 (the 2014 pension savings will be transferred to the distribution system)

December 26 – the Concept of the "South of Russia (2014-2020)" federal target program was approved

Demography: personnel crisis expectations, a need for strengthening the staff potential

In 2013 Russia achieved natural population growth for the first time since 1991. Birth rate exceeded the population mortality by 23 thousand persons (0.016% of the total population). However, a personnel crisis is possible in connection with the demographic gap of the 1990s.

Structure of the industry: establishment of Russian Grids Open Joint-Stock Company

April 4 – changes were registered in the Charter of IDGC Holding, OJSC, related to changing the name to Rosseti, OJSC.

Tariff solutions: tariff growth is still being contained by the optimization of internal processes

February 26 – a decision by RF President V. V. Putin (as part of a working meeting) to determine "economically justifiable and socially just payment growth" in 2013, which should not exceed 6%.

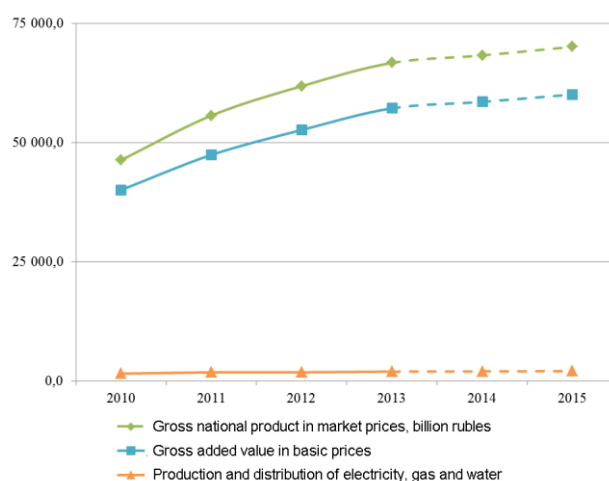
June 21 – following the Petersburg International Economic Forum, RF President V. V. Putin signed a list of instructions that touched upon, among other things, five-year limitations of natural monopolies tariff growth (starting from 2014)

November 6 – RF President V. V. Putin signed a law on "last mile" liquidation. The document specifies that termination of the "last mile" mechanism, which took effect earlier from January 1, 2014, does not extend to a number of RF constituents

November 19 – Chairman of RF Government, D. A. Medvedev, approved an Action Plan to reduce the end value of goods and services of infrastructural companies while preserving their financial stability and investment attractiveness

Macroeconomic development factors

1. Slowdown of economic growth: search for sources

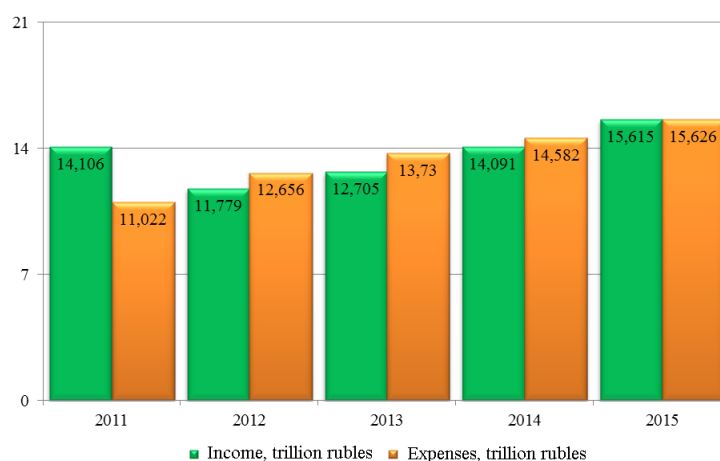


Indicator	2010.	2011.	2012.	2013.	Forecast	
					2014.	2015.
Gross national product at market prices, billion rubles	46,308.5	55,644.0	61,810.8	66,689.1	68,256.3	70,065.1
Gross value added at basic prices	40,040.1	47,395.7	52,620.2	57,166.5	58,509.9	60,060.4
Generation and distribution of electricity, gas and water	1,527.1	1,800.0	1,811.1	1,956.5	2,002.5	2,055.5
Net taxes on products	6,268.5	8,248.3	9,190.7	9,522.6	-	-

Source: Rosstat

Weak GDP growth in 2013 was conditioned by both internal and external causes. The main external cause is the recession in the euro-zone, and internal limitations include, first of all, low investment dynamics.

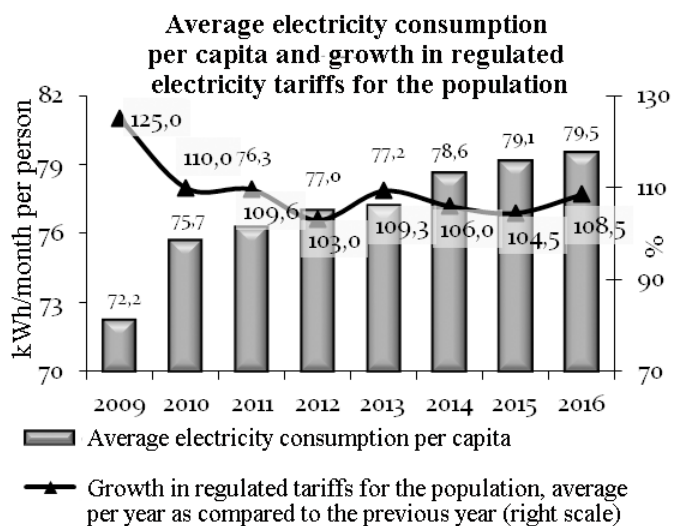
Key federal budget indicators



We recognize our role as an infrastructural company. In the conditions of slowed Russian economic growth and exhaustion of the raw materials model of the Russian economy, the power industry, being a strategic one, can and should become a source of economic recovery. In the North Caucasian region, this mission lies with IDGC of Northern Caucasus, OJSC. As an infrastructural company, IDGC of Northern Caucasus, OJSC should develop at an accelerated pace. We are sure that IDGC of Northern Caucasus, OJSC of tomorrow is a company that should not only successfully meet today's challenges but also efficiently "absorb" changes and transform the trends of the future, gaining and contributing to the welfare of the population, business and state.

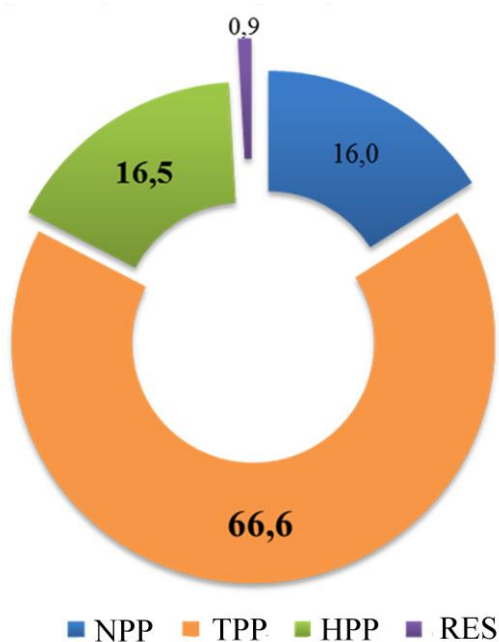
2. Slowing pace of power consumption growth due to reduced production volumes: the solution lies in energy efficiency

The 2013 industrial production index amounted to 100.8% as compared to 2012. The production index related to the activity "Production and distribution of electricity, gas and water" amounted to 100.8% as compared to 2012.



Source: RF Ministry of Economic Development

Structure of power generation in Russia in 2013, %



Subjects of generation	2012	2013	Comparison, %
Nuclear power stations	16.6%	16.0%	-3.6.
Thermal power stations	67.1%	66.6%	-0.7.
Hydroelectric power stations	15.4%	16.5%	7.1.
Renewable sources of energy	0.9%	0.9%	0.
Total	100%	100%	-

Source: Rosstat

3. Demography: natural growth of the population, growth of cities

Urban and rural population ratio

Indicator	2011.	2012.	2013.	2014.	2015.
Urban population, million persons	105.4.	105.7.	106.1.	106.4.	106.7.
Rural population, million persons	37.5.	37.3.	37.2.	37.1.	37.0.

Source: Rosstat

Aims of the Energy Strategy in Russia:

by 2020 – increase in the share of electricity production from renewable resources to 4.5%;

by 2030 – maintenance of the hothouse gases emissions on the level of 70% as compared with 1990;

reduction of losses in power grids to no more than 8% and increase of electricity transportation efficiency, including through the wide implementation of conductors made of new composition materials;

ample use of hydroelectric power stations of different powers concentrated in Siberian and Far East regions that play a strategic role;

development of renewable sources of energy in the form of small hydroelectric power stations, solar energy installations, geothermal stations and heating installations, biopower and windpower plants, waste burning power plants and garbage recycling plants in large cities;

reduction of fuel consumption rate spent on electrical supply from thermal power plants by 19% to reach the 2008 level;

increase of the share of non-fuel energy sources in the electricity production structure from 32.5% in 2008 to 38% by 2030.

Territory of Responsibility and Regional Policy

We work throughout the Northern Caucasus Federal District. It was formed following the President's Decree of January 19, 2010.

The region possesses specific and unique social and economic, political and natural characteristics, which may pose threats to the creation and functioning of financially sound power market participants with social and investment attractiveness. At the same time, we are sure that the mentioned distinctions of the district are the company's opportunities which make it possible to acquire unique experience in solving the power industry problems. The main conditions for turning threats into opportunities include a persistent following of the strategic guideline to achieve and support operational efficiency, as well as responsible and honest company management.

Map "Prospects of the Northern Caucasus Federal District development"

District management

The leader is Alexander Grigoryevich Khloponin, Deputy Chairman of the Russian Government and Russian Presidential Envoy

The body responsible for the coordination of executive authorities' interaction is the Government Commission for Social and Economic Development of the Northern Caucasus Federal District (chaired

by D. A. Medvedev, Chairman of RF Government; it was formed on the basis of RF Government Decree No. 1003 of December 8, 2010)

<http://government.ru/department/216/>

The activity of the federal executive authorities and their territorial bodies is coordinated by the Interregional Directorate of the RF Ministry of Regional Development in the Northern Caucasus Federal District (established in 2010).

Importance for the region:

- prompt resolution of the economic and social problems.

Importance for power industry:

- attention on the part of federal and regional authorities;
- state support;
- development of branches of the region's industry;
- increase in the number of power distribution service consumers.

Geography of the district

The District has

- land borders with the Southern Federal District, Abkhazia, Azerbaijan, Georgia and South Ossetia;
- water borders with Iran, Kazakhstan and Turkmenistan;
- borders 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 Northern Caucasus Federal District enjoys a unique combination of balneological resources – mineral drinking waters, thermal waters and therapeutic muds (about 30% of mineral water resources and more than 70% of Russian thermal water reserves are concentrated here). The Greater Caucasus mountain range occupies about 50% of the area of the Northern Caucasus Federal District.

Importance for the region:

- favorable conditions for permanent residence and tourist and recreational complex development;
- prospective area for high-mountain tourism development.

Importance for power industry:

- putting new capacities into operation to supply the resorts of Northern Caucasus with energy;
- growing revenue for power distribution services and technological connection to grid infrastructure.

Demography

(map showing the most populated areas)

The All-Russian 2010 Census showed that there are 56 towns and cities in the district, namely
 1 largest (population from 500 thousand to 1 million residents),
 3 large (population from 250 thousand to 500 thousand residents),
 9 big (population from 100 thousand to 250 thousand residents),
 8 mid-sized (population from 50 thousand to 100 thousand residents),
 35 small (population not exceeding 50 thousand residents).

The largest city is Makhachkala. The city of Pyatigorsk, which is the capital of the district and where the headquarters of IDGC of Northern Caucasus, OJSC are located, is classified as a big city.

Degree of territory development

Subject	Degree of territory development*, %	Share of urban population, %	Share of the population with income below the subsistence level, %

Republic of Ingushetia	10.8.	40.	17.
Republic of North Ossetia – Alania	7.5.	64.	9.
Kabardino-Balkarian Republic	4.6.	54.	15.
Stavropol Krai	3.7.	58.	14.
Republic of Dagestan	3.2.	45.	7.
Karachay-Cherkess Republic	2.7.	43.	16.
Chechen Republic	N/A	N/A	N/A

*share of the area of communities in the total area of the territory

Source: RiaRating

RF subjects included in the responsibility zone of IDGC of Northern Caucasus, OJSC are characterized by rather weak territory development. At the same time, we believe that developed infrastructure, including power grid infrastructure, is a necessary condition for territory development and city growth. We understand our responsibility in this area and apply all reasonable efforts to build up a high-tech, reliable and safe grid infrastructure.

Social situation

The Northern Caucasus Federal District is distinguished by a complicated and varied ethnic composition concentrated within a relatively small territory.

Importance for the region – direct dependence of the social and political situation on the situation in international relations.

Importance for power industry:

- adherence to ethical business norms (recorded in the Corporate Ethics Code of IDGC of Northern Caucasus, OJSC);
- formation of a constructive dialog with authorities of the district subjects;
- ensuring protection of electricity grid facilities.

Branch economy

The Northern Caucasus Federal District has excesses of electric power and will transmit it to allied power grids of the Southern Federal District (Kuban and Kalmyk power grids).

In accordance with the development scheme and program of UES of Russia, approved by the order of the RF Ministry of Energy No. 309 of June 19, 2013, the established capacity of power plants in the Northern Caucasus Federal District will grow by 15% or by 1,054 MW as compared to 2012, and will make up 7.96 GW in 2019.

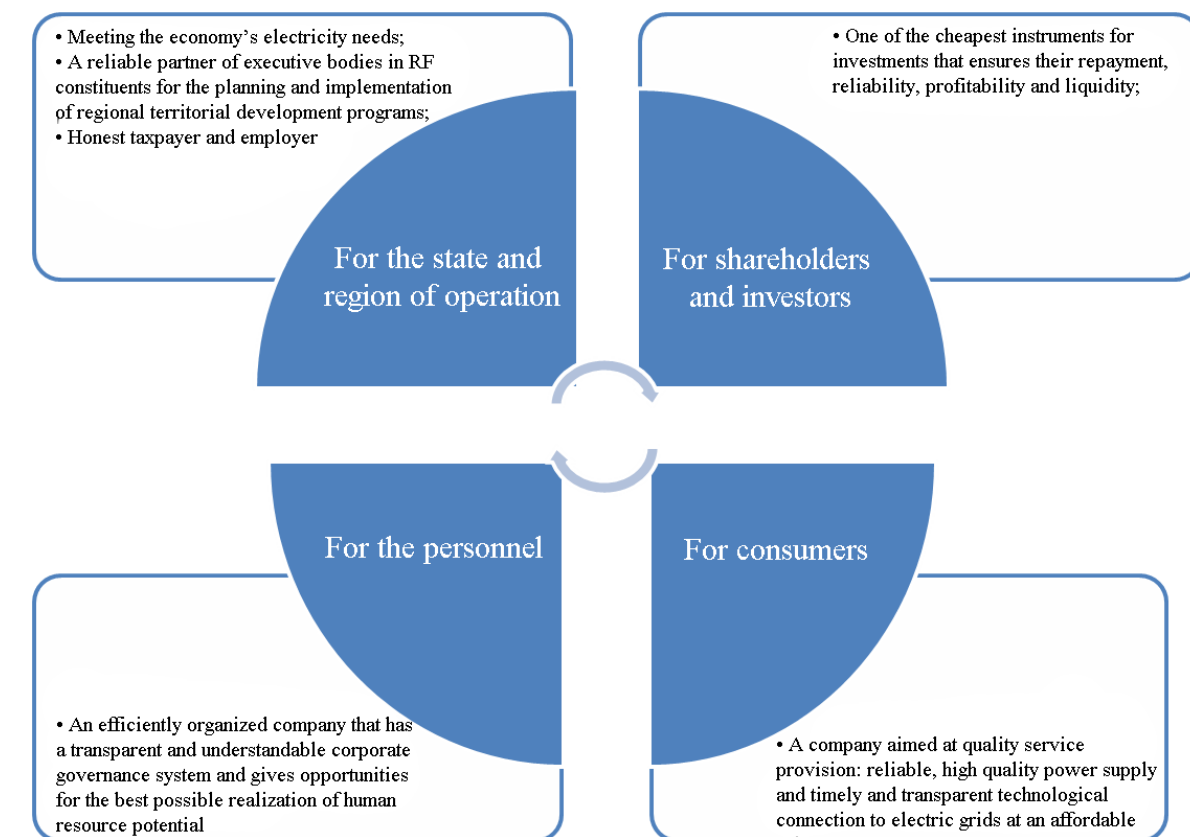
Indebtedness of consumers to resource providers remains a relevant problem in the territory of the district. The measures taken in 2013 partly contributed to a reduction in the growth pace of current indebtedness for energy products. For instance, current settlements for consumed electricity in the Kabardino-Balkarian Republic and Karachay-Cherkess Republic have been brought and held at a level of about 100% payment. The situation with non-payments on the retail electricity market in the territory of the Northern Caucasus Federal District remains problematic in the Chechen Republic (settlements level of 60%), in the Republic of Ingushetia (61%) and in the Republic of Dagestan (80%).

Law enforcement and tax authorities are taking organizational and crime prevention measures and tax audits focused on the fuel and energy complex and municipal enterprises to improve the situation.

Based on the materials of the meeting of the Government Commission for Social and Economic Development of the Northern Caucasus Federal District of December 18, 2013
<http://government.ru/info/9063>

Contribution to the regional economy's development

In 2013 the efforts of the management and administrative bodies of IDGC of Northern Caucasus, OJSC were focused on the fullest possible realization of the expectations of all groups of stakeholders: state and region, shareholders and investors, consumers and customers, and personnel. In the end, we achieved a great deal, thanks to a commitment to the declared efficiency guidelines and socially responsible practices.



Our main achievements in terms of contribution to the national and regional economy attained and realized jointly with our colleagues from Rosseti electric power holding company:

September – launch of Smart Grid pilot project in the towns of Kaspiysk, Gudermes, Magas

Expected results:

- increased capacity;
- stability of energy supply;
- reduction of consumers' losses and expenses on technical and commercial registration;
- radical improvement in key efficiency evaluation indicators: System Average Interruption Frequency Index and System Average Interruption Duration Index (SAIFI, SAIDI).

http://www.mrsk-sk.ru/press_center/company_news/detail.php?ID=6841

October – IDGC of Northern Caucasus, OJSC was awarded a certificate of readiness for the 2013-2014 autumn/winter period

http://www.mrsk-sk.ru/press_center/company_news/detail.php?ID=7005

Obtained result – completion of the power distribution grid preparation in seven regions of the Northern Caucasus Federal District for work at peak load was confirmed

October – Rosseti group of companies made the largest contribution to improvement of Russia's positions in the rating by Doing Business World Bank (the most authoritative business development indicator in the world) through optimization of the technical connection process

http://www.rosseti.ru/press/news/?ELEMENT_ID=14961&sphrase_id=60049

http://www.rosseti.ru/press/news/?ELEMENT_ID=14961&sphrase_id=60049

December – Rosseti group of companies created a unified information center for technological connection – Portal-TP.rf

http://www.rosseti.ru/press/news/?ELEMENT_ID=15806&sphrase_id=60049

Obtained results:

- Russia went up 67 points in the Doing Business rating for 2013 in terms of convenient connection to the power distribution grid;
- the investment attractiveness of Russia for doing business was raised;
- another milestone in winning the consumers' trust has been reached

opening of 6 Customer Service Centers in cities jointly with Rosseti, OJSC and guaranteeing suppliers of the Northern Caucasus

http://www.mrsk-sk.ru/press_center/company_news/detail.php?ID=6922

Our joint work was highly evaluated by independent appraisers:

October – Rosseti is the company of the year in the sphere of competitive procurement (results of the annual contest "Leader of Competitive Procurement-2013")

Obtained result – the organization of procurement activity in Rosseti was independently evaluated on the basis of highest possible openness, efficient spending, professionalism and for the purposes of creating a competitive environment

http://www.mrsk-sk.ru/press_center/company_news/detail.php?ID=6959

November – IDGC of Northern Caucasus, OJSC was included in the top 10 largest companies in the Northern Caucasus Federal District for the third time (the rating was compiled by Expert YUG Analytical Center)

http://www.mrsk-sk.ru/press_center/company_news/detail.php?ID=7263

Obtained result – the importance of the company's activity for regional economy growth and development was evaluated by independent parties

August – IDGC of Northern Caucasus, OJSC was included in the TOP 20 of the National Business Rating "Electricity Transmission" for the results of 2011-2012

http://www.mrsk-sk.ru/press_center/company_news/detail.php?ID=6336

Obtained result – IDGC of Northern Caucasus, OJSC showed itself as an enterprise that honestly pays taxes and makes contributions to social and pension funds, takes care of its employees, creates jobs, introduces new technologies and forms a type of economy based on professionalism.

April – IDGC of Northern Caucasus, OJSC is one of the three best subsidiaries of Rosseti, OJSC in terms of completion of the autumn and winter period of 2012-2013 (following the results of the meeting with heads of the subsidiaries of FGC UES, OJSC – main power grids and subsidiaries of Rosseti, OJSC)

http://www.mrsk-sk.ru/press_center/company_news/detail.php?ID=5688

Obtained result – the work of the company's top executives and specialists was highly evaluated, which became a decisive factor for reliability and quality of power supply to consumers

September – P. A. Seltsovsky, General Director of IDGC of Northern Caucasus, OJSC, was awarded the honorable title "Person of the Year-2013" in the "Charity" category

http://www.mrsk-sk.ru/press_center/company_news/detail.php?ID=6774

Obtained result – the high social orientation of IDGC of Northern Caucasus, OJSC has been independently evaluated

April – IDGC of Northern Caucasus, OJSC was awarded a certificate for the best corporate exposition at the Moscow international energy forum “Fuel and Energy Complex of Russia in the 21st century”.

http://www.mrsk-sk.ru/press_center/company_news/detail.php?ID=5582

Obtained results:

- competencies were shown in the innovations management area were shown (reduction of excessive power losses, the effort to control icing on power transmission lines);
- promising business contacts have been established (Superior Products East LLC, Vizimax and EnerSys, etc.);
- cooperation proposals involved the introduction of modern-day icing detection devices, new anti-corrosion fire protection materials, stabilizers and batteries, in the sphere of ensuring protection of energy objects, cable products, environmental protection

In 2013 IDGC of Northern Caucasus, OJSC allocated 25 million rubles for charity events

Taxes amounting to 1,601.8 million rubles and insurance payments amounting to 661 million rubles were paid.

Our special projects for the regional economy

Smart Grid creation and Smart City construction

Implementation of the smart grid technology is reflected in the RF power distribution grid development strategy approved by the decree of RF Government No. 511-p dated April 3, 2013.

Pilot projects of Smart City territorial cluster creation in the cities: Kaspiysk (Republic of Dagestan), Gudermes (Chechen Republic), Magas (Republic of Ingushetia).

The project realization strategy was elaborated jointly with our partners and cooperation agreements were signed.

Implementation of smart grid technology will make it possible to:

- increase the capacity and stability of energy supply;
- reduce consumers' losses and expenses on technical and commercial registration;
- ensure the calculation and improvement of key efficiency evaluation indicators – System Average Interruption Frequency Index and System Average Interruption Duration Index (SAIFI, SAIDI).

Organization measures performed:

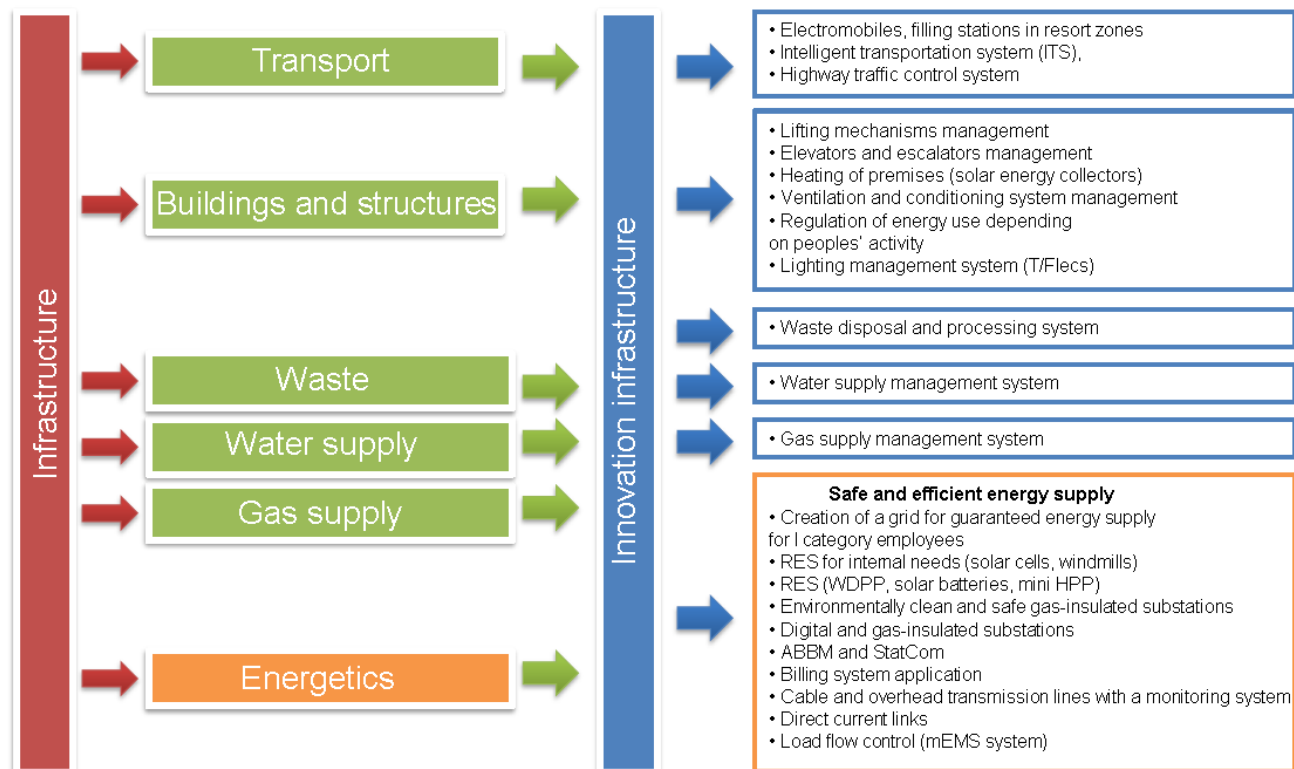
- work groups formed;
- the concept of smart cities was developed and approved jointly with Rosseti, OJSC;
- a cooperation agreement between Rosseti, OJSC; IDGC of Northern Caucasus, OJSC; Energostroy-MN OJSC, administrations of republics and cities that participate in the project was prepared, with the Roadmap of the Project attached.

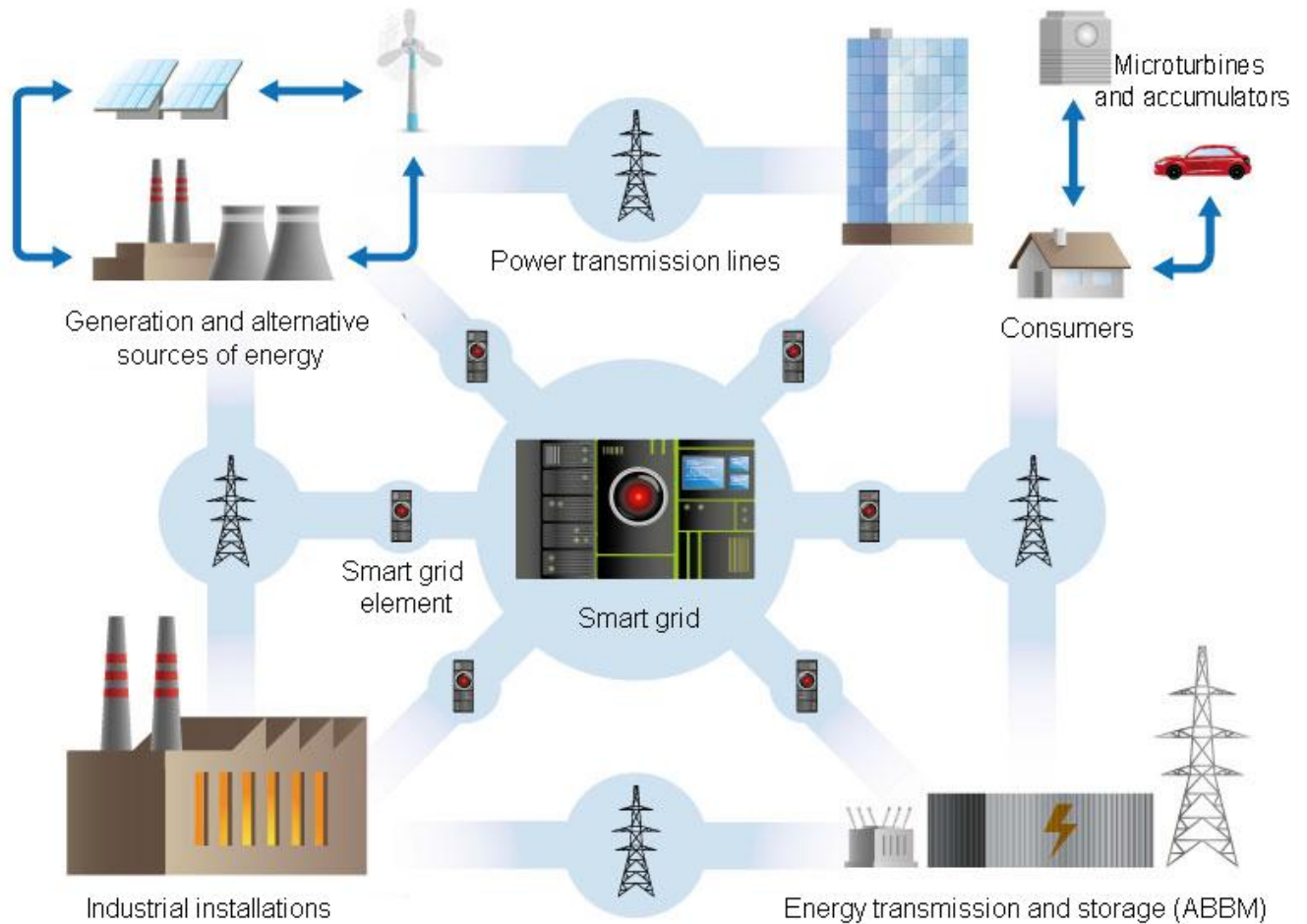
A separate development trend should include the creation of distributed generation objects. The use of distributed generation, including as part of the Smart City project, will make it possible to ensure a possibility for more flexible load regulation in electrical grids and compensate a part of grid losses.

The project goals include:

- achievement of a qualitatively new level of efficient functioning and development, increasing reliability and capacity of the power grid of the Northern Caucasus Federal District;
- heavy upgrade of the regional power distribution grid;
- optimization of infrastructure, diversification and improvement in the quality of services in the power grid complex;
- technological support of transition to the smart grid.

The main task of the project is the implementation of innovative technological developments and the use of modern-day management technologies to realize the project of the Northern Caucasus Federal District development with preservation of the existing natural landscape and the environment.





The existing system of distribution grid management does not conform to the present-day requirements of energy efficiency, reliability, observability and manageability.

The problem will be resolved by creating Smart Grid, a complex of technical facilities that make it possible to quickly change the characteristics of power grids by optimizing expenses on electricity and contribute to electricity redistribution by increasing power supply reliability.

The implementation of Smart Grid will have the following implications for IDGC of Northern Caucasus, OJSC:

a more customer-oriented approach;

an increase in the observability and manageability of power grids;

resolution of the problems of pro-active power grid management in emergency conditions;

better quality of electrical energy;

resolution of the task of prompt response to consumption change;

resolution of the problem of improvement of SAIFI and SAIDI efficiency indicators that characterize reliability, serviceability and availability of the grid, losses of electricity, the volume of technological limitations, etc.;

resolution of the problems of technological and economic risk minimization;

provision of the possibility to compare and analyze the indicators and characteristics of the activity conducted by IDGC of Northern Caucasus, OJSC with foreign equivalents;

an increase in the efficiency of the company's resource usage.

For consumers:

an increase in customer satisfaction (reliability and quality of power supply, information awareness);

the possibility of creating cheaper options of automated accounting systems for resources consumed (gas, water and heat) through the use of existing infrastructure;

the possibility of obtaining reliable and relevant information on the volume of energy resources consumed, the causes of power supply interruptions and other data necessary to provide energy security.

The information on technical characteristics and the state of the power grid facilities in the cities where the project is being implemented was collected, places of localization in all three project cities were defined at the end of 2013.

IDGC of Northern Caucasus, OJSC prepared Terms of Reference for Smart Grid Technologies Development.

Energostroy-MN, OJSC developed a technical and commercial proposal within the framework of initial project preparation for project implementation in Kaspiysk, the Republic of Dagestan.

Pentalateral agreements on cooperation in the course of project realization between Rosseti OJSC; IDGC of Northern Caucasus, OJSC; Energostroy-MN, OJSC; administrations of republics and project cities were prepared.

Implementation of the Smart Grid system is expected to bring the following results:

reduction of commercial and technological losses in the system without any damage for consumers within the limits of 10-12% of the current level;

reduction of the company's losses due to interruption of power supply by 25-30%;

reduction of expenses on the support of commercial and technological power system control centers by reducing the complexity and cost of works for the collection, transfer, processing and documentation of commercial and technological information, automation of information provision to consumers by 2.1-2.9 %;

reduction of power consumption for street lighting needs by 15-17 % , the cost of lighting networks maintenance and repair by 8-10%;

increase in power grid reliability to the level of SAIDI = 16 , SAIFI = 7.

Our partners in the project (implementation in the format of public and private partnership):

- Rosseti, OJSC;
- UES FGC, OJSC;
- Ministry of Industry and Energy of the Chechen Republic;
- Ministry of Industry and Energy of the Republic of Dagestan;

- Committee of Industry, Transport, Communications and Energy of the Republic of Ingushetia;
- Schneider Electric, etc.

Implementation tools:

- energy and service contracts;
- a proposal submitted to the executive authorities of the Russian Federation constituent entity on the establishment of a private organization that will act as a customer and organizer of the contest (for example, a corporation for regional development).

State-owned banks and funds may be engaged to finance the project in the framework of the Program for financing the promotion of regional and urban development projects and housing and public utilities reform.

Smart City Roadmap stages in 2014-2017:

2014 – signing of cooperation agreements with project participants, development of terms of reference for conceptual design and preparation of the conceptual project;

2015 – performance of Smart Grid-related project work;

2016 – performance of installation and commissioning works;

2017 – entrance of the system into production operation, analysis of the economic effect received and a decision to replicate the technologies and scale up the project in the district, expand the project by including urban infrastructures into a single information network.

Smart City is a convenient environment for work and residence. It guarantees electricity, heat, water, and gas supply, stable communications, safe transport and smart housing and public utilities management. The project has a high social burden and is aimed primarily at improvement of the social and economic living standards of the population in the Northern Caucasus Federal District.

Development of partner relations with stakeholders

As the trust of consumers and business partners, as well as other stakeholders, has great influence on the activity of IDGC of Northern Caucasus OJSC, we pay special attention to the maintenance and development of stable and confidential relations with stakeholders in the short- and long-term perspective when forming a corporate management system.

We are committed to the principle of neutrality with regard to financial and industrial groups, public authorities, political parties and associations.

We strive to keep to responsible business practices and are guided by the following provisions:

- conducting business practices with adherence to ethical norms based on the principles of integrity and fairness, honesty in relations with business partners;
- non-disclosure of misleading and unverified information directly or through third parties;
- fighting and eradication of corruption;
- faithful observance of the Russian Federation legislation;
- supporting the reputation of IDGC of Northern Caucasus, OJSC as a responsible taxpayer that contributes to the strengthening of financial stability in the Russian Federation;
- supporting fair competition principles;
- respecting human rights;
- preventing the use of child labor and forced labor;
- preventing discrimination in any form;
- observing the principles of fair price formation and advertising;

respecting property rights, including intellectual property rights.

Public and government relations

In the reporting period, the PR Department of IDGC of Northern Caucasus, OJSC, as well as structural units for public relations of the subsidiaries and managed Companies carried out their activities in compliance with the unified internal and external information policy of the Rosseti group of companies. Areas of this policy are determined by Order No. 271/284 of Rosseti, OJSC dated April 30, 2013, "On Implementing the Unified Information Policy of Rosseti, OJSC." The main tasks during the said reporting period included formation and promotion of a positive image of IDGC of Northern Caucasus, OJSC and ensuring efficient management of public relations and publicity capital (image property and business reputation).

The Company carried out active work to develop cooperation with mass media representatives, public authorities and members of the public that showed interest in the company's activity. In order to provide maximum transparency and information awareness, the representatives of IDGC of Northern Caucasus, OJSC regularly participated in national and international conferences and seminars.

Principles of interaction with the public and mass media on the part of IDGC of Northern Caucasus, OJSC:

- ❖ disclosure of information in accordance with the Provision on information policy approved by IDGC of Northern Caucasus, OJSC;
- ❖ ongoing provision of relevant information covering all aspects of the activity as fully and objectively as possible;
- ❖ provision of timely answers to incoming information requests.

Communication with governmental authorities and public organizations

67 meetings with regional leaders and specialized authorities of the constituents of the Northern Caucasus Federal District were held in 2013. As a result, IDGC of Northern Caucasus, OJSC managed to make significant progress in the resolution of basic issues, namely:

- consolidation of power grid assets,
- improvement of payment discipline,
- reduction of accounts receivable and loss of electricity.

In addition, the constructive dialogue with the parties concerned made it possible to sign agreements on the establishment of a production and maintenance cluster for the needs of the power grid complex in the territories of the Chechen Republic and the Republic of Ingushetia.

Social Communications

In accordance with the social policy of Rosseti, OJSC, the Program of public and information activities to prevent third party injuries on power grid facilities of IDGC of Northern Caucasus, OJSC, affiliates, subsidiaries and managed companies of IDGC of Northern Caucasus, OJSC was implemented in 2013 as part of the Unified Program of Rosseti, OJSC.

As part of a specially developed program, more than 35 thousand children and teenagers participated in 2,430 lessons (for comparison, there were 290 of them in 2012) in educational institutions, children's homes, school and country rest camps in the territory of the Northern Caucasus Federal District.

8 social videos were shown on TV channels, making up 81 broadcasts in total. 26 pieces were shown on TV, 11 pieces and 9 info messages were heard on the radio. 72 pieces on the stated theme were published in the regional press.

Videos on electrical injury prevention are broadcast on a free regular basis (as social advertisement) by agreement with the TV and radio companies of Ingushetia, Karachay-Cherkess and Kabardino-Balkarian Republics.

A theatrical performance entitled "Journey to the City of Electrical Appliances" was staged by the pupils of Pyatigorsk School No. 28 upon the initiative of IDGC of Northern Caucasus, OJSC – Stavropolenergo.

The conclusion of memoranda to consolidate the efforts aimed at reducing the electric injuries of the population was initiated in the Northern Caucasus Federal District with the participation of the RF Ministry of Internal Affairs, management authorities in the field of industry and energy, RF Ministry of Education, Chief Directorate of RF Emergencies Ministry, Rostekhnadzor, committees for matters concerning young persons (Memoranda were signed in the Republics of Ingushetia, Kabardino-Balkarian and Karachay-Cherkess, and they are at the agreement stage in other regions).

To optimize handling of complaints and appeals submitted by the public, business communities and non-governmental organizations to IDGC of Northern Caucasus, OJSC, and also to enhance the business reputation, form and promote a positive image, the Counseling Office of the General Director was organized in 2013, and it started working online and in person.

Media communications

In 2013 IDGC of Northern Caucasus, OJSC was third in the information activity rating among the subsidiaries of Rosseti, OJSC, with 14,218 references in mass media, 90% of which were either neutral or positive. The number of references in the media to IDGC of Northern Caucasus, OJSC for the reporting year increased 3.5 times in comparison with the analogous period of 2012.

153 video pieces on the functioning of the Northern Caucasus power distribution grid were shown on TV in 2013 (as compared to 26 TV pieces in 2012).

To activate the Company's information support and improve interaction with television companies, Power Broadcast, a new TV project (a specialized monthly TV program shown in regions with a running time of 6 minutes and a viewership of 7,000,000) was developed and launched.

A communication program for interaction between IDGC of Northern Caucasus, OJSC and district mass media in national languages was developed in 2013 to create effective interaction mechanisms for IDGC of Northern Caucasus, OJSC and customers and build and promote a stable positive image of the company in the republics of the Northern Caucasus Federal District. The program was approved and supported by A.G. Khloponin, a Deputy Chairman of the Russian Government and Russian Presidential Envoy in the Northern Caucasus Federal District; Rosseti, OJSC; and Ministries for National Policy, Press and Information of the Northern Caucasus Federal District constituents.

The PR program was implemented in the following areas:

- press tours, visits to power facilities;
- press conferences, briefings;
- reports, interviews and TV and radio specialized programs;

- regional media publications.

A total of 2,273 items were published in regional mass media in 2013, and 153 pieces on the Northern Caucasus power distribution grid were broadcast on regional TV and radio channels.

In 2013 a Contest of Journalistic Works in national languages devoted to the North Caucasus power distribution grid was held for the first time as part of the communication program.

To preserve the history of the formation of the Northern Caucasus power distribution grid, a Jubilee communication project was developed and implemented, timed to coincide with the 110th anniversary of the construction and start-up of Bely Ugol, Russia's first state industrial hydroelectric power plant, and the 100th anniversary of the world's first energy system establishment.

The employees of an IDGC of Northern Caucasus, OJSC subsidiary, Stavropolenergo, put a lot of effort into collecting historical documents and surviving parts of equipment, as well as arranging exhibits that present the entire history of Bely Ugol, at the Bely Ugol HPP hydroenergetics museum.

Thanks to implementation of the project, the historical object was not only preserved but also became accessible for visitors.

Congress and Exhibition activities

In 2013 IDGC of Northern Caucasus, OJSC took part in regional, federal and international congress and exhibition events:

- in the 6th Northern Caucasus Energy Forum Kavkaz-Energo, held in Kislovodsk on October 3-5, 2013, as its general partner and organizer. The central topic of the forum was implementation of the policy for ensuring energy efficiency and reducing loss in grids, investment in the reconstruction of power facilities and the building of new ones;
- in the international exhibition "Fuel and Energy Complex of Russia in the 21st Century" (April 9-10, 2013, Moscow), and also in the formation of a unified exposition of Rosseti, OJSC. Following the exhibition, IDGC of Northern Caucasus, OJSC was awarded an honorary certificate for the best exposition;
- in the annual 2013 St. Petersburg International Economic Forum, which took place in St. Petersburg on June 20-22, 2013;
- in the Sochi-2013 XII International Investment Forum (held September 26-29, 2013), a modern platform for a constructive dialogue between business and government in order to implement investment projects.;
- in the International Conference "Energy Efficiency. Dialogue of Business and Government" (September 23-25, 2013, Krasnodar region, Abrau-Dyurso);
- in the PromEnergoEkspo – 2013 exhibition, Grozny, Chechen Republic, where an exposition by Chechenenergo, a company managed by IDGC of Northern Caucasus, OJSC, was presented;
- in UPGrid 2013 II International Electrical Energy Forum "Power Grid Complex. Innovation. Development".

Charity

We have developed a system of charity aid to develop socially responsible business practices. Assistance is rendered on a proportional basis to all the regions where IDGC of Northern Caucasus, OJSC conducts its operational activities on the basis of the Provision on charity assistance approved by the IDGC of Northern Caucasus, OJSC Board of Directors (Minutes No.130 of April 22, 2013).

In 2013 we rendered assistance to:

- ANO Power Engineering College (Republic of Dagestan) and T. Kh. Tsurov Power Engineering College (Republic of Ingushetia);

- medical, religious, children, veterans, sports and other public organizations – Kabardino-Balkarian Republic, Karachay-Cherkess Republic, Chechen Republic, Republic of Ingushetia, Stavropol Krai, the Republic of North Ossetia-Alania and the Republic of Dagestan.

The total amount of charitable assistance rendered in 2013 amounted to 25 million rubles.

Environmental Policy

One of the main directions of the IDGC of Northern Caucasus, OJSC environmental policy is the reduction of negative impact on the environment due to industrial processes during maintenance, repair, construction and reconstruction of power electric grid facilities.

Specifics of activities associated with the transmission and distribution of electric energy carried out by IDGC of Northern Caucasus, OJSC do not imply significant negative impacts on the environment, which might have caused irreversible environmental changes or ecological disasters. Requirements for power plants in terms of environmental safety are determined at the design stage, providing for soil protection from accidental oil spills from equipment (arrangement of drip trays under oil-filled equipment containing more than 1 t of oil; oil drains to emergency drip trays), protection of people and animals from direct impact of conductive parts and an adverse impact of electromagnetic fields.

Data on air pollutant emissions, tons

Indicators	2011	2012	2013
Gross air pollutant emissions, total	39.1.	37.3.	35.1.
including:			
solid emissions	3.4.	3.3.	15.5.
among them:			
solid fuel ash	-	-	-
gaseous and liquid emissions	35.6.	33.1.	19.0.
among them:			
sulfur dioxide	0.03.	0.03.	0.08.
carbon oxide	7.2.	6.8.	5.0.
nitrogen oxides (NO ₂ equivalent)	13.1.	12.9.	1.4.
hydrocarbons (without volatile organic compounds)	0.8.	0.8.	0.6.
volatile organic compounds	13.4.	12.5.	11.9.
benzopyrene	0.000001.	0.000001.	0.

Trends in payments for adverse environmental impacts

	2011	2012	2013
for water bodies	856.3.	975.2.	645.9.
for atmospheric air	99.5.	93.5.	65.6.
for waste disposal	1,291.3.	1,127.7.	864.7.
Total	2,247.1.	2,196.4.	1576.2.

The staff of IDGC of Northern Caucasus, OJSC branches undergoes primary training as part of advanced training to solve environmental problems.

An internal environmental audit of business activities was carried out in IDGC of Northern Caucasus, OJSC branches in 2013 using the company's own resources without involvement of third parties and without material costs.

In 2013 we did not engage in environmental management system implementation.

The main activities of IDGC of Northern Caucasus, OJSC in the field of environmental protection are:

- control of exhaust emissions concentration to avoid exceeding the allowable limit, adjustment of the fuel system of vehicles, replacement of the fuel system of vehicles by switching to gas;
- development of draft standards for maximum allowable emissions of pollutants into the atmosphere;
- land improvement and landscape gardening.

We believe that the most important activities performed in 2013 and aimed at compliance with environmental protection legislation were:

- ❖ I-IV hazard class waste utilization (used batteries, mercury and fluorescent lamps, etc.). The costs amounted to 1,510.1 thousand rubles;
- ❖ adjustment of fuel equipment of motor vehicles to bring the toxic level of exhaust emissions to the established standards. The costs amounted to 58.4 thousand rubles.

We are planning, with the use of advanced technologies and solutions in the field of environmental protection and natural resource usage, to continue taking measures to reduce the negative impact of the industrial activity of IDGC of Northern Caucasus, OJSC on the environment. We believe that the main ways of solving this problem include technological upgrading and the gradual withdrawal of outdated equipment from service, and the implementation of measures for collection and storage of waste.

3. Creating value for stakeholders. Shareholders and investors

Financial performance

Financial and performance analysis

The 2013 target key performance indicators (KPI) of IDGC of Northern Caucasus, OJSC were approved by the Board of Directors on December 24, 2012 (Minutes No. 121).

Implementation of KPI of IDGC of Northern Caucasus, OJSC

Indicat or No.*	Index name	Measurement unit	2013		2014
			Plan	Actual*	Plan
Annual indices					
<i>Provisions for bonus payments</i>					
12	Net profit available/Non-regression of the planned financial results	thousand rubles	≥ -187,070	537,564	≥ 0
2	Reduction of expenditures for purchase of goods (work/services) per unit of production by at least 10% annually for three years in real terms, at 2010 prices.	%	≥ 100	106	≥ 100
22	Timely implementation of the checkpoint schedule for projects of federal programs and target dates to eliminate the backlogs in the schedule of federal programs, including energy supply of Sochi 2014.	%	≥ 100	14	≥ 100
<i>Determining the size of bonuses</i>					
10	Reliability criterion:				
	- Average duration of electricity transmission service interruptions	units	1	1	1
17	Accounts receivable turnover for electricity transmission services	days	≤ 117	132	≤ 106
8	EBITDA	thousand rubles	≥ 1,767,553	2,190,919	≥ 2 778 786
18	The growth rate of controllable operating expenses in the period to the actual of the previous period	units	≤ 1.024	0.976	≤ 0.972
13	Level of power losses delivered to the grid	%	≤ 18.91 (inclusive of Dagenergoset, OJSC)	19.24 (inclusive of Dagenergoset, OJSC)	≤ 16.39 (inclusive of Dagenergoset, OJSC)
Investment program performance:					
9	- Implementation of input capacity schedules and plan for financing and volume of capital investments, cleared with completion certificates (by year)	%	≥ 95	79	> 95
19	- Introduction of newly commissioned capacities	units	≥ 0.25	0.25	≥ 0.25
11	The quality level of services provided:				
	- The indicator of quality level of technological connection services	units	1	1	1
	- The indicator of quality level of electricity transmission services	units	1	1	1
	- The indicator of quality level of maintenance services	units	1	1	1

14	Effectiveness of innovative activities	%	≥ 90	≥ 90	≥ 90
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* Indexing is specified in accordance with the Methodology for calculation and evaluation of KPI, approved by the Board of Directors on October 30, 2012 (Minutes of November 2, 2012 No. 115).

Financial performance

Index name	Measurement unit	2011	2012	2013	Average annual growth, %
Revenue	million rubles	10,541.9	11,251.7	12,502.0	108.9
- from electricity transmission	million rubles	10,235.3	9,982.6	11,151.6	104.6
- from technical connection	million rubles	115.2	1,119.3	1,190.3	539.0
- other	million rubles	191.4	149.8	160.1	92.6
Cost price	million rubles	8,457.1	8,549.7	10,043.4	109.3
Gross profit	million rubles	2,084.8	2,702.0	2,458.6	110.3
- from electricity transmission	million rubles	1,965.4	1,706.6	1,366.2	83.4
- from technical connection	million rubles	86.4	1,009.8	1,067.3	637.1
- other	million rubles	33.0	-14.4	25.2	-109.3
Net profit	million rubles	344.6	877.8	537.6	158.0
EBITDA	million rubles	1,442.8	2,320.0	2,190.9	127.6
Loans and credits	million rubles	3,624.9	5,392.8	6,574.3	135.3
Profit per share	rubles	11.67	18.64	5.11	78.2

Cost structure over the period of 2011 to 2013 and for 2014

No.	Production cost price	2011 (actual)	2012 (actual)	2013 (actual)	2014 (plan)
1	Purchased electricity to compensate for losses	1,812.4	1,634.5	2,104.1	2,015.1
2	Purchased energy for production and utility needs	168.2	153.0	151.5	149.6
3	Raw materials and supplies	657.7	618.6	694.7	716.9
4	Maintenance and repair services	417.8	409.7	385.7	369.9
5	Transportation services	18.8	24.1	25.7	25.9
6	Services from FGC UES, OJSC	653.2	595.2	721.5	771.8
7	Electricity transmission services from grid companies	56.8	53.3	56.6	70.6
8	Labor costs	2,284.6	2,486.3	2,859.3	2,946.8
9	Contributions to funds (up to 2010 – Uniform Social Tax)	672.5	700.7	814.4	895.8
10	Deductions for NGOs (National Pension Fund of energy industry)	47.5	47.5	28.5	0
11	Amortization of fixed assets and non-material assets	891.4	993.5	1,246.0	2,135.1
12	Other expenses	776.2	833.3	955.4	942.6
12.1.	Services from IDGC Holding, OJSC/Rosseti, OJSC	98.5	98.5	76.5	76.5
12.2.	Communications services	34.2	32.6	33.4	54.9
12.3.	IT-services	45.9	33.2	37.9	49.3
12.4.	Security services	90.0	91.7	111.0	115.5
12.5.	Rent charge	216.8	300.5	357.4	146.7
12.6.	Insurance expenses	28.0	32.7	29.9	46.7
12.7.	Taxes and fees	44.8	51.2	100.6	250.6
12.8.	Costs of registration of property rights	33.5	26.7	30.3	51.6
12.9.	Other expenses attributed to the cost price	184.5	166.2	178.5	150.7
TOTAL Cost price		8,457.1	8,549.7	10,043.4	11,040.2

The 2013 net profit amounted to 537.6 million rubles. Since in 2013 IDGC of Northern Caucasus, OJSC made a change in accounting policy regarding the rejection of revaluation of fixed assets, the effects of

the change in the Accounting Policy are reflected in the financial statements retrospectively, i.e. corresponding figures for 2011 and 2012 were adjusted. Thus, in the accounts for 2013 the net profit for 2012 amounted to 877.8 million rubles, which is 340.2 million rubles more than in 2013. Losses from operating activities in 2013 amounted to 316.2 million rubles. Losses from operating activities are conditioned by the creation of valuation allowances netting 1,306.7 million rubles in the accounting system of IDGC of Northern Caucasus, OJSC. Profit per share decreased compared to 2012 due to the decline in net income and the increase in the number of ordinary shares as a result of an additional issue of shares.

Financial and performance analysis

Index name	Calculation methodology	2011	2012	2013
Liquidity index				
Absolute liquidity ratio	(Cash and cash equivalents + Short-term investments)/Current liabilities = (line 1240 form 1 + line 1250 form 1)/line 1500 form 1	0.04	0.15	0.32
Quick assets ratio	(Cash and cash equivalents + Short-term investments + Receivables (less than 12 months) + Other current assets)/Current liabilities = (line 1260 form 1 + line 1250 form 1 + line 1240 form 1 + line 1232 form 1)/line 1500 form 1	0.22	0.30	0.68
Current liquidity ratio	Current assets/Current liabilities = line 1200 form 1/line 1500 form 1	0.35	0.43	0.82
Financial soundness indicators				
Equity ratio	Equity/Total liabilities = line 1300 form 1/line 1700 form 1	0.56	0.59	0.61
The ratio of total debt to EBITDA	(Long-term borrowings + Short-term borrowings)/EBITDA = (line 1410 form 1 + line 1510 form 1)/EBITDA	2.51	2.32	3.00
Working capital financed by equity to total assets ratio	(Current assets – Receivables (more than 12 months) – Short-term liabilities)/Current assets = (line 1200 form 1 – line 1231 form 1 – line 1500 form 1)/line 1200 form 1	-1.99	-1.41	-0.26
Profitability index				
Return on equity (ROE)	(Net income/Equity) * 100% = [line 2400 form 2/((line 1300 form 1 of report + line 1300 form 1 of tax base) /2)]*100%	2.3%	5.7%	2.9%
Return on Total Assets (ROTA) on pre-tax profit	(Pretax profit/Total assets) * 100% = [line 2300 form 2/((line 1600 form 1 of report + line 1600 form 1 of tax base) /2)]*100%	2.4%	4.5%	2.6%
EBITDA profitability	(EBITDA/Proceeds from sales (line 2110 form 2))*100%	13.7%	20.6%	17.5%
Efficiency ratio				

Growth ratio of accounts receivable and payable	TAR = total value of AR at the end of the reporting period/total value of AR at the end of the base period = line 1230 form 1 of report /line 1230 form 1 of tax base	0.37	0.83	2.16
	TAP = total value of the short-term AP at the end of the reporting period/Total amount of the short-term AP at the end of the base period = line 1520 form 1 of report /line 1520 form 1 of tax base	3.13	0.83	0.75
	TAR/TAP = (line 1230 form 1 of report /line 1230 form 1 of tax base) /(line 1520 form 1 of report /line 1520 form 1 of tax base)	0.12	1.00	2.87
Ratio of total accounts receivable and payable	Total AR at the end of the reporting period/Total AP at the end of the reporting period = line 1230 form 1/(line 1450 form 1 + line 1520 form 1).	0.22	0.21	0.56
Ratio of most liquid receivables and payables	Most liquid AR at the end of the reporting period/AP to suppliers and contractors at the end of the reporting period = (line 123201 form 1 + line 123206 form 1)/(line 1521 form 1 + line 1528 form 1)	0.5	0.3	0.98

Liquidity indicators show a positive trend in 2013 with respect to 2011 and 2012.

Absolute liquidity ratio was 0.32, i.e. cash and short-term investments cover 32% of short-term liabilities.

Quick ratio was 0.68, i.e. the most liquid assets of IDGC of Northern Caucasus, OJSC cover its current liabilities at 68%.

Current ratio was 0.82, i.e. current assets of IDGC of Northern Caucasus, OJSC cover its current liabilities at 82%. Current ratio is below the norm due to lower book value of accounts receivable as a result of an allowance formation for doubtful debts.

Autonomy ratio (financial independence) for the last three years has a positive trend and in 2013 amounted to 0.61.

Growth in accounts receivable in 2013 amounted to 216%, while the level of accounts payable decreased in comparison with the beginning of the year and amounted to 75.3%.

Accounts receivable at the end of 2013 reached 56% of the total payables.

Performance indicators of the market in 2011-2013

Index name	Calculation methodology	2011	2012	2013	Average annual growth, %
P/E	capitalization/net profit	4.40	0.89	1.62	101.2
P/S	capitalization/proceeds	0.14	0.07	0.07	74.3
EV	The enterprise value, taking into account all sources of financing = the sum of market capitalization of the Company and its net debt	4,792.2	4,978.7	5,471.9	106.9
EV/EBITDA	-	3.32	2.15	2.50	90.5
Debt/EBITDA	-	2.51	2.32	3.00	111.2

The growth in the enterprise value (EV) in 2013 was due to the growth in the net debt as a result of attracting long-term loans for the funding of the investment program. The decrease in EBITDA for 2013 and increase in loans and credits in the reporting period led to an increase in the Debt/EBITDA ratio as of December 31, 2013.

We have developed, and on December 20, 2013, the Board of Directors of IDGC of Northern Caucasus, OJSC approved (Minutes No. 151), the business plan for 2014 and forecast for 2015-2018.

For 2014 we expect net sales of 12,472.9 million rubles. The annual growth rate of sales revenue during 2014-2018 shall amount to 105.1%.

Cost price for 2014 is projected at 11,040.2 million rubles. CAGR in 2014-2018 shall equal 104.5%.

By the end of 2014, we plan to receive a net profit of 143 million rubles, and in 2018 we plan to increase net profit to 620.4 million rubles.

The loan portfolio is planned to decrease by the end of 2018, as compared to the beginning of 2014, by 45% – from 6,574.3 million rubles to 3,619.8 million rubles.

Forecast financial performance, million rubles

Index name	2014	2015	2016	2017	2018	Average annual growth rate, %
Revenue	12,472.9	12,854.6	13,645.4	14,429.7	15,242.0	105.1
Cost price (incl. administrative expenses)	11,040.2	12,055.3	12,426.8	12,777.1	13,159.5	104.5
Profit on sales	1,432.7	799.3	1,218.5	1,652.6	2,082.5	117.5
Net profit	143.3	27.5	53.4	311.9	620.4	249.1
EBITDA	2,727.4	3,191.5	3,566.1	4,030.4	4,470.2	113.2
Loans and credits	5,541.1	5,541.1	5,027.1	5,027.1	3,619.8	90.7

Net profit distribution

	for 2011	for 2012
Net profit	344.6	641.4
Reserve fund	-	-
Dividends	-	160.3
Production development	344.6	481.1
Other	-	-

A decision on the distribution of net income of IDGC of Northern Caucasus, OJSC received in 2013 will be approved by the General Shareholders Meeting.

Status of net assets

	at the end of 2011	at the end of 2012	at the end of 2013
Net assets	13,818.9	17,152.0	20,082.8
Charter capital	29.532	56.092	154.562

The net assets of IDGC of Northern Caucasus, OJSC have been exceeding the Company's charter capital over the last three years.

The growth in the net assets in 2013 relative to 2012 was contributed to by:

- the additional issuing of shares;
- receipt of net profit.

Optimization of Expenses

Seeking to improve the efficiency of operational and investment activities, IDGC of Northern Caucasus, OJSC is implementing a set of cost management measures.

The Cost Management program includes the following basic activities:

- regimented purchase procedures;
- measures related to energy conservation and energy efficiency improvement;
- optimization of labor costs;
- optimization of costs related to repair of electric grid equipment;
- reduction of general and administrative expenses;
- optimization of construction and installation and equipment costs.

The cumulative effect of cost management activities implemented in 2013 amounted to 499.3 million rubles. The economic effect of the purchase procedures for 2013 amounted to 356.3 million rubles including VAT, or 7%.

In implementing the Order of the President of the Russian Federation No. P/p-846 of April 8, 2011, the Company set a KPI for 2013, "Reduction of expenditures for purchase of goods (work/services) per unit of production by at least 10% annually for three years in real terms at 2010 prices." With a target value of $\geq 100\%$, the actual indicator was 106.1%.

Credit history and debt position

As of the beginning of 2013, IDGC of Northern Caucasus, OJSC had short-term and long-term debts of 5,392,750.6 thousand rubles, including:

- short-term loan of Rosseti, OJSC in the amount of 30,000 thousand rubles according to the Agreement of June 26, 2002;
- short-term debt of FGC UES, OJSC for its own bill in the amount of 316,581.01 thousand rubles as of March 30, 2012, with maturity upon presentation, but not earlier than May 7, 2013, including the principal debt in the amount of 296,460 thousand rubles and accrued interest of 20,120.4 thousand rubles;
- short-term debt of FGC UES, OJSC for its own bill in the amount of 125,267.8 thousand rubles as of March 30, 2012, with maturity upon presentation, but not earlier than May 7, 2013;
- short-term loan of Sberbank of Russia, OJSC in the amount of 500,000 thousand rubles according to the agreement of September 20, 2012, for investing activities;
- short-term loan of Sberbank of Russia, OJSC in the amount of 406,722 thousand rubles according to the agreement of September 20, 2012, for investing activities;
- long-term debt of Rosseti, OJSC for its own bill in the amount of 1,541,035 thousand rubles according to the agreement of May 3, 2011;
- long-term loan of Gazprombank, OJSC in the amount of 978,433.4 thousand rubles, of which 972,040.99 thousand rubles is the amount of principal debt and 6,392.45 thousand rubles is accrued interest;
- long-term loan of Sberbank of Russia, OJSC in the amount of 1,494,711.3 thousand rubles, of which 1,494,711.3 thousand rubles is the amount of principal debt.

During 2013 IDGC of Northern Caucasus, OJSC repaid debt in the amount of 906,722 thousand rubles:

- short-term loan of Sberbank of Russia, OJSC in the amount of 500,000 thousand rubles according to the agreement of September 20, 2012;
- short-term loan of Sberbank of Russia, OJSC in the amount of 406,722 thousand rubles according to the agreement of September 20, 2012.

During 2013 IDGC of Northern Caucasus, OJSC borrowed funds in the amount of 2,066,464.5 thousand rubles:

- long-term loan of Sberbank of Russia, OJSC in the amount of 5,286.8 thousand rubles according to the agreement of May 3, 2011, for operating activities;
- long-term loan of Gazprombank, OJSC in the amount of 1,465,666.4 thousand rubles according to the agreement of May 17, 2011, including 643,204.2 thousand rubles for operating activities and 822,462.2 thousand rubles for investment activities;
- long-term loan of Sberbank of Russia, OJSC in the amount of 595,511.3 thousand rubles according to the agreement of December 25, 2013, including 129,755.7 thousand rubles for operating activities and 465,755.6 thousand rubles for investment activities.

Thus, as of December 31, 2013, IDGC of Northern Caucasus, OJSC is indebted on short-and long-term liabilities in the amount of 6,574,306.6 thousand rubles, including:

- short-term loan of Rosseti, OJSC in the amount of 30,000 thousand rubles according to the agreement of June 26, 2002;
- short-term debt of Rosseti, OJSC for its own bill in the amount of 1,541,035 thousand rubles according to the agreement of May 3, 2011;
- short-term debt of FGC UES, OJSC for its own bill in the amount of 325,937.6 thousand rubles as of March 30, 2012, with maturity upon presentation, but not earlier than May 7, 2013, including the principal debt in the amount of 296,460 thousand rubles and accrued interest of 29,477 thousand rubles;
- short-term debt of FGC UES, OJSC for its own bill in the amount of 125,267.8 thousand rubles as of March 30, 2012, with maturity upon presentation, but not earlier than May 7, 2013;
- long-term loan of Gazprombank, OJSC in the amount of 2,456,556.8 thousand rubles, of which 972,041 thousand rubles is the amount of principal debt and 6,392 thousand rubles is accrued interest;
- long-term loan of Sberbank of Russia, OJSC in the amount of 1,499,998.1 thousand rubles;
- long-term loan of Sberbank of Russia, OJSC in the amount of 595,511.3 thousand rubles.

The average interest rate on the loan portfolio of IDGC of Northern Caucasus, OJSC as of January 1, 2013, amounted to 9.16%, while the refinancing rate was set at 8.25% by the Central Bank on September 14, 2012.

The average interest rate on the loan portfolio of IDGC of Northern Caucasus, OJSC as of December 31, 2013, amounted to 8.80%, while the refinancing rate was set at 8.25% by the Central Bank on September 14, 2012.

Credit portfolio structure (as of December 31, 2013)

Liability name	Creditor (lender) name	Principal debt, thousand rubles	Credit/loan maturity date	Overdue debt, thousand rubles
short-term loan	Rosseti, OJSC	30,000	December 26, 2002	30,000
short-term bill debt	FGC UES, OJSC	296,460.6	not until May 7, 2012	296,460.6
short-term bill debt	FGC UES, OJSC	125,267.8	not until May 7, 2012	125,267.8
short-term bill debt	Rosseti, OJSC	1,541,035	not until October 1, 2012	1,541,035
long-term loan	Gazprombank, OJSC	2,437,707.4	May 13, 2016	-
long-term loan	Sberbank of Russia, OJSC	1,499,998.1	May 2, 2016	-

long-term loan	Sberbank of Russia, OJSC	595,511.3	May 2, 2016	-
Sum total	-	6,525,980.1	-	1,992,763.4

Credit portfolio changes

Liability name	Debt as of January 1, 2013, thousand rubles			Brought in over the year (principal debt), thousand rubles	Repaid over the year (principal debt), thousand rubles	Total interest accrued over the year, thousand rubles	Total interest paid over the year, thousand rubles	Debt as of December 31, 2013, thousand rubles		
	Total	principal debt	interest accrued					Total	principal debt	interest accrued
Long-term borrowed funds incl.:	4,014,179	4,007,787	6,393	2,066,464	0	262,722	250,265	6,093,101	6,074,251	18,849
Credit portfolio refinancing	1,541,035	1,541,035	0	0	0	0	0	1,541,035	1,541,035	0
Investment and operational activity financing	2,473,144	2,466,752	6,393	2,066,464	0	262,722	250,265	4,552,066	4,533,216	18,849
Short-term borrowed funds incl.:	1,378,571	1,358,451	20,120	0	906,722	54,116	44,760	481,206	451,729	29,477
Working capital financing	30,000	30,000	0					30,000	30,000	0
Credit portfolio refinancing	441,849	421,729	20,120	0	0	9,357	0	451,206	421,729	29,477
Investment activity financing	906,722	906,722	0	0	906,722	44,760	44,760	0	0	0
Sum total	5,392,751	5,366,238	26,513	2,066,464	906,722	316,839	295,025	6,574,307	6,525,980	48,326

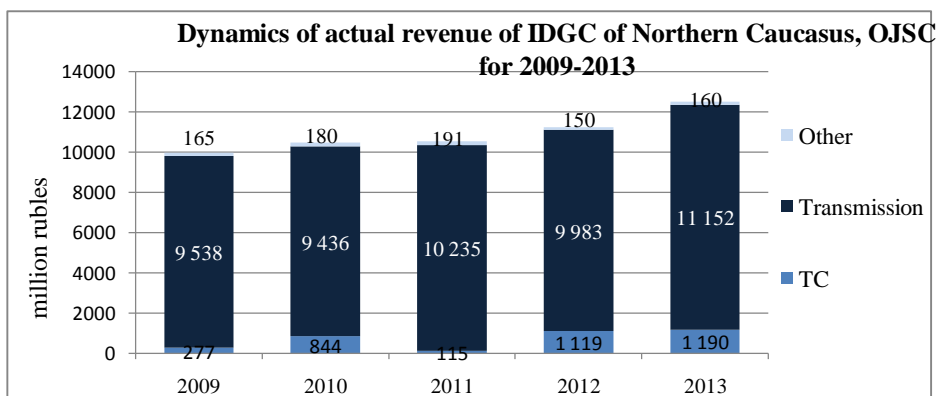
In accordance with the business plan for 2014 and the Long-Term Development Plan for 2012-2016, in 2014 we need to attract credit resources in the amount of 1,007 million rubles. A scheme is also being developed for repayment of loan debts on our own bills to Rosseti, OJSC and FGC UES, OJSC in the amount of 2,022 million rubles.

Tariff regulation

The main activities of IDGC of Northern Caucasus, OJSC (transmission of electrical energy through distribution networks with voltage from 110 kV to 0.4 kV, technological connection of customers to the network infrastructure) are subject to regulation.

Regulation is carried out in accordance with:

- Federal Law "On Electric Power Industry";
- Rules for non-discriminatory access to the transmission of electric energy and provision of related services (approved by the Government Decree of the Russian Federation of December 27, 2004, No. 861);
- Government Decree of the Russian Federation of December 29, 2011, No. 1178 "On Pricing in Adjustable Prices (Tariffs) in the Power Industry";
- Government Decree of the Russian Federation of May 4, 2012, No. 442 "On the Functioning of Retail Electricity Markets, Complete and/or Partial Restriction of Electric Energy Consumption";
- Order of the Federal Tariff Service of August 6, 2004, No. 20-e/2 "On Approval of Guidelines for the Calculation of Adjustable Tariffs and Prices for Electricity and Heating on the Retail (Consumer) Market";
- Order of the Federal Tariff Service of February 17, 2012, No. 98-e "On Approval of Guidelines for the Calculation of Tariffs for Electricity Transmission, Calculated using the Method of Long-Term Indexation of Necessary Gross Proceeds";
- Order of the Federal Tariff Service of March 30, 2012, No. 228-e "On Approval of Guidelines for the Regulation of Tariffs using the Method of Return on Invested Capital";
- Order of the Federal Tariff Service of September 11, 2012, No. 209-e/1 "On Approval of Guidelines for Determining the Amount of Payment for Technological Connection to Electric Grids."



Revenue of IDGC of Northern Caucasus, OJSC in 2013 amounted to 12,501.9 million rubles, and growth in relation to 2012 equaled 11.1% (including transmission of electric energy, 11.7%). The main factors that influenced the increase in revenue in 2013 were the increase in the average tariff for transmission of electrical energy from 1,129.57 rubles/MWh to 1,189.29 rubles/MWh, or 105.29%, and the beginning of operation of the Ingush branch of IDGC of Northern Caucasus, OJSC on May 1, 2013. The decrease in revenue for technological connection to the grid in 2011 was conditioned by the lack of major infrastructure projects aimed at the technological connection.

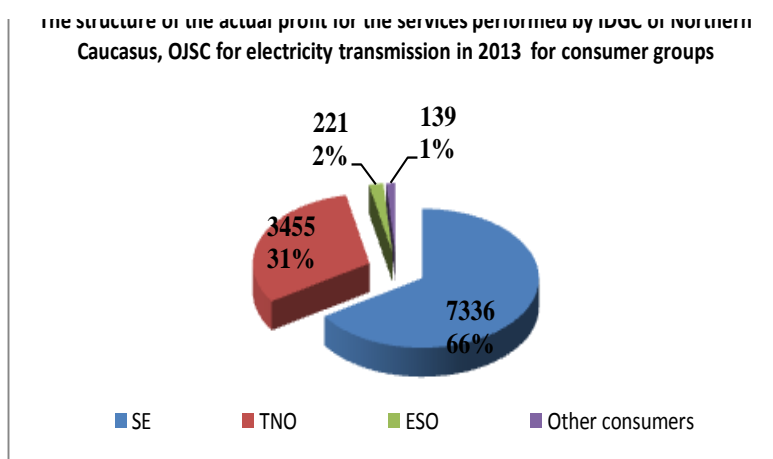
Electricity transmission tariffs

Since 2011 regulation of the activities of the branches of IDGC of Northern Caucasus, OJSC (Kabardino-Balkar, Karachay-Cherkess, North Ossetia, Stavropolenergo) has been carried out using the method of return on invested capital (RAB). First long-term period: 2011-2017.

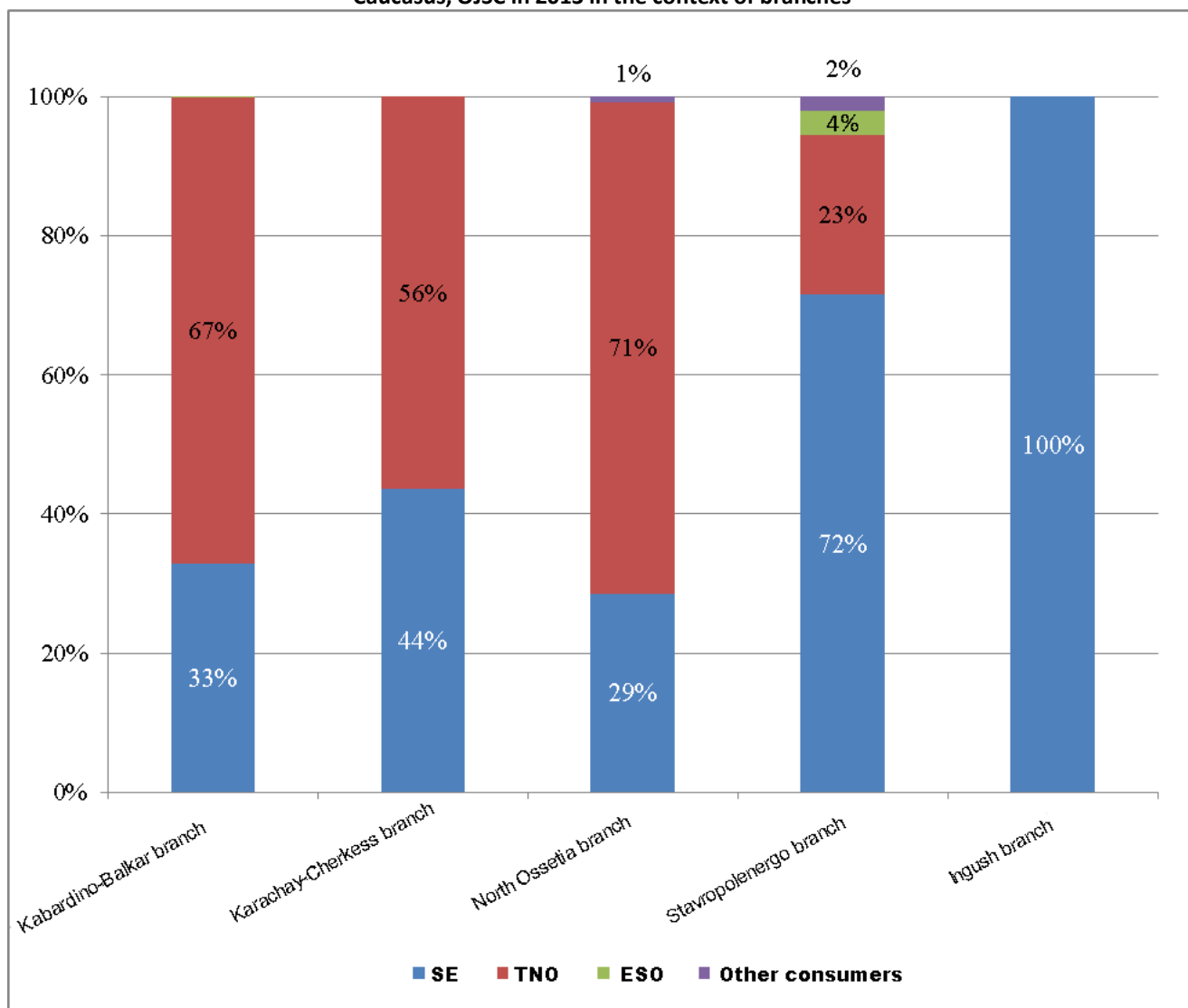
Regulation of the activities of the Ingush branch of IDGC of Northern Caucasus, OJSC was conducted in 2013 using the method of economically justified costs.

Long-term tariff regulation parameters in 2013

Indicators	Kabardino-Balkar branch	Karachay-Cherkess branch	North Ossetia branch	Stavropolenergo branch
Tariff regulation method	RAB	RAB	RAB	RAB
Rate of return on capital invested as of January 1, 2011,%	3.0%	7.5%	3.0%	1.0%
Rate of return on capital invested after January 1, 2011,%	11.0%	11.0%	11.0%	11.0%
Payback period, years	35	35	35	35
Investment capital amount (residual value), million rubles	3,341.3	2,693.2	2,979.5	7,386.0
Operating cost index,%	1%	1.5%	1%	1%
Coefficient of elasticity,%	75%	75%	75%	75%
Share of losses,%	16.5%	16.8%	10.7%	14.4%
Basic operational expenses, million rubles	608.7	546.3	653.4	2,260.4



Structure of actual revenue for electric power transmission services rendered by IDGC of Northern Caucasus, OJSC in 2013 in the context of branches



In the branches of IDGC of Northern Caucasus, OJSC, the largest share in productive supply is occupied by guaranteeing suppliers: from 100% in the Ingush branch to 29% in the North Ossetia branch. Energy suppliers are present only in the Stavropol Krai and account for 4% of the productive supply of the Stavropolenergo branch. The largest share of productive supply to territorial grid organizations belongs to the North Ossetian branch (71%), the smallest, to the Stavropolenergo branch – 23%.

Analysis of changes in the average tariff for electricity transmission services, kopecks/kWh

Branch	2009	2010	2011	2012	2013
Kabardino-Balkar branch	90,262	121,716	137,494	146,872	156,018
Karachay-Cherkess branch	107,172	119,197	135,642	147,086	150,753

North Ossetia branch	83.303	102,218	119,543	108,901	115,097
Stavropolenergo branch	83.118	87.229	95.342	100,663	106,988
Dagenergo branch	62.237	N/A	N/A	N/A	N/A
Ingush branch	109,995	N/A	N/A	N/A	170
Total	80.401	97.419	109,253	112,957	121,379
Growth, %		121.17%	112.15%	103.39%	110%

The increase in the average tariff for electricity transmission services by the branches of IDGC of Northern Caucasus, OJSC in 2013 was as follows:

- Kabardino-Balkar branch – 6.23% (within the socio-economic outlook for the development of the Russian Federation, taking into account the changes in the structure of productive supply of electric power and the capacity of branch networks);
- Karachay-Cherkess branch – 2.49% (average tariff growth lag was due to rapid growth of the electricity consumption forecast for the region);
- North Ossetia branch – 5.69% (within the socio-economic outlook for the development of the Russian Federation, taking into account the changes in the structure of productive supply of electric power and the capacity of branch networks);
- Stavropolenergo branch – 6.28% (within the socio-economic outlook for the development of the Russian Federation, taking into account the changes in the structure of productive supply of electric power and the capacity of branch networks);

Dynamics of the gross receipts for electricity transmission services, million rubles

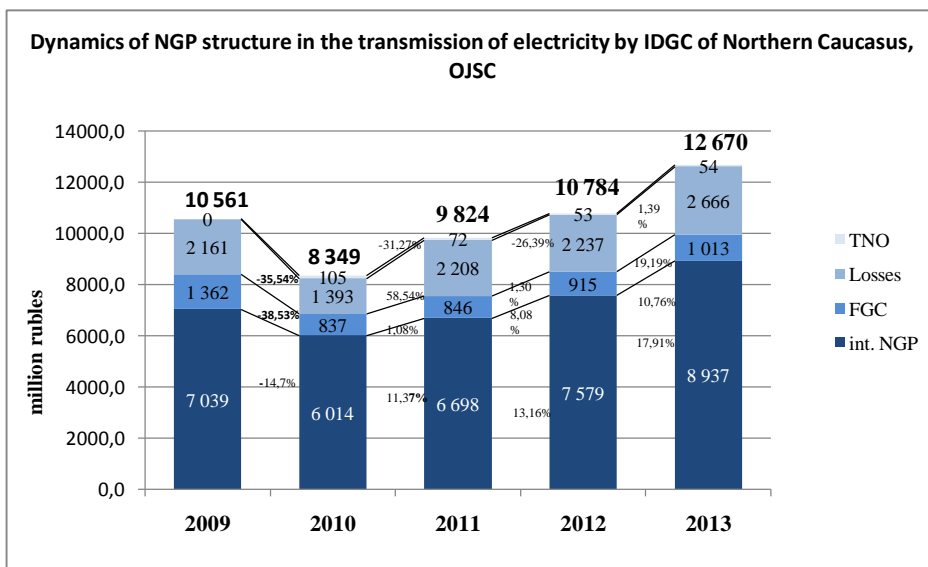
Branch	2009		2010		2011		2012		2013	
	total	internal	total	internal	total	internal	total	internal	total	internal
Kabardino-Balkar branch	982	643	1,324	1,042	1,647	1,331	1,815	1,478	1,884	1,519
Karachay-Cherkess branch	1,031	721	1,086	861	1,352	1,097	1,513	1,253	1,607	1,295
North Ossetia branch	1,170	756	1,412	901	1,699	1,280	1,655	1,288	1,817	1,387
Stavropolenergo branch	4,673	3,048	4,527	3,209	5,125	2,990	5,801	3,561	6,510	4,130
Dagenergo branch	2,293	1,625	0	0	0	0	0	0	0	0
Ingush branch	413	246	0	0	0	0	0	0	851.6	606
Total	10,561	7,039	8,349	6,014	9,824	6,698	10,784	7,579	12,669	8,937

Given the fact that the branches of IDGC of Northern Caucasus, OJSC are regulated using the method of return on invested capital, the main factors influencing the change in gross receipts are as follows:

- estimated inflation rate in terms of indexing operating expenses;
- input value of fixed assets as a result of implementing the investment program, carried out through electricity transmission activity.

The inflation forecast for 2013, used by regulators in the formation of tariffs, amounted to 7.1%. The value of input of fixed assets in 2013, taken into account in approving tariffs for electricity transmission, totaled 2,675 million rubles. Reduction of the planned NGP in 2010 was due to the fact that the Ingush branch and Dagenergo branch of IDGC of Northern Caucasus, OJSC did not perform

operations in connection with the transfer of data transmission facilities for rent to the branches of Ingushenergoset, OJSC and Dagenergoset, OJSC respectively.



Tariffs for technical connection services

Regulation of the activities of IDGC of Northern Caucasus, OJSC to ensure technological connection of consumers to the grid infrastructure on the basis of tariffs calculated in accordance with the Order of the Federal Tariff Service of September 11, 2012, No. 209-e/1 "On Approval of Guidelines for Determining the Amount of Payment for Technological Connection to Electric Grids", is based on the principles of economic feasibility and a one-time connection fee. In accordance with the decisions of the regulatory authorities in force in the regions of IDGC of Northern Caucasus, OJSC, rates are set per power unit, standardized tariff rates to cover the costs of the network:

- Resolution of the Ministry of Energy, Housing and Communal Services and Tariff Policy of the Republic of Kabardino-Balkar of August 13, 2013, No. 34 "On the Establishment of Standardized Tariffs, Formulas for Fee Rate Calculation for Technological Connection and Maximum Rates per Power Unit to use in the Calculation of Payment for Technological Connection to Electric Grids of the Kabardino-Balkar branch of IDGC of Northern Caucasus, OJSC in 2013";
- Resolution of the General Directorate of Karachay-Cherkess on tariffs and prices of December 28, 2012, No. 129 "On Establishment of Payment for Technological Connection of Electricity Applicants to Electric Networks of Grid Organizations in the Karachay-Cherkess Republic";
- Resolution of the Regional Tariff Service of the Republic of North Ossetia-Alania of December 27, 2012, No. 71 "On Establishment of Payment for Technological Connection of Electricity Consumers to Grid Facilities of Territorial Grid Organizations of the Republic of North Ossetia-Alania in 2013";

- Resolution of the Regional Tariff Committee of Stavropol Krai of December 24, 2012, No. 70/7 "On Establishment of Payment for Technological Connection of Electricity Consumers to Grid Facilities of Territorial Grid Organizations of the Stavropol Krai in 2013";
- Decision of the Regional Tariff Committee of the Ingush Republic of July 18, 2013, No. 10 "On Establishment of Fee Formulas and Payment for Technological Connection to Electric Networks of the Ingush branch of IDGC of the North Caucasus, OJSC."

In exceptional cases the charge may be calculated on an individual project basis.

Analysis of changes in the average rate per power unit, rubles/kW*

Branch	2011	2012	2013
Kabardino-Balkar branch	1,678	1,503.52	328.74
Karachay-Cherkess branch	3,249	2,588	63.2
North Ossetia branch	4,975.00	4,975.00	42.81
Stavropolenergo branch	6,643.54	6,564.31	18.79
Ingush branch	0	0	101.68
Total	4,136.39	3,907.71	138.81
growth/decrease, %		-5.53%	-96.45%

* For 2011-2012, the calculated average rate per 1 kW of connected capacity is indicated, for 2013 the approved rate to cover the costs of technological connection in the framework of actions taken is indicated – C 1 (see explanation below).

Until 2013, payment rates for technological connection were calculated in accordance with the Guidelines approved by the Order of the Federal Tariff Service of November 30, 2010, No. 365-e/5, based on the rate of 1 kW of capacity to be connected in two ways: including the investment component and excluding the investment component.

Starting in 2013, in accordance with the Order of the Federal Tariff Service of September 11, 2012, No. 209-e/1, the rate of payment is calculated separately for each type of work:

- construction of overhead power lines;
- construction of cable power lines;
- construction of substations.

At the same time, the rates per power unit in 2011-2012 were calculated on the basis of predictive capacity and full NGP of network organizations, and the rate for the cost of technological connection, excluding the "last mile (C1) – based on the costs of network organizations, excluding the cost of construction of the "last mile" to the average volume of the connected capacity during the preceding three years.

Type of standard tariff rate

Type of standard tariff rate	Kabardino-Balkar branch*	Karachay-Cherkess branch	North Ossetia branch*	Stavropolenergo branch*	Ingush branch*
Rate to cover the costs of TC activities in paragraph 16 (except for subparagraph "b")	328.74	63.2	40.38	18.79	101.68

and "c") – C1					
including					
- preparation by the network organization of technical specifications for the Applicant (TS), rubles/kW	N/A	N/A	N/A	N/A	N/A
- check by the network organization for Applicant's execution of the TS, rubles/kW	N/A	N/A	N/A	N/A	N/A
- participation in the examination (check) by a state agency official, rubles/kW	N/A	N/A	N/A	N/A	N/A
- implementation by the network organization of the actual connection of the Applicant to the electric grid and turning of switching device to the "ON" position, rubles/kW	N/A	N/A	N/A	N/A	N/A
Rate to cover the costs of the network organization for the construction of overhead power lines – C2, rubles/km	148,342.80	89,597.5	117,977	193,701.37	158,232.32
Rate to cover the costs of the network organization for the construction of cable power lines – C3, rubles/km	N/A	68,597.8	N/A	92,937.33	251,314.21
Rate to cover the costs of the network organization for the construction of substations – C4, rubles/kW	N/A	1,266.2	554.8	975.55	237.26

* Data on applicants who applied for technological connection, over 15 up to 150 kW at voltage of 6-10 kV.

Standardized tariffs for technological connection to electric networks C2, C3, C4 are set in 2001 prices in accordance with the Order of the Federal Tariff Service of September 11, 2012, No. 209-e/1 "On Approval of Guidelines for Determining the Amount of Payment for Technological Connection to Electric Networks."

Kabardino-Balkar branch

Standardized tariffs for technological connection to electric networks of the branch are established by the Resolution of the Ministry of Energy, Housing and Communal Services and the Tariff Policy of the Kabardino-Balkar Republic of August 13, 2013, No. 34, from August 20, 2013. Tariffs are differentiated according to capacity categories: up to 15 kW; up to 150 kW; above 150 kW up to 8900 kW, as well as by voltage levels: 0.4 kV and 6-10 kV. Calculation of fees for applicants with connected capacity of more than 670 kW is produced individually.

Karachay-Cherkess branch

Tariffs for technological connection to the branch's power grids are differentiated into capacity categories: up to 15 kW; over 15 up to 670 kW. Calculation of fees for applicants with connected capacity of more than 670 kW is produced individually.

North Ossetia branch

Tariffs for technological connection to the branch's power grids are differentiated into capacity categories: up to 15 kW; more than 15 to 150 kW inclusive; over 150 to 670 kW inclusive and more than 670 kW, as well as by voltage levels: 0.4 kV and 6-10 kV.

Stavropolenergo branch

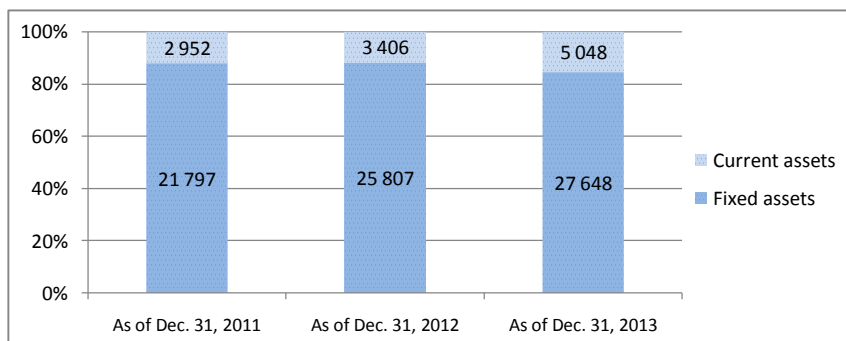
Tariffs for technological connection to the branch's power grids are differentiated into capacity categories: up to 15 kW; more than 15 to 150 kW inclusive; over 150 to 670 kW inclusive and more than 670 kW, as well as by voltage levels: 0.4 kV and 6-10 kV.

Ingush branch

Tariffs for technological connection to the branch's power grids are differentiated into capacity categories: up to 15 kW; more than 15 to 150 kW inclusive; over 150 to 670 kW inclusive, as well as by voltage levels: 0.4 kV and 6-10 kV.

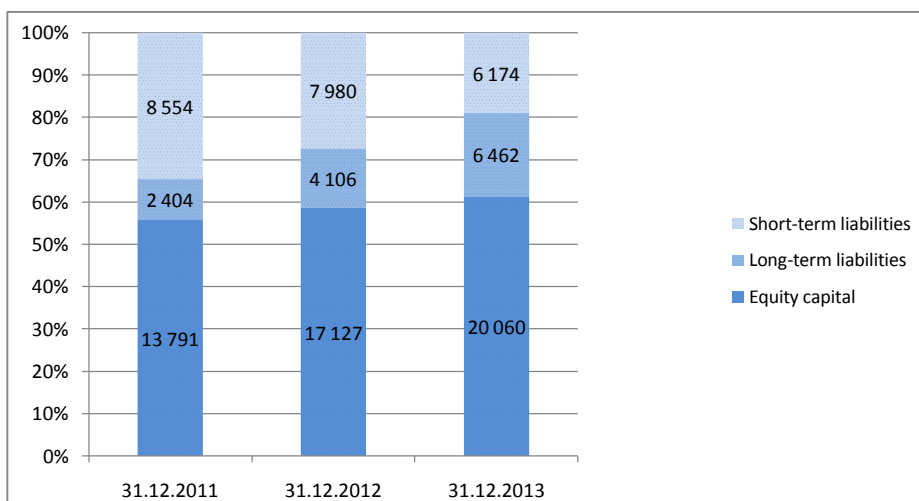
Capital structure

Structure of assets, million rubles



The structure of assets of IDGC of Northern Caucasus, OJSC is characterized by a high proportion of non-current assets, which at the end of 2013 amounted to 85%. This is due to the implementation of the investment program aimed at the renewal of fixed production assets. The structure of non-current assets is predominated by fixed assets (68%) and construction-in-progress (23%).

Structure of liabilities, million rubles



In the structure of liabilities of IDGC of Northern Caucasus, OJSC, the largest percentage belongs to their own sources (capital and reserves), the share of which amounted to 61% at the end of 2013. Capital surplus (excluding revaluation) as of December 31, 2013, increased by 26% due to the share premium received during the issue of additional ordinary shares.

During 2011-2013, the share of long-term debt has risen steadily in connection with the borrowing of funds to finance the investment program. At the end of the year, the share of long-term liabilities in the liabilities structure was 20%.

The volume of short-term liabilities during 2011-2013 gradually declined. Relative to the year of 2012, the share of short-term liabilities decreased from 27% to 19%. Payables compile the largest share in the short-term liabilities (47%). The share of short-term borrowings used to finance the investment program and ongoing needs amounts to 33%.

Fixed assets

The asset portfolio of IDGC of Northern Caucasus, OJSC is a set of financial and material resources (movable and immovable properties) used by the company to carry out its primary and secondary types of activities

The core of the Company's assets lies in its electricity grid facilities with a voltage rating of 110 kV and lower. The assets related to electricity grid facilities are not used on a lease basis.

Register of non-core assets

In order to quit non-core activities, IDGC of Northern Caucasus, OJSC is taking measures to sell facilities that are not involved in the core activities. These measures are implemented in accordance with the Non-Core Asset Register. The register is approved by the company's Board of Directors. The

General Director of IDGC of Northern Caucasus, OJSC submits quarterly sales reports on facilities included in the Non-Core Asset Register to the Board of Directors for consideration.

The Non-Core Asset Register of IDGC of Northern Caucasus, OJSC was approved by the Board of Directors as amended on October 29, 2010 (Minutes No. 64 of November 3, 2010).

The facilities included in the Register are sold in accordance with the Regulation on Sales of Non-Core Assets of IDGC of Northern Caucasus, approved by the Board of Directors on November 28, 2008 (Minutes No. 34).

This Regulation sets forth the procedure for selling non-core assets and establishes requirements related to information support for the facilitation of sales and the following methods of sales:

- sales by auction with a starting price equal to the market value;
- sales by public offering with an initial bid price equal to the starting price of the auction, recognized as void, and with a minimum offer price equal to 50% of the initial bid price;
- sales without publishing the price where non-core assets can be sold at the maximum price quoted by bidders.

Housing and utility facilities included in the Register are sold in accordance with the Regulation on Disposing of Housing and Utility Facilities of IDGC of Northern Caucasus, OJSC, approved by the Board of Directors on December 23, 2009 (Minutes No. 50). It enables people living in such housing accommodations to purchase them on favorable terms.

Acquisition and lease of electricity grid facilities

IDGC of Northern Caucasus, OJSC mainly uses the following acquisition types:

- construction within an approved investment program;
- acquisition of ownership under purchase-sale agreements;
- lease.

Properties owned by organizations located in the North Caucasus Federal District are purchased and leased within the 2011–2015 program for Consolidation of Electricity Grid Facilities of IDGC of Northern Caucasus, OJSC, approved by the Company's Board of Directors (Minutes No. 82 of September 30, 2011).

Land assets

The land assets of IDGC of Northern Caucasus, OJSC mainly consist of land plots used on a leasehold basis and provided for placement of electricity grid facilities. In pursuance of Federal Law “On the Implementation of the Land Code of the Russian Federation,” the Company is re-registering its land plots, which were earlier granted for permanent (perpetual) use and are now to be used on a leasehold basis.

In addition: information about the structure of the property complex of IDGC of Northern Caucasus, OJSC and its changes during 2013, as well as information on land plots of IDGC of Northern Caucasus, OJSC and its changes during 2013 (Appendix No. 7 to the Annual Report).

Long-term financial investments

IDGC of Northern Caucasus, OJSC does not make any long-term financial investments as a joint activity.

We carry out relationships with subsidiaries and controlled enterprises in accordance with the legislation of the Russian Federation, the Charter and internal documents of the Company, controlled enterprises and subsidiaries.

General conditions of corporate interaction are established by the Procedure of Interactions of IDGC of Northern Caucasus, OJSC with companies whose stocks (shares) are owned by IDGC of Northern Caucasus, OJSC. The document regulates corporate planning, organization and control of corporate actions when corporate bodies of subsidiaries consider issues that require determination of position in accordance with the Charter of IDGC of Northern Caucasus, OJSC.

The main objectives of cooperation are:

- ✓ ensuring sustainable financial development and profitability, increasing investment attractiveness;
- ✓ protection of rights and legitimate interests of shareholders;
- ✓ harmonization of relations between shareholders, executives and members of staff, preventing conflicts between and within the above groups;
- ✓ development and implementation of a coordinated and efficient investment policy.

Information on subsidiaries

There are two fully-owned subsidiaries within the corporate governance system of IDGC of Northern Caucasus, OJSC: Dagenergoset, OJSC and Energoservice, OJSC.

Dagenergoset, OJSC was founded on January 27, 2010. The electricity grid property of Dagenergo was leased to Dagenergoset, OJSC on April 1, 2010. Dagenergoset, OJSC.

Creating a subsidiary of IDGC of Northern Caucasus, OJSC was the initiative of Company management, motivated by the desire to bring Northern Caucasus electricity out of the crisis financial condition, as well as to provide dividend income to shareholders. Implemented measures allowed us to isolate the problem area of the grid complex for its point reorganization and to eliminate the negative impact of the negative performance of Dagenergo on the indicators in the general Company statements. As a result, two years later the Company was able to pay dividends to shareholders for the first time.

The Board of Directors of IDGC of Northern Caucasus, OJSC decided (Minutes No. 68 of December 24, 2010) to establish Energoservice, OJSC in 2011. Energoservice, OJSC should increase the energy efficiency of IDGC of Northern Caucasus, OJSC and other grid companies operating in the Northern Caucasus Federal District. In 2013 Energoservice, OJSC performed almost no core activities, which was caused by the lack of financial resources and active marketing strategy. Nevertheless, IDGC of Northern Caucasus, OJSC, being the main beneficiary of the successful core business of Energoservice, OJSC, using corporate governance tools, intends to ensure the implementation and

realization of an active marketing plan in the subsidiary, the conducting of energy audits, the implementation of technical work to establish accounting systems of electricity consumption and improvement of their efficiency and energy saving measures.

The management of subsidiaries and controlled companies is performed in accordance with the corporate governance principles established in the Company. In 2009 the Company's Board of Directors decided to approve the Procedure for cooperating with commercial groups where IDGC of Northern Caucasus, OJSC owns shares (Minutes No. 39 of March 25, 2009). For the full text of the Procedure, go to the Company's site in the section "Shareholders and Investors / Charter and Internal Documents / Documents for Corporate Governance Procedures" at: (http://www.mrsk-sk.ru/shareholders_and_investors/dokumenty/dokumenty_protседur_upravleniya/).

Subsidiaries and controlled companies of IDGC of Northern Caucasus, OJSC are basically managed by:

- Participation of representatives of IDGC of Northern Caucasus, OJSC in management bodies;
- creating and ensuring implementation of a development strategy;
- planning and monitoring of financial and economic activities;
- development and introduction of unified business processes, internal documents and reports in line with the corporate governance standards of IDGC of Northern Caucasus, OJSC;
- shaping and implementation of a personnel policy.

Information on subsidiaries of IDGC of Northern Caucasus, OJSC

Full company name	Dagenergoset Open Joint-Stock Company	Energoservice Open Joint-Stock Company
Abbreviated company name	Dagenergoset, OJSC	Energoservice, OJSC
Location	Makhachkala, Republic of Dagestan, Russian Federation, 367020, 73a Dakhadaeva Str.	Pyatigorsk, Stavropol Krai, Russian Federation, 357506, Energetik Village, 18 Podstantsionnaya Str.
Core activities	- electricity transmission services; - technical connections of consumers to the grid infrastructure;	- maintenance of electricity grids
Charter capital, rubles	150,000	100,000
Share of IDGC of Northern Caucasus, OJSC in the charter capital	100%	100%
Percentage of voting shares owned by IDGC of Northern Caucasus, OJSC	100%	100%
Subsidiary's revenue in 2013, million rubles	2,085	9.9
Subsidiary's financial performance in 2013, million rubles	-2,231.6	-7

In addition: investments in other shares and interests, Appendix No. 8 to the Annual Report.

Share Capital

General information on securities

IDGC of Northern Caucasus, OJSC placed 154,562,275 common registered shares, with a nominal value of 1 ruble each. No preferred shares or bonds were placed. Depository receipt programs not available.

Ordinary shares are listed with organized trading.

Instrument description

Instrument type	Ordinary share
Trading floor	Moscow Stock Exchange
Identification code	MRKK
ISIN code	RU000A0JPPQ7
State registration number	1-01-34747-E
Issue volume	154,562,275 pcs
Nominal value,	1 ruble
Nominal currency	SUR, Russian ruble
Date of start of trading on the Moscow Stock Exchange	June 19, 2008

Charter capital

As of December 31, 2013, the charter capital of IDGC of Northern Caucasus, OJSC amounted to 154,562,275 rubles.

Information on authorized shares

In accordance with the amendments made to the Charter of IDGC of Northern Caucasus, OJSC (state registration effected on December 16, 2013), the number of ordinary authorized shares in addition to allotted shares amounts to 174,969,777 shares with a par value of 1 ruble each with a total nominal amount of shares of 174 969,777 rubles.

Basic rights of shareholders

Shareholders of IDGC of Northern Caucasus, OJSC have a bundle of rights, the protection and observance of which shall be ensured by the Board of Directors and executive bodies. The rights of shareholders are governed by the applicable law, the provisions of the Charter and internal documents.

In order to provide actual opportunity to exercise shareholders' rights, we regularly provide shareholders in a timely manner with complete and reliable information on various issues, including those relating to the activities of IDGC of Northern Caucasus, OJSC, dividend payments, the agenda of the General Shareholders' Meeting, as well as other issues. In cases stipulated by the legislation of the Russian Federation and the Charter, the Board of Directors of IDGC of Northern Caucasus, OJSC provides unprejudiced sound recommendations to shareholders.

Right	Reference to the provision of the regulation and the Charter of	Ownership by the shareholder (shareholders*) over voting shares
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	IDGC of Northern Caucasus, OJSC	any	1%	2%	10%	25%
Participate, in person or by proxy, in the General Shareholders Meeting and vote on all issues within its competence	Sub-clause 1 Clause 6.2 Art. 6, Clause 11.8 Art. 11 of the Charter, Sub-clause 2 Article 31 of the Federal Law "On Joint-Stock Companies"	✓	✓	✓	✓	✓
Alienate shares held by them without the consent of other shareholders and IDGC of Northern Caucasus, OJSC	Par. 4 Clause 2.5 Art. 2 of the Charter; Par. 4 Clause 1 Art. 2 of the Federal Law "On Joint-Stock Companies"	✓	✓	✓	✓	✓
Put forward suggestions for the agenda of the General Shareholders' Meeting	Sub-clause 2 Clause 6.2 Art. 6, Clause 13.1 Art. 13 of the Charter; Clause. 1 Art. 53 of the Federal Law "On Joint-Stock Companies"	X	X	✓	✓	✓
Receive information on the Company's activities and review the Company's documents	Sub-clause 3 Clause 6.2 Art. 6, Par. 1 Clause 26.5 Art. 26 of the Charter, Clause 4 Art. 11, Art. 91 of the Federal Law "On Joint-Stock Companies"	✓	✓	✓	✓	✓
Receive dividends as declared by the Company	Sub-clause 4 Clause 6.2 Art. 6 of the Charter, Sub-clause 2 Article 31 of the Federal Law "On Joint-Stock Companies"	✓	✓	✓	✓	✓
Use their preemption right to acquire additional shares and convertible issue-type securities, placed by subscription, in proportion to the number of common shares held by them	Clause 5.5 Art. 5, Sub-clause 5 Clause 6.2 Art. 6 of the Charter; Clause 1 Art. 40 of the Federal Law "On Joint-Stock Companies"	✓	✓	✓	✓	✓
Receive a portion of the Company's assets in case of its dissolution	Sub-clause 6 Clause 6.2 Art. 6 of the Charter, Sub-clause 2 Article 31 of the Federal Law "On Joint-Stock Companies"	✓	✓	✓	✓	✓
Review the list of persons entitled to participate in the General Shareholders Meeting	Clause 4 Art. 51 of the Federal Law "On Joint-Stock Companies"	X	✓	✓	✓	✓
Nominate candidates to the Company's Board of Directors	Clause 13.1 Art. 13, Sub-clause 14.9.2 Clause 14.9 Art. 14 of the Charter; Clause 1 Art. 53 of the Federal Law "On Joint-Stock Companies"	X	X	✓	✓	✓
Nominate candidates to the Revision Commission	Clause 13.1 Art. 13 of the Charter; Clause 1. Art. 53 of the Federal Law "On Joint-Stock Companies"	X	X	✓	✓	✓
Initiate an Extraordinary General Meeting of Shareholders	Par. 1 Clause 14.3 Art. 14 of the Charter; Clause 1 Art. 55 of the Federal Law "On Joint-Stock Companies"	X	X	X	✓	✓
Initiate an inspection (revision) of financial and economic activities of IDGC of Northern Caucasus, OJSC	Clause 24.7 Art. 24 of the Charter; Clause 3 Art. 85 of the Federal Law "On Joint-Stock Companies"	X	X	X	✓	✓

Right	Reference to the provision of the regulation and the Charter of IDGC of Northern Caucasus, OJSC	Ownership by the shareholder (shareholders*) over voting shares				
		any	1%	2%	10%	25%
Review accounting documents and minutes of meetings of the Company's Management Board and request copies of the said documents	Par. 2 Clause 26.5 Art. 26 of the Charter; Par. 1 Clause 1 Art. 91 of the Federal Law "On Joint-Stock Companies"	X	X	X	X	✓

* Shareholders collectively holding the designated number of voting shares may jointly implement the corresponding right.

✓ - Have the right

X - have no right

Issuing activity

The initial issue of shares was effected on the date of state registration of IDGC of Northern Caucasus, OJSC as a legal entity on August 4, 2006, through the acquisition of shares by the sole founder – RAO UES of Russia, OJSC.

Event	Registration date of issue prospectus	State registration date of security issue (common shares) and state registration number	State registration date of report on the share issue	Number of placed common shares	Nominal value, rubles
Issue 1	Not registered	December 27, 2006 1-01-34747-E	December 27, 2006	150,000	1
Issue 2	March 20, 2008	March 20, 2008 1-01-34747-E-001D	May 6, 2008	9,644,385	1
Issue 3	March 20, 2008	March 20, 2008 1-01-34747-E-002D	May 6, 2008	2,695,250	1
Issue 4	March 20, 2008	March 20, 2008 1-01-34747-E-003D	May 6, 2008	8,352,060	1
Issue 5	March 20, 2008	March 20, 2008 1-01-34747-E-004D	May 6, 2008	8,690,357	1
Issue 6	February 28, 2012	February 28, 2012 1-01-34747-E-005D	August 30, 2012	26,560,436	1
Issue 7	May 30, 2013	May 30, 2013 1-01-34747-E-006D	November 14, 2013	98,469,787	1
Total outstanding shares				154,562,275	

An extraordinary General Shareholders Meeting of IDGC of Northern Caucasus, OJSC (Minutes No. 12 as of March 18, 2013) made a decision to increase the Company's charter capital by placing an additional 125,722,698 common registered uncertified shares with a nominal value of one ruble each. Placed through public offering. Placing price per additional common share at 25.94 rubles (including for shareholders on the list of persons with the preemptive right to purchase additional shares). The price is determined based on the weighted average price of transactions involving ordinary shares of IDGC of Northern Caucasus, OJSC completed on the MICEX Stock Exchange between December 30, 2012 and January 29, 2013.

Cash received by IDGC of Northern Caucasus, OJSC within the additional issue of shares is allocated for the implementation of measures to reduce excessive energy losses in distribution networks in the Northern Caucasus, and can also be used to pay interest for the use of credit borrowed earlier to implement the objectives of the program.

More information on the program to reduce losses: creating value for stakeholders. Consumers and customers.

Share capital structure

Statistical information on the number of registered persons on the register of shareholders of IDGC of Northern Caucasus, OJSC as of May 14, 2013*

Shareholder type	Number of registered persons	Number of shares, pcs	Share in charter capital, %
Legal persons	173	147,985,123	95.7
Physical persons	4,762	6,577,152	4.3
Total	4,935	154,562,275	100

* Date of compilation of the list of persons having the right to participate in the annual General Shareholders Meeting.

Information on the number of registered persons on the register of shareholders of IDGC of Northern Caucasus, OJSC as of December 31, 2013, excluding nominee holders

Shareholder type	Number of registered persons	Number of shares, pcs	Share in charter capital, %
Owners – physical persons	2,256	871,735	0.56
Owners – legal persons	43	513,524	0.33
Nominee holders (first class)	3	150,338,824	97.27
Trustees (not the bailors of nominee holders)	1	2,838,192	1.84
Total	2,303	154,562,275	100

Share of foreign investors in the charter capital of IDGC of Northern Caucasus, OJSC as of May 14, 2013, market value as of December 31, 2013

Country	Number of shares, pcs	Nominal value, thousand rubles	Market value, thousand rubles
Australia	472	0.5	7.3
Germany	2	0.002	0.03
Israel	978	1	15.1
Belize	15,358	15.4	237.8
Cyprus	1,035,886	1,035.9	16,040.7
Austria	39,000	39	603.9
Latvia	2,246	2.2	34.8
Switzerland	235,758	235.8	3,650.7
United Kingdom	39,159	39.2	606.4
Sweden	1323	1.3	20.5
Ukraine	346	0.3	5.4
Belarus	202	0.2	10.1

Changes in the equity capital structure of IDGC of Northern Caucasus, OJSC (excluding data on nominee holders, data as of the end of the year)

Registered person type	Share in charter capital as of the end of the year (%)						
	2007	2008	2009	2010	2011	2012	2013
Owners – physical persons	0	10.31	3.83	3.37	3.09	1.59	0.56
Owners – legal persons	100	4.87	1.95	1.94	1.93	1.02	0.33
Nominee holders	0	84.82	84.61	85.08	85.37	92.33	97.27
Trustees	0	0	9.61	9.61	9.61	5.06	1.84

Information on persons with a registered share in IDGC of Northern Caucasus, OJSC of more than 5% as of December 31, 2012

Registered person name	Registered person type	Location	Number of shares, pcs	Share in charter capital, %
DKT, LLC	Nominee holder	4 Stromynka St., bldg. 1 Moscow 107014	43,756,054	28.3
National Settlement Depository (NSD), CJSC	Nominee holder	Bldg. 8, 1/13, Sredny Kislovsky Lane, Moscow, 125009	106,563,777	68.9
Yurenergoconsult, LLC	Trustee	18 Podstantsionnaya Str. Pyatigorsk, Stavropol Krai, 357500	2,838,192	1.84%
Rosseti, OJSC	Owner – customer of nominee holders DKT, LLC and the National Settlement Depository (NSD), CJSC	26 Ulansky lane, Moscow, 107996	142,197,293	92%

Information on the share of the Russian Federation, subjects of the Russian Federation, municipal units in the charter capital of IDGC of Northern Caucasus, OJSC (as of December 31, 2013)

Shareholder category	Russian Federation	Constituent entities of the Russian Federation	Municipal units	Total
	No share in charter capital	Ministry of Property Relations of Stavropol Krai	Municipal units in the Republic of Dagestan	
Number of voting shares		488	405,105	405,593
Share in charter capital		0.0003	0.2621	0.2624

The Company on the stock exchange

Trade organizers on the securities market

The shares of IDGC of Northern Caucasus, OJSC are currently listed on the MICEX Stock Exchange as part of integrated exchange trading sessions:

- in the Main Market sector;
- in a way similar to RTS Classica.

The Company's shares are not listed outside the Russian Federation.

Information on the trade organizer

Moscow Stock Exchange, OJSC

Address: 13 Bolshoy Kislovskiy Lane, Moscow, Russian Federation

Telephones: +7 (495) 363-3232, +7 (495) 232-0555

Fax: +7 (495) 705-9622

<http://moex.com/>

Information on the market maker of IDGC of Northern Caucasus, OJSC

Market maker name	Trading floor	Trading type	Commitment period
Unikom Partner, LLC	MICEX, CJSC	Main trading	from September 9, 2008

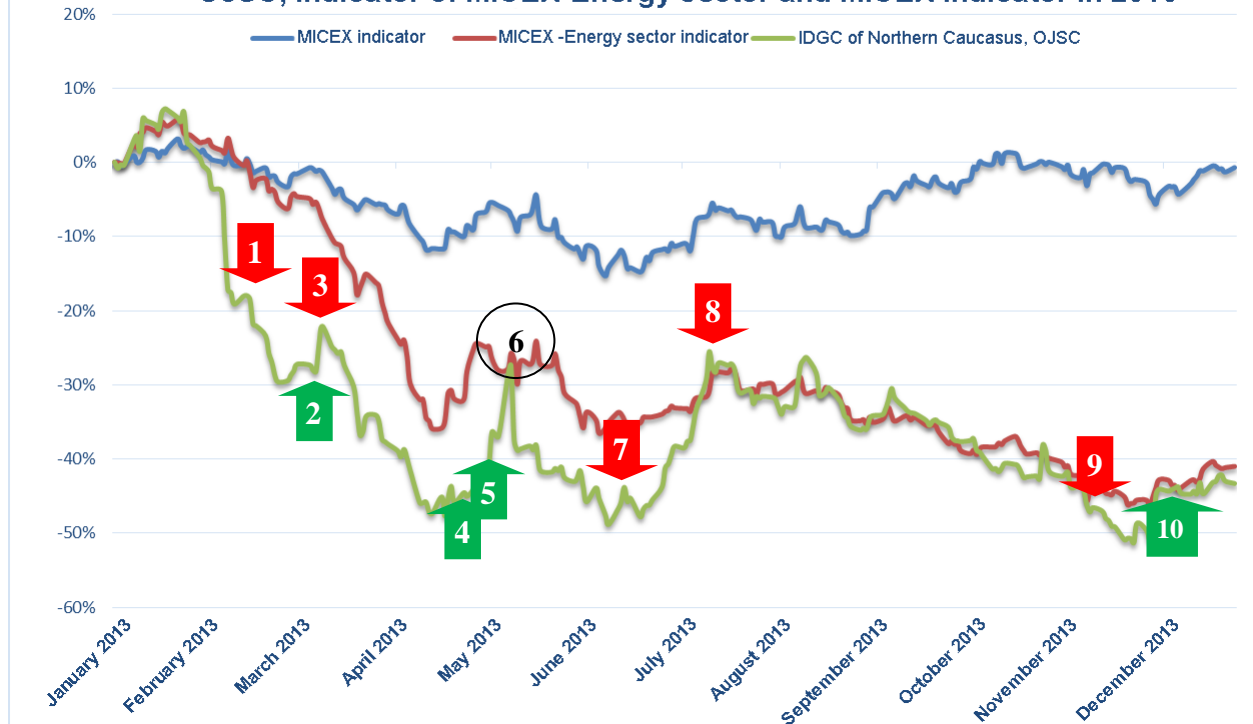
Trading summary report

Capitalization, value and dynamics of shares of IDGC of Northern Caucasus, OJSC over the period of 2008 to 2013 based on trading results on the MICEX Stock Exchange

Indicator	December 31, 2008	December 31, 2009	December 31, 2010	December 31, 2011	December 31, 2012	December 31, 2013	Dynamics over 55 months (2009-2013), %	Dynamics over 12 months (2013), %
Weighted average price (as of the period end), rubles	24.5	133.7	175.9	51.3	26.3	15.37	-37.27	-41.56
Closing price, rubles	24.5	133.5	176.5	51.7	26.5	15.44	-36.98	-41.74
Capitalization, billion rubles	0.7	4.0	5.2	1.5	1.5*	0.9	24.04	-42.11
Indicator	2008	2009	2010	2011	2012	2013	Dynamics over 55 months (2009-2013), %	Dynamics over 12 months (2013), %
Year's maximum price, rubles	221	148.44	234.5	183.5	71.4	29.8	-86.5	-58.3
Year's minimum price, rubles	23.9	21.4	118.7	50.5	22.0	11.9	-50.2	-45.9
Daily trading volume, million rubles	4.9	11.6	12.9	3.6	1.8	1	-82.3	-51.7
Daily trading volume, shares	153,657	240,630	74,750	35,965	51,122	46,746	-69.6	-8.6
Daily trading volume, transactions	68	318	403	263	363	209	207.4	-42.4

* Including additional shares which started to be listed in the second half of 2012.

Dynamics of capitalization of IDGC of Northern Caucasus, OJSC, indicator of MICEX-Energy sector and MICEX indicator in 2013

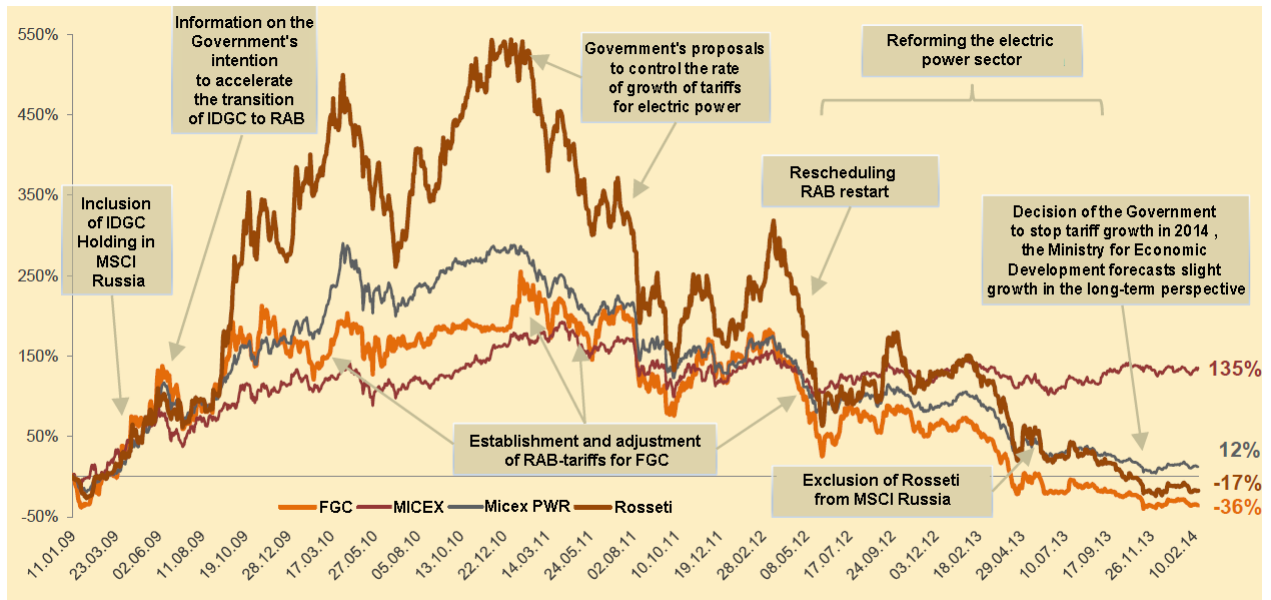


	Executive Order (within the business meeting) of the President of the Russian Federation V.V. Putin on the assessment of "economically sound and socially equitable increase of payments" in 2013, which should not exceed 6%
	IDGC of Northern Caucasus, OJSC publishes its annual financial statements according to Russian standards for 2012
	Extraordinary General Meeting of Shareholders of IDGC of Northern Caucasus, OJSC decides on issuance of an additional 125,700,000 ordinary shares for the purpose of funding (indirectly through the contribution of Rosseti, OJSC into the authorized capital) measures to reduce electricity losses
	IDGC of Northern Caucasus, OJSC publishes financial results of 2012 according to international standards
	The Board of Directors convenes Annual General Meeting and recommends making a decision to pay dividends for 2012
	Date of listing persons entitled to receive dividends on ordinary shares of IDGC of Northern Caucasus, OJSC for 2012
	According to the results of the St. Petersburg International Economic Forum, the President of the Russian Federation V.V. Putin signed a list of instructions to limit the growth of tariffs of natural monopolies for a five-year period (from 2014)
	IDGC of Northern Caucasus, OJSC summarizes the outcome of the preemptive right to acquire ordinary shares of additional issue
	The Prime Minister of the Russian Federation D.A. Medvedev approves the Action Plan to limit final cost of goods and services of infrastructure companies

Government Committee on socio-economic development of the Northern Caucasus Federal District generates a series of initiatives to address the region's electricity sector

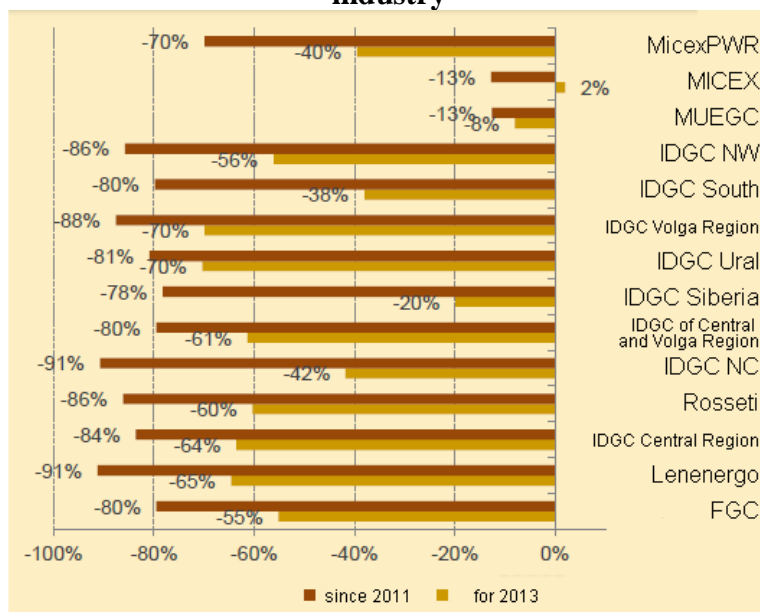
More about trends and factors affecting the dynamics of capitalization: sections "Key events of the country and the region", "Macroeconomic factors of development", "State industrial policy", "Territory responsibility and regional policy" of the Annual Report.

Impact of the regulatory factor on the dynamics of capitalization of network companies



Source: DKT

Dynamics of capitalization of IDGC of Northern Caucasus, OJSC in comparison with the industry



Source: DKT

Dividend policy

To provide transparency of the mechanism used to determine the size of a dividend on shares of IDGC of Northern Caucasus, OJSC, the Board of Directors decided to approve the Resolution on Dividend Policy in 2010 (Minutes No. 61 as of August 17, 2010). We are sure that the approval of the said document was a fundamentally positive factor, increasing the investment attractiveness of securities of IDGC of Northern Caucasus, OJSC. The full text of the Resolution is available on the corporate site of IDGC of Northern Caucasus, OJSC in the section "Shareholders and Investors / Charter and Internal Documents / Dividend Policy Documents at: (http://www.mrsk-sk.ru/shareholders_and_investors/dokumenty/dokumenty_protседur_upravleniya/).

One of the main medium and long-term objectives of IDGC of Northern Caucasus, OJSC is to achieve positive growth in dividend payments to shareholders, based on the net profit received over the fiscal year and the need for the development of operational and investment activities.

The Company has the right to make a decision on (announce) payment of dividends on issued shares at the end of the first quarter of, the first half of, the first nine months of a fiscal year and/or at the end of a fiscal year.

In a number of cases stipulated by law, the Company does not have the right to make decisions on dividend payment. The decision on dividend payment is made if the following criteria are simultaneously fulfilled:

- net profit available as of the end of the fiscal period;
- net profit available as of the end of the fiscal period before revaluation of financial investments;
- debt (at the period end) to EBITDA ratio is less than three. If this criterion is not met, repayment of borrowed funds takes precedence over payment of dividends.

The formula to calculate the dividend rate is as follows:

$$\text{DIV} = \text{NP} - \text{MCRF}' - \text{PD} - \text{PL},$$

where

DIV is the total net profit amount used on dividends;

NP is net profit as of the end of a fiscal period (before revaluation of financial investments), obtained based on long-term regulation parameters set for the Company;

MCRF' is the amount of mandatory contributions to the reserve fund and other funds in accordance with the Company's Charter (the ratio to the total sum of contributions to funds corresponds to the percentage of the profit before revaluation of financial investments in relation to the total net profit);

PD is part of the profit allocated to the Company's investment and development;

PL is part of the profit allocated to discharge losses from operational activities of previous years, if any (no more than $0.5 * (\text{NP} - \text{MCRF}' - \text{PD})$).

As required by applicable Russian law, dividends should be paid from the company's net profit, established through its accounting statements. However, the regulations do not make it mandatory to use the data of accounting (financial) statements prepared in accordance with specific standards. For

the calculation of dividends on shares paid for the year 2012, we used financial statements prepared in accordance with Russian standards. This decision was conscious and implemented in order to provide shareholders with dividend yield. Thus, if we decided to use financial statements prepared in accordance with international standards (which implies the consolidation of financial ratios of IDGC of Northern Caucasus, OJSC and its subsidiaries), the source for the payment of dividends would be absent due to lack of net income for the said statements.

Dividend payments are distributed among the shareholders in proportion to their shares.

Terms and procedures for the payment of dividends are set out by the Charter or a decision of the General Shareholders Meeting. Dividends are paid in cash only. In accordance with Sub-clause 7.1 of the Charter of IDGC of Northern Caucasus, OJSC, the dividend payment period shall be determined by the General Shareholders Meeting, but payment shall be made not later than 60 days after the decision is made. In case of default of obligations by the Company, shareholders shall be entitled to demand payment of announced dividends in a legal procedure.

At the same time we would like to draw the attention of shareholders to the fact that if correct and complete data on registered persons, required to make payments (transfers), is not on the register of shareholders, the dividends can not be paid. In this regard and in order to maximize the complete and effective implementation of ownership rights for shares of IDGC of Northern Caucasus, OJSC, we ask our shareholders to make timely changes in their personal account if information on the shareholder has changed. You can do this by providing the registrar of the Company (STATUS, CJSC) with a fully completed registration form. More information is available on the registrar's site in the "For Shareholders" section at – <http://rostatus.ru/for-shareholders/>.

The General Shareholders Meetings of IDGC of Northern Caucasus, OJSC made no decisions to transfer or pay dividends from the founding of the Company in 2006 until 2012.

Record of dividend payouts of IDGC of Northern Caucasus, OJSC

Dividend period	Management body that made the decision to declare dividends	Dividends declared per share, rubles	Dividends declared, rubles	Total amount of paid dividends, rubles	Share of dividends paid in the total amount of dividends declared,%	Source of payment
2006-2011	The decision was not made	0	0	0	0	-
2012 (full year)	Annual General Shareholders Meeting (date – June 19, 2013, Minutes No. 13 of June 21, 2013)	2.8586	160,346,000 (25% of the net profit)	157,274,088.1	98.1*	RAS net profit

* Declared dividends of the issuer not paid in full by the issuer due to the absence in the shareholders' register of relevant information (details) for the payment of dividends.

Tax rates, %

Type of income	Legal persons		Physical persons	
	Resident	Non-resident	Resident	Non-resident
Dividends:	0%, 9%	15%	9%	15%
Income from sale of securities	20%	20%	13%	30%

Shareholder and investor relations

IDGC of Northern Caucasus, OJSC is a fast-growing company. Thanks to anti-crisis measures and changes to Company structure, large-scale renovation programs and state support measures, the Company is moving to the investment phase of development. Therefore, IDGC of Northern Caucasus, OJSC considers the building of effective Investor Relations (IR) and the development of information disclosure practice to be a high priority task of the Company. The Company has an Investor Relations service (contact details can be found in the section "Contact and useful information").

IR-service activity is based upon the following areas:

- work with shareholders and investors;
- interaction with stock exchanges;
- interaction with analysts and asset managers;
- interaction with regulators;
- increase in performance efficiency, training, development of cooperation with key audiences;
- interaction with rating agencies and information agencies;
- obtaining independent ratings and awards, increasing transparency.

Communication with the investment analyst community is based on the principles of efficiency, timeliness, completeness and reliability of the information flow. IDGC of Northern Caucasus, OJSC is committed to maximum transparency, directing efforts to eliminate existing shortcomings. To this end, since 2011 the Company has produced financial statements prepared in accordance with international standards.

We are committed to increasing our investment attractiveness by increasing transparency and maximizing the market value of IDGC of Northern Caucasus, OJSC securities.

A key factor in the interaction with the investment community is the timely disclosure of objective, reliable and consistent information on the activities in accordance with the legislation of the Russian Federation, as well as an active dialogue with investors and analysts.

Corporate governance

Principles and documents

Corporate Governance at IDGC of Northern Caucasus, OJSC means the aggregate of processes ensuring management and control of the Company's activities and including relations between shareholders, the Board of Directors, and executive bodies of the Company in shareholders' interests.

The main principles of IDGC of Northern Caucasus, OJSC corporate governance are: accountability, fairness, transparency and responsibility.

IDGC of Northern Caucasus, OJSC recognizes all stakeholders' rights as stipulated by current legislation and strives for cooperation with such persons.

The main principles of corporate governance are recorded in the Code of Corporate Governance of IDGC of Northern Caucasus, OJSC and detailed in the Company's internal documents. They are based on Russian Federation legislation, the Code of Corporate Conduct recommended for application by FSC of Russia according to Resolution No. 421/r of April 4, 2002, and corporate governance principles recognized in advanced international practice (Principles of Company Corporate Governance of the Organization for Economic Cooperation and Development).

A list of local regulations of IDGC of Northern Caucasus, OJSC is included in Appendix 4 to the Annual Report. These documents, along with the Charter, have been published on the Company's website (section "Shareholders and Investors / Charter and Internal Documents / Documents for Corporate Government Procedures", http://www.mrsk-sk.ru/shareholders_and_investors/dokumenty/dokumenty_protседur_upravleniya/). The current edition of the Charter of IDGC of Northern Caucasus, OJSC was approved by the Annual General Shareholders Meeting (Minutes No. 6 of June 16, 2011).

Reflection of the quality of IDGC of Northern Caucasus, OJSC management in independent ratings according to the "Expert RA" agency

Growth factors - what was done



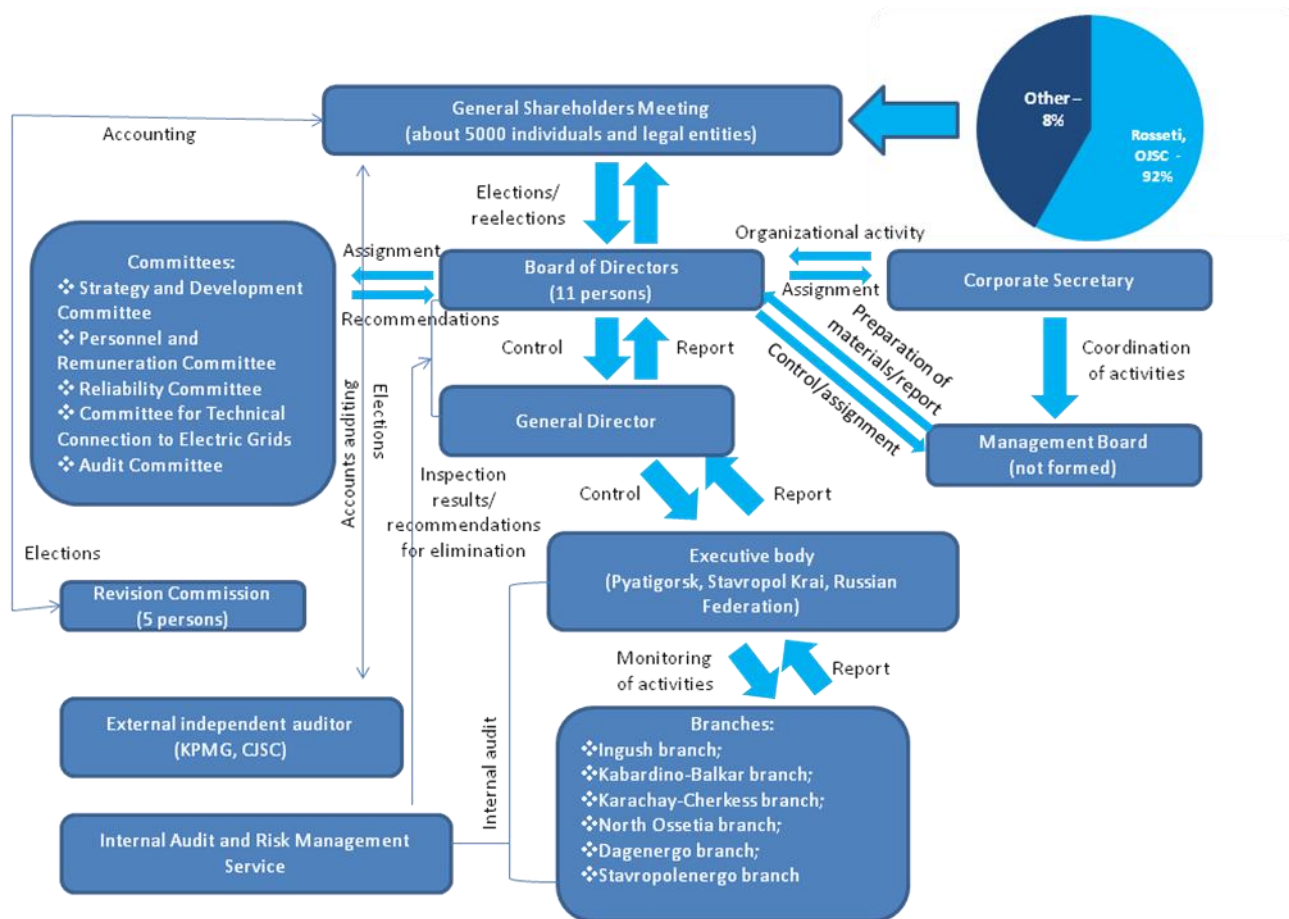
Constraining factors - what is to be done

Management and supervisory bodies

In accordance with cl. 9.1 of the Charter of IDGC of Northern Caucasus, OJSC, the Company's management bodies are:

- General Shareholders Meeting;
- Board of Directors;
- Management (Collegial Executive Body);
- General Director (single member executive body).

Supervisory body for business and financial performance – Revision Commission.



General Shareholders Meeting
- Highest management body of IDGC of Northern Caucasus, OJSC

In 2013 IDGC of Northern Caucasus, OJSC held the annual General Meeting of Shareholders.

March 15 – Extraordinary General Meeting of Shareholders of IDGC of Northern Caucasus, OJSC

Decisions made (Minutes No. 12 of March 18, 2013):

- increase the charter capital of IDGC of Northern Caucasus, OJSC by issuing additional ordinary registered uncertified shares in the amount of 125,722,698 shares with a par value of 1 ruble each (method of issue – public offering).
- offering price per share: 25,94 rubles;
- form of payment – Russian rubles in cashless form.

June 19 – Annual General Shareholders Meeting of IDGC of Northern Caucasus, OJSC

Decisions made (Minutes No. 13 of June 21, 2013):

- approve annual report and annual financial statements for 2012;
- pay dividends for 2012;
- elect new members of the Board of Directors and the Revision Commission;
- approve an auditor.

Competence

- the most important issues of the Company's activity in accordance with current law and Art. 10 of the Charter of IDGC of Northern Caucasus, OJSC:

- amendments and additions to the Charter or approval of the Charter of IDGC of Northern Caucasus, OJSC as amended;
- reorganization/liquidation of IDGC of Northern Caucasus, OJSC;
- determination of the number, par value, category (type) of declared shares and the rights attaching thereto;
- placement of bonds and other securities convertible into shares;
- determination of numerical composition of the Board of Directors, election of its members and early termination of their powers;
- election of members of the Revision Commission and early termination of their powers;
- approval of an auditor;
- approval of annual reports and annual financial statements, as well as distribution of profits and losses (including payment (declaration) of dividends);
- decisions on the approval of transactions in a number of cases (provided for in Art. 83 of the Federal Law "On Joint-Stock Companies") and large transactions (in cases stipulated in Art. 79 of the Federal Law "On Joint-Stock Companies");
- approval of internal documents regulating the activity of management bodies of IDGC of Northern Caucasus, OJSC;
- decision on the payment of remuneration and/or compensation to the members of the Revision Commission;
- decision on the payment of remuneration and/or compensation to the members of the Board of Directors;
- decision on handling the application for the listing of shares and/or equity securities convertible into shares;
- decision on handling the application for the delisting of shares and/or equity securities convertible into shares;
- resolution of other issues.

Questions relegated to the competence of the General Shareholders Meeting may not be delegated to the Board of Directors and executive bodies. The General Shareholders Meeting may not consider and make decisions on matters not related to its competence by the Federal Law "On Joint Stock Companies."

Board of Directors

- management body that determines development strategy

We believe that a qualified Board of Directors is a key element of the corporate management system of IDGC of Northern Caucasus, OJSC, affecting the performance of the Company, providing strategic guidance and controlling executive bodies in the interests of shareholders and the Company as a whole.

The Board of Directors works in accordance with the Federal Law "On Joint Stock Companies," other Russian Federation regulatory and legal acts, the Charter of IDGC of Northern Caucasus, OJSC, the

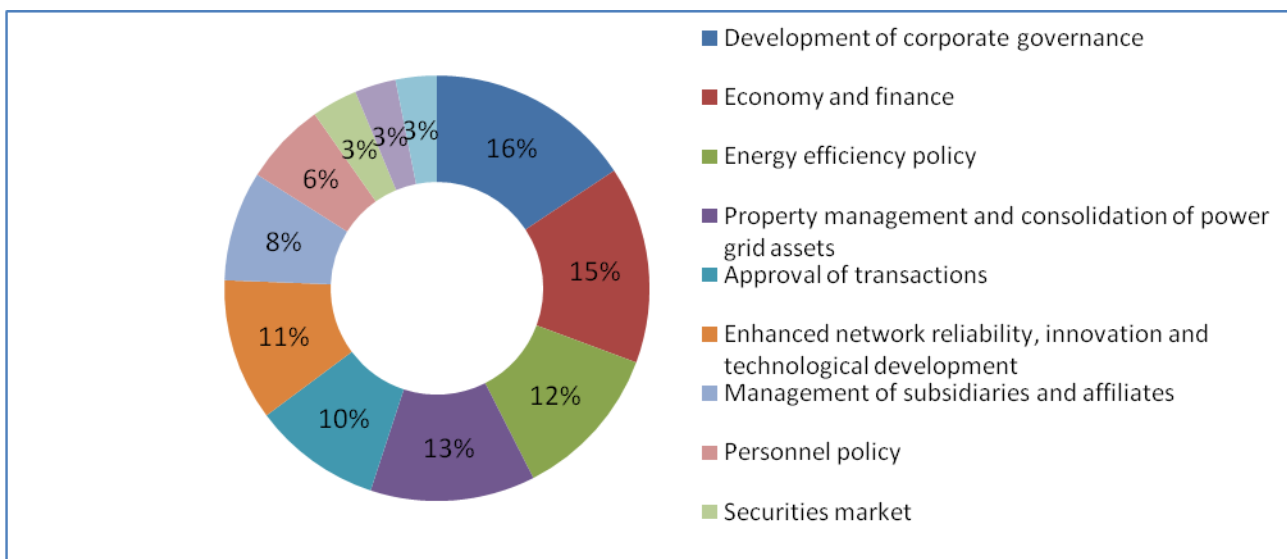
Regulation on the procedure for convening and holding Board of Directors meetings, and the recommendations of the Code of Corporate Governance and the Code of Corporate Ethics.

We strive to have at least three independent directors on the Board of Directors (criteria defined by the Code of Corporate Conduct, approved by the FCSM of the Russian Federation on April 4, 2002 by No. 421/r).

Decisions at the Company's Board of Directors meetings are passed by a majority of votes of members of the Company's Board of Directors taking part in the meeting, with the exception of cases provided for by the law of the Russian Federation and the Company's Charter. The quorum required for conducting meetings is at least one half of the elected members of the Board of Directors of the Company.

In 2013, 30 meetings of the Company's Board of Directors were held (of these one was in praesentia/absentia). With the active participation of independent directors of IDGC of Northern Caucasus, OJSC Board of Directors, last year a number of important issues were discussed concerning the Company's activities (287 issues were discussed in total).

Categories of issues discussed by IDGC of Northern Caucasus, OJSC Board of Directors in 2013, %



Detailed information on decisions made by IDGC of Northern Caucasus, OJSC Board of Directors in 2013 can be found on the Company's corporate website in the section "Shareholders and Investors" / Corporate Governance / Board of Directors" at [http://www.mrsk-sk.ru/shareholders and investors/korporativnoe upravlenie/sovet direktorov/](http://www.mrsk-sk.ru/shareholders_and_investors/korporativnoe_upravlenie/sovet_direktorov/).

Competence

- issues of the Company's activity in accordance with current law and Art. 15 of the Charter of IDGC of Northern Caucasus, OJSC:
- determination of priorities and development strategy of the Company;

- placement of bonds and other securities;
- approval of the decision to issue securities, securities prospectus and report on the results of securities issuance, approval of reports on the purchase of shares from the shareholders of the Company, reports on shares redemption, reports on the results of requests presented by shareholders to redeem their shares;
- determination of price (value) of property, offering price and redemption of securities in cases stipulated by the Federal Law "On Joint Stock Companies";
- election of the Director General and early termination of his powers, including the decision to terminate his labor contract;
- recommendations to the General Shareholders Meeting on the size of remunerations and compensations paid to the members of the Revision Commission and determination of auditor's fee;
- recommendations on the amount and method of payment of dividends on shares;
- decision on the use of funds; approval and review of the results of performing estimates on the use of special purpose funds;
- approval of internal documents, except for internal documents within the competence of the General Shareholders Meeting and executive bodies;
- establishment of branches and opening of representative offices, their liquidation;
- decision on participation in other organizations;
- approval of major transactions in cases provided for in Chapter X of the Federal Law "On Joint Stock Companies";
- approval of transactions in cases provided for in Chapter XI of the Federal Law "On Joint Stock Companies";
- approval of the Registrar of the Company, details of his contract, termination of contract;
- consideration of General Director's reports on the activities of the Company, the implementation of resolutions of the General Shareholders Meeting and the Board of Directors;
- approval of an independent appraiser(s) to determine the value of shares, property and other assets of the Company in the cases stipulated by the Federal Law "On Joint Stock Companies," the Charter and resolutions of the Board of Directors;
- determination of the Company's policy aimed at improving reliability of distribution networks and other network facilities, including approval of strategic programs to improve reliability of the grid complex, its development and safety;
- other matters stipulated in the Federal Law "On Joint Stock Companies" and the Company's Charter. Matters assigned to the competence of the General Shareholders Meeting may not be delegated to the Board of Directors or executive bodies of the Company.

Liabilities of members of the Board of Directors are stipulated in:

- Art. 71 of the Federal Law "On Joint Stock Companies";
 - Charter of IDGC of Northern Caucasus, OJSC;
 - Regulation on the procedure for convening and holding meetings of the Board of Directors of IDGC of Northern Caucasus, OJSC;
 - Regulation on the Board of Directors of IDGC of Northern Caucasus, OJSC;
 - Regulation on the insider information of IDGC of Northern Caucasus, OJSC;
- The numerical composition of the Board of Directors of IDGC of Northern Caucasus, OJSC – 11 persons (Art. 16 of the Charter). In 2013 two compositions of the Board of Directors operated.

Composition of the Board of Directors of IDGC of Northern Caucasus, OJSC elected by the Extraordinary General Shareholders Meeting of IDGC of Northern Caucasus, OJSC on August 27, 2012 (Minutes No. 11 of August 29, 2012)

	Position	Board position	Date first elected to Board	Status	Audit Committee	Personnel and Remuneration Committee	Strategy and Development Committee	TC Committee	Reliability Committee
V.S. Shukshin	Deputy Chairman of the Board of Directors of FGC UES, OJSC, Deputy Executive Director for Security of IDGC Holding, OJSC	Chairman	August 27, 2012	Non-executive					
D.I. Romeiko	Deputy Executive Director for Special Projects of IDGC Holding, OJSC	Deputy Chairman	August 27, 2012	Independent	+				
D.L. Guryanov	Director for Corporate Policy of IDGC Holding, OJSC	Member of the Board of Directors	June 18, 2010	Independent	Chairman		+		
O.A. Novikov	N/A	Member of the Board of Directors	June 13, 2012	Non-executive					
A.V. Demidov	Member of the Management Board, First Deputy Executive Director of IDGC Holding, OJSC	Member of the Board of Directors	June 19, 2009	Non-executive	+				
Kh.M. Likhov	Deputy Director of the Department for Corporate Governance, Pricing Environment and Control-and-Auditing Work in the Fuel & Energy Complex Industries of the Ministry of Energy of Russia	Member of the Board of Directors	August 27, 2012	Non-executive					
L.V. Neganov	Deputy Director of the Electricity Development Department of the Russian Ministry of Energy	Member of the Board of Directors	August 27, 2012	Non-executive					
F.A. Dyakov	General Director of FGC UES, OJSC branch – Main electric grids of South.	Member of the Board of Directors	August 27, 2012	Independent					
N.N. Ivanov	Head of the Department for Customer and Market Relations of FGC UES, OJSC	Member of the Board of Directors	August 27, 2012	Independent					
A.M. Osipov	Vice President of the All-Russia Public Organization Delovaya Rossiya, Chairman of the Expert Board	Member of the Board of Directors	August 27, 2012	Independent	+	+	+	Chairman	
R.N. Berdnikov	First Deputy Chairman of the Management Board of FGC UES, OJSC.	Member of the Board of Directors	August 27, 2012	Independent					

Positions of representatives of the IDGC of Northern Caucasus, OJSC Board of Directors, as well as information on status and committee membership, are indicated as of the date of their

election. The statuses of the Board members are defined in accordance with the criteria set out in the Code of Corporate Conduct, approved by Russia's FCSM on April 4, 2002 by No. 421/r. The "+" sign indicates committee membership.

**Composition of the Board of Directors of IDGC of Northern Caucasus, OJSC elected by the Annual General Shareholders Meeting of IDGC of Northern Caucasus, OJSC on June 19, 2013
(Minutes No. 13 of June 21, 2013)**

	Position	Board position	Date first elected to Board	Status	Audit Committee	Personnel and Remuneration Committee	Strategy and Development Committee	TC Committee	Reliability Committee
V.S. Shukshin	Member of the Board of Directors of FGC UES, OJSC, Deputy Executive Director for security of Rosseti, OJSC	Chairman	August 27, 2012	Independent					
P.A. Seltsovskiy	As of the beginning of 2014 – General Director of IDGC of Northern Caucasus, OJSC	Member of the Board of Directors	June 19, 2013	Executive					
D.L. Guryanov	Director of the Department for Corporate Governance and Shareholder and Investor Relations of Rosseti, OJSC	Member of the Board of Directors	June 18, 2010	Independent	+		+		
N.N. Varlamov	Deputy Director General for the Control and Audit Activities of Rosseti, OJSC	Member of the Board of Directors	June 19, 2013	Independent	Chairman				
A.V. Demidov	Deputy Director General of Rosseti, OJSC	Member of the Board of Directors	June 19, 2009	Non-executive	+				
Kh.M. Likhov	Deputy Director of the Department for Corporate Governance, Pricing Environment and Control-and-Auditing Work in the Fuel & Energy Complex Industries of the Ministry of Energy of Russia	Member of the Board of Directors	August 27, 2012	Non-executive					
A.M. Ayrapetyan	Head of the Department of Accounting and Property Management of Rosseti, OJSC	Member of the Board of Directors	May 30, 2008	Independent					
A.A. Levitskaya	Rector of the North Caucasus Federal University, professor of Russian language (intramural secondary job)	Member of the Board of Directors	June 19, 2013	Independent					
Y.N. Mangarov	Deputy Director General – Chief of Staff of Rosseti, OJSC	Member of the Board of Directors	June 19, 2013	Independent		Chairman			
A.V. Cherezov	Deputy Minister of Energy of the Russian Federation	Member of the Board of Directors	June 19, 2013	Non-executive					
A.V. Varvarin	Member of the Board, General Director of the NP "Center for Corporate Relations Development and Economic	Member of the Board of Directors	June 19, 2013	Independent		+	+		

Dispute Settlement"; Managing
Director of Corporate Relations
and Legal Support of the
Russian Union of Industrialists
and Entrepreneurs

Positions of representatives of IDGC of Northern Caucasus, OJSC Board of Directors, as well as the information on status and committee membership, are indicated as of the date of their election. The statuses of the Board members are defined in accordance with the criteria set out in the Code of Corporate Conduct, approved by Russia's FCSM on April 4, 2002 by No. 421/r. The "+" sign indicates committee membership.

Composition of the Board of Directors of IDGC of Northern Caucasus, OJSC elected by the Extraordinary General Shareholders Meeting of IDGC of Northern Caucasus, OJSC on August 27, 2012 (Minutes No. 11 of August 29, 2012)

Vladimir Semyonovich Shukshin
Chairman of the Board of Directors

See the current composition of the Board of Directors.

Dmitry Igorevich Romeiko
Deputy Chairman of the Board of Directors

First elected to the Board of Directors of IDGC of Northern Caucasus, OJSC on August 27, 2012 By decision of the Board of Directors of IDGC of Northern Caucasus, OJSC (Minutes No. 112 of September 20, 2012), D.I. Romeiko was elected Deputy Chairman of the Board of Directors of the Company.

Born in 1967. Graduated from the Academy of Federal Security Service in 1996 and from the State University of Management in 2006.

From 2005 to 2010, held the positions of Deputy General Director for Customer Relations and Technical Connections; Head of the Department for Technical Connections; Deputy Head of the Department for Strategic Planning and Investment; Deputy Director for Investments; and Chief of Administration at MOESK, OJSC. From 2010 to 2012, held the position of Director for Special Commissions at IDGC Holding, OJSC. Since 2012, he has been Deputy Executive Director for Special Projects of IDGC Holding, OJSC.

At the beginning of 2013, he held positions in management bodies of various companies:

Since 2012 – member of the Board of Directors of IDGC of Center, OJSC;

Since 2010 – member of the Board of Directors of Kubanenergo, OJSC;

He held no equity capital in IDGC of Northern Caucasus, OJSC or its subsidiaries, and owned no ordinary shares of IDGC of Northern Caucasus, OJSC or its subsidiaries.

Roman Nikolayevich Berdnikov

First elected to the Board of Directors of IDGC of Northern Caucasus, OJSC on August 27, 2012 Born in 1973. He graduated from the Moscow Power Engineering University in 1998 (Electrical Engineer), and in 2002 – with a degree in Economics and Company Management (Engineer-Economist).

During the period from 2008 to 2010, he held the position of Director for Development and Customer Relations of FGC UES, OJSC. From 2010 to 2012, he was Deputy Chairman of the Management Board of FGC UES, OJSC. Since 2010, he has been First Deputy Chairman of the Management Board of FGC UES, OJSC.

He held no equity capital in IDGC of Northern Caucasus, OJSC or its subsidiaries and owned no ordinary shares of IDGC of Northern Caucasus, OJSC or its subsidiaries.

Denis Lvovich Guryanov

See the current composition of the Board of Directors.

Alexei Vladimirovich Demidov

See the current composition of the Board of Directors.

Fedor Aleksandrovich Dyakov

First elected to the Board of Directors of IDGC of Northern Caucasus, OJSC on August 27, 2012 Born in 1958. In 1981 he graduated from the Kiev Institute of Civil Aviation Engineers (Radio Engineer), PhD in Engineering.

Since 2006, he has held the position of General Director of FGC UES, OJSC branch – Main electric grids (MES) of South.

From 2012, F.A. Dyakov held positions in management bodies of various companies:

- member of the Board of Directors of Kubanenergo, OJSC;
- Chairman of the Board of Directors of Nurenergo, OJSC;
- member of the Board of Directors of IDGC of South, OJSC;

He held no equity capital in IDGC of Northern Caucasus, OJSC or its subsidiaries and owned no ordinary shares of IDGC of Northern Caucasus, OJSC or its subsidiaries.

Nikolai Nikitovich Ivanov

First elected to the Board of Directors of IDGC of Northern Caucasus, OJSC on August 27, 2012.

Born in 1956. In 1982 he graduated from the All-Union Extension Institute of Finance and Economics (degree in Planning of National Economy, Economist).

During the period from 2006 to 2007, he held the position of Deputy Director for Economics and Finances of the Upper Volga Directorate of IDGC of Center and Northern Caucasus, OJSC.

From 2007 to 2008, he was Regional Manager (for Economics and Finances) of IDGC of Center, OJSC. Later (until 2010), he was Regional Development Director (for Economics and Finances) of IDGC of Center, OJSC. In 2010 he joined FGC UES, OJSC, where he holds the position of Head of the Department for Customers and Market Relations.

He held no equity capital in IDGC of Northern Caucasus, OJSC or its subsidiaries and owned no ordinary shares of IDGC of Northern Caucasus, OJSC or its subsidiaries.

Khasan Mushtafaevich Likhov

See the current composition of the Board of Directors.

Leonid Valeryevich Neganov

First elected to the Board of Directors of IDGC of Northern Caucasus, OJSC on August 27, 2012.

Born in 1972. In 1995 he graduated from the Moscow Engineering and Physics Institute (Technical University) (degree in Solid State Physics); in 2001, he graduated from the State University Higher School of Economics with a degree in Management.

During the period from 2004 to 2007, he worked in RAO UES of Russia, OJSC, holding there the positions of Head of the Department for Improving Operational Efficiency within the Directorate for Improving Operational and Investment Efficiency of Business Unit No. 1; Senior Expert – Area Manager of the Directorate for Improving Subsidiaries' and Affiliates' Operational Efficiency of Business Unit No. 1; Deputy Executive Director of the Project Management Center of Business Unit No. 1.

In 2007–2008 he was First Deputy General Director of DVEUK, OJSC.

In 2008–2009 he was First Deputy General Director and General Director of Optima-Energostroy, CJSC.

In 2009–2011 he was Deputy General Director for Finances, Economics and Investment of Bashkirenergo, OJSC.

In 2012 he was General Director of Aidis Group, OJSC.

Since 2012, he has held the position of Deputy Head of Department for Electric Energy Development with the Russian Federation Ministry of Energy.

He held no equity capital in IDGC of Northern Caucasus, OJSC or its subsidiaries and owned no ordinary shares of IDGC of Northern Caucasus, OJSC or its subsidiaries.

Oleg Anatolyevich Novikov

First elected to the Board of Directors of IDGC of Northern Caucasus, OJSC on June 14, 2012. During the period from June 2012 to September 2012, O.A. Novikov held the position of General Director of IDGC of Northern Caucasus, OJSC.

Born in 1963 in the city of Shchuchinsk, Kokchetav region of Kazakhstan. Graduated from the School of Energy of Tselinograd Agricultural Institute (1986), Electrical Engineer.

He began his career in 1980 as an electrician of the 2nd class in the Shchuchinsk district enterprise Selhozenergo.

Since August 1986 – electrician of the 4th class, senior engineer-fitter of an experimental design group, electrical engineer at the Kotyrkolsky production and operational site of the Kokchetav interfarm regional association, Selhozenergo. Since September 1987 – Chief Engineer of the Ruzaevo district enterprise, Agropromenergo.

From September 1991 – General Director of the production and commercial firm Energotekhhkomplekt, and since March 1997 – General Director, Deputy General Director of JV Roskazenergo, LLP. Since November 1999 – Deputy Chairman of the Board for work with consumers of Astanaenergосervice, OJSC. From September 2000 – Executive Director of Akmola Electricity Distribution Company, OJSC, from March 2001 – Chairman of the Board of Akmola Electricity Distribution Company, JSC.

Since December 2011 – Advisor to the Director General of IDGC Holding, OJSC. Since June 2012 – member of the Board of Directors of IDGC of Northern Caucasus, OJSC;

Ph.D. in Economics. Was the head of the target research group "New methods and technologies of energy saving" of the Scientific Department "Energy Security Challenges."

Officer of the Order of Merit of the Republic of Kazakhstan, Honored Power Engineer of the Republic of Kazakhstan (2008). Awarded with certificates of the Minister of Energy of Kazakhstan (2006) and Director General of IDGC Holding, OJSC (2012).

He held no equity capital in IDGC of Northern Caucasus, OJSC or its subsidiaries and owned no ordinary shares of IDGC of Northern Caucasus, OJSC or its subsidiaries.

Alexander Mikhailovich Osipov

First elected to the Board of Directors of IDGC of Northern Caucasus, OJSC on August 27, 2012.

Born in 1969. In 1993 he graduated from the Kharkov Higher Engineering College of Missile Forces and the Rostov-on-Don Institute of National Economy (Informatics for Economics and ACS); in 2000 he graduated from the Stavropol State University (Lawyer).

During the period from 2006 to early 2009, he headed the Directorate for Expansion of the Regional Network of Joint-Stock Commercial Bank EVROFINANCE MOSNARBANK, OJSC. Since 2009, he has held the position of General Director of Assessment and Audit Center, LLC. Also, since 2009 he has been Vice President and Chairman of the Expert Board of All-Russia Public Organization Delovaya Rossiya.

He held no equity capital in IDGC of Northern Caucasus, OJSC or its subsidiaries and owned no ordinary shares of IDGC of Northern Caucasus, OJSC or its subsidiaries.

Composition of the Board of Directors of IDGC of Northern Caucasus, OJSC elected by the Annual General Shareholders Meeting of IDGC of Northern Caucasus, OJSC on June 19, 2013 (Minutes No. 13 of June 21, 2013)

Vladimir Semyonovich Shukshin**Chairman of the Board of Directors**

First elected to the Board of Directors of IDGC of Northern Caucasus, OJSC on August 27, 2012. By decision of the Board of Directors of IDGC of Northern Caucasus, OJSC (Minutes No. 112 of September 20, 2012 and No. 138 of July 15, 2013), V.S. Shukshin was elected Chairman of the Board of Directors of the Company.

Born in 1959. In 1991 graduated from the State Badge-Bearing Institute of Physical Education; in 1999 graduated from the Academy of Federal Security Service, in 2003 – Russian Academy of Public Service under the President of the Russian Federation. Doctor of Political Science.

In the period from 2005 to 2010 he was Deputy Head of the Office of the Mayor and the Government of Moscow. From 2010 to 2011 – Deputy Mayor of Moscow on coordination and cooperation with law enforcement agencies. Since 2012 he has been working as Deputy Executive Director for Security at Rosseti, OJSC. In 2012-2013 he was also Deputy Chairman of the Board of FGC UES, OJSC. Member of the Board of FGC UES, OJSC.

He held no equity capital in IDGC of Northern Caucasus, OJSC or its subsidiaries and owned no ordinary shares of IDGC of Northern Caucasus, OJSC or its subsidiaries.

Yury Nikolayevich Mangarov**Deputy Chairman of the Board of Directors**

First elected to the Board of Directors of IDGC of Northern Caucasus, OJSC on June 19, 2013.

Born in 1956. Graduated from Moscow Institute of National Economy n.a. G.V. Plekhanov in "Economic Cybernetics", qualification "Economist-Mathematician."

In the period from 2007 to 2009 was a private investor. In the period from 2009 to 2013, he held various positions in FGC UES, OJSC: Deputy Chairman of the Board-Chief of Staff, Deputy Chairman, Deputy Chairman of the Board-Director of Supervision and Auditing Activities, Director of Supervision and Auditing Activities, Deputy Head of the Department of Financial Control and Internal Audit. Since 2013 he has been Deputy General Director-Chief of Staff of Rosseti, OJSC.

He held no equity capital in IDGC of Northern Caucasus, OJSC or its subsidiaries and owned no ordinary shares of IDGC of Northern Caucasus, OJSC or its subsidiaries.

Arman Mushegovich Hayrapetyan

First elected to the Board of Directors of IDGC of Northern Caucasus, OJSC on May 30, 2008.

Born in 1978.

During the period from 2007 to 2008, he held the position of Director for Restructuring and Legal Support of FGC UES, OJSC. From 2008 to 2009 – Deputy Head of Strategy and Development Center of IDGC Holding, OJSC. Heads the Department of Accounting and Property Management of Rosseti, OJSC.

He held no equity capital in IDGC of Northern Caucasus, OJSC or its subsidiaries and owned no ordinary shares of IDGC of Northern Caucasus, OJSC or its subsidiaries.

Aleksandr Viktorovich Varvarin

First elected to the Board of Directors of IDGC of Northern Caucasus, OJSC on June 19, 2013.

Born in 1975. Graduated from the Institute of International Law and Economics n.a. A.S. Griboyedov in Legal Science.

From 2003 to 2008 was the Vice-President and Chairman of the Disciplinary Committee of the NP Interregional Self-Regulatory Organization of Professional Administrators. In the period from 2005 to 2009 – Director of Corporate Relations of the Russian Union of Industrialists and Entrepreneurs, Head of the Legal Department. Since 2006 – member of the Board, the Director General of NP Center for Corporate Relations and Economic Disputes, and since 2009 – Managing Director of Corporate Relations and Legal Support of the Russian Union of Industrialists and Entrepreneurs.

Member of management bodies of a number of organizations:

- Deputy Chairman of the Russian Union of self-regulatory organizations of administrators (since 2006);
 - Chairman of the Board of NP Interregional Self-Regulatory Organization of Professional Administrators (since 2008);
 - Chairman of the Board of Directors of Scientific Research and Design Institute of Oil Refining and Petrochemical Industry, OJSC (since 2009)
 - Member of the Board of Directors of Russian Center for Public Opinion Research, OJSC (since 2009);
 - Chairman of the Board of Directors of Innovative Research and Production Center of the Textile and Light Industry, OJSC;
 - Chairman of the Board of Directors of Central Research and Development Textile Institute, OJSC (since 2011)
 - Deputy Chairman of the Revision Commission of Russian Railways, OJSC;
 - Chairman of the Board of Directors of Production and Research Center, OJSC (since 2013);
 - Chairman of the Board of Directors of Central Research Institute of the Leather and Footwear Industry, OJSC (2013);
 - Chairman of the Board of Directors for the current Central Research Institute of Textile Machinery Tooling, OJSC (2013);
 - Chairman of the Board of Directors of Central Research Institute of Integrated Automation of Light Industry, OJSC (2013);
 - Chairman of the Board of Directors for the current Central Research Institute of Film Materials, OJSC (2013);
 - Member of the Board of Directors of Kubanenergo, OJSC (since 2013);
 - Member of the Board of Directors of State Transport Leasing Company, OJSC (since 2013);
 - Member of the Board of Directors of IDGC of Volga Region, OJSC, (since 2013);
- He held no equity capital in IDGC of Northern Caucasus, OJSC or its subsidiaries and owned no ordinary shares of IDGC of Northern Caucasus, OJSC or its subsidiaries.

Nikolai Nikolaevich Varlamov

First elected to the Board of Directors of IDGC of Northern Caucasus, OJSC on June 19, 2013.

Born in 1974. Graduated from Moscow State University n.a. M.V. Lomonosov (Institute of Asian and African countries, Asian and African Studies, Bachelor – Orientalist – economist with knowledge of Chinese language), and Finance Academy under the Government of the Russian Federation (Economics, Master of Economics).

In the period from 2007 to 2008, was the Assistant to the Chairman of the Russian Government. From 2008 to 2011 – State Secretary – Deputy Head of the Federal Service for Financial Monitoring. Acted as the Deputy Chairman of FGC UES, OJSC in the period from 2011 to 2013. Since 2012 he has been a member of the Board of FGC UES, OJSC. Since 2013 – Deputy General Director for the Control and Audit Activities of Rosseti, OJSC. Is also a member of the Board of Directors of IDGC of Center and Volga Region, OJSC since 2013.

He held no equity capital in IDGC of Northern Caucasus, OJSC or its subsidiaries and owned no ordinary shares of IDGC of Northern Caucasus, OJSC or its subsidiaries.

Denis Lvovich Guryanov

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

Born in 1977. In 2001 he graduated from the Peoples' Friendship University of Russia, Master of Law.

In 2001 he joined RAO UES of Russia, OJSC, where he held various positions from Chief Specialist of the Corporate Policy Department to Deputy Head of the Corporate Events Directorate of Business Unit No. 1. From 2006 to 2008, he was Head of the Corporate Relations Directorate with IDGC Management Center of FGC UES, OJSC; from May to June 2008, he headed the

Corporate Relations Directorate of Business Unit IDGC Holding of RAO UES of Russia, OJSC (part-time position). From 2008 to 2013 served as Head of Corporate Governance and Shareholder Relations and the Director of Corporate Policy of IDGC Holding, OJSC. By decision of the Board of Directors of IDGC of Northern Caucasus, OJSC (Minutes No. 87 of November 25, 2011) was elected Deputy Chairman of the Board of Directors. Since April 2013 – Director of Corporate Governance and Shareholder and Investor Relations of Rosseti, OJSC.

In 2012-2013 also held positions in management bodies of various companies:

Since 2013 – Member of the Board of Directors Sevkavkazenergo, OJSC; Real Estate VNIPIenergoprom; OJSC, Administration of VOLS-VL, OJSC; IDGC NIITs, OJSC; Energoservice of Northwest, OJSC; UES SIC, OJSC;

Since 2012 – member of the Board of Directors of IDGC of Volga Region, OJSC;

He held no equity capital in IDGC of Northern Caucasus, OJSC or its subsidiaries, and owned no ordinary shares of IDGC of Northern Caucasus, OJSC or its subsidiaries.

Alexei Vladimirovich Demidov

First elected to the Board of Directors of IDGC of Northern Caucasus, OJSC on June 19, 2009. During the period from November 2011 to June 2012, he was Acting General Director of IDGC of Northern Caucasus, OJSC. Born in 1976.

In 1998 graduated from St. Petersburg Trade and Economic Institute in Accounting and Auditing. Trained at teacher-training courses in the International Banking Institute (2000), NP Corporate Educational and Scientific Center UES (2010).

In 1994-2000 he worked at Bank Petrovsky, OJSC (People's Bank Petrovsky, OJSC), where he served as a consultant to the Director of the Office of Internal Audit. Later he served as Financial Director of First Stevedoring Company, CJSC (2001-2003), First Deputy General Director of Sevmorneftegas, OJSC (2003-2006), Advisor to the Deputy Chairman of Gazprom, OJSC (2006), First Deputy Finance Director of NK Rosneft, OJSC (2006-2009).

Since March 2009 – Deputy General Director of IDGC Holding, OJSC for Economics and Finance (December 2009 – Member of the Board of IDGC Holding, OJSC). From June 2009 – Member of the Board of Directors of IDGC of Northern Caucasus, OJSC (in the period from July 2009 to June 2011, from June to August 2012 – Chairman of the Board of Directors). Later, in connection with his appointment as Acting Director General of IDGC of Northern Caucasus, OJSC, the Board of Directors terminated the powers of A.V. Demidov as Deputy Chairman of the Board of Directors. After the termination of his powers as Acting Director General, he was elected Chairman of the Board of Directors (since August 2012).

In early 2012 he was appointed First Deputy General Director of IDGC Holding, OJSC. After transfer of the FGC UES, OJSC executive powers of IDGC Holding, OJSC, held the post of First Deputy Executive Director (from October 2012 to June 2013). Since mid-2013 – Deputy Director General of Rosseti, OJSC.

Awarded with an anniversary sign "90th anniversary of electrification" and letter of acknowledgment from the Russian Energy Ministry, the honorary title "For the development of the distribution grid complex."

In 2009-2013 held positions in management bodies of various companies:

From 2009-2013 – Chairman of the Board of Directors of IDGC of Siberia, OJSC;

From 2009 to 2013 – Chairman of the Board of Directors, member of the Board of Directors of IDGC of Ural, OJSC;

2009-2013 – member of the Board of Directors of Lenenergo, OJSC;

2010-2013 – member of the Board of Directors of Kubanenergo, OJSC;
2011-2012 – Chairman of the Board of Directors of IDGC of North-West, OJSC;
Since 2012 – Chairman of the Board of Directors, member of the Board of Directors of Tomsk Distribution Company, OJSC.

He held no equity capital in IDGC of Northern Caucasus, OJSC or its subsidiaries and owned no ordinary shares of IDGC of Northern Caucasus, OJSC or its subsidiaries.

Alina Afakoevna Levitskaya

First elected to the Board of Directors of IDGC of Northern Caucasus, OJSC on June 19, 2013.

Born in 1954. She graduated from North Ossetian State University n.a. K.L. Khetagurova, specialty – Russian language and literature. PhD, associate professor in the Russian language department

From 2008 to 2010 – Director of the Department of State Policy in the sphere of education, additional education and child welfare, Ministry of Education and Science of the Russian Federation. From 2010 to 2012 – Director of the Department of education and socialization of children, Ministry of Education and Science of the Russian Federation.

Since 2012 has been the President of the North Caucasus Federal University and a professor of the Department of Russian Language (intramural secondary job).

Since this time, has acted as a member of the Council for Inter-Ethnic Relations with the Governor of Stavropol Krai, Council of College Presidents of the North Caucasus Federal District, Council of College Presidents of the Southern Federal District, working groups to prepare proposals for the formation of an Open Government in Stavropol Krai and on tourism in the North Caucasus Federal District on the theme "Popularization and promotion of resorts in the North Caucasus." Since 2012 – Deputy Chairman of the Council on Personnel Policy with the Governor of Stavropol Krai. Member of the Association of leading universities and the Association of technical universities (since 2012).

He held no equity capital in IDGC of Northern Caucasus, OJSC or its subsidiaries and owned no ordinary shares of IDGC of Northern Caucasus, OJSC or its subsidiaries.

Khasan Mushtafaevich Likhov

First elected to the Board of Directors of IDGC of Northern Caucasus, OJSC on August 27, 2012.

Born in 1983. In 2005 he graduated from the Academy of Economic Security of the Russian Interior Ministry.

During the period from 2007 to 2008 was an advisor to the Directorate of the Russian Ministry of Justice for the Central Federal District. Since 2008 has worked in the Ministry of Energy of the Russian Federation, holding there the positions of Senior Consultant, Advisor (until 2010), and Deputy Head of the Department for Economic Regulation and Property Relationships in the Fuel & Energy Complex (since 2010).

In 2010-2013 held positions in management bodies of various companies:

2010 to 2011 – Member of the Board of Directors of Dagenergoset, OJSC, Nurenergo, OJSC, KamGEK, OJSC;

2011-2012 – member of the Board of Directors of Kabbalkenergo, OJSC;

2010-2012 – member of the Board of Directors of Kabbalkgaz, OJSC;

2011-2013 – member of the Board of Directors of DVEUK, OJSC;

2010-2013 – member of the Board of Directors of Ust-Srednekanskaya HPP, OJSC;

Since 2010 – member of the Board of Directors of Kubanenergo, OJSC;

Since 2011 – member of the Board of Directors of IDGC of South, OJSC;

He held no equity capital in IDGC of Northern Caucasus, OJSC or its subsidiaries and owned no ordinary shares of IDGC of Northern Caucasus, OJSC or its subsidiaries.

Petr Andreevich Seltsovskiy

First elected to the Board of Directors of IDGC of Northern Caucasus, OJSC on June 19, 2013.

Born in 1961 in Moscow. Graduated from Donetsk Higher Military Political School of Engineering and Signal Corps of the Ministry of Defense of the USSR (1983), Russian Academy of Public Service under the President of the Russian Federation – with honors (2000), higher academic courses for the leading staff of the FSB of Russia at the Academy of the Russian FSB (2004). Associate of Political Science, PhD of Social Science, since October 2010 has been an Associate Professor of Philosophy and Social and Political Sciences at Moscow State Humanitarian University n.a. M.A. Sholokhov.

From 1983 to 1992 served in the Armed Forces of the USSR and Russia in officer positions. From 1997 to 2009 continued his military service in the Russian FSB, title – Maj. Gen. Combatant, took part in a counter-terrorist operation in the North Caucasus in 2001. Military rank – Major General of reserve.

Awarded with state awards: two Orders of Courage (2002, 2005), the Order "For Military Merit" (2003), 5 medals.

Since 2002, has been serving in the employee staff of FSB of Russia, he worked as: Advisor to the Office of the regime to protect state secrets of the Government Staff of the Russian Federation, Deputy Head of the Office of the Plenipotentiary Representative of the President of the Russian Federation in the North-West Federal District, Deputy Head of the "M" Department of the Russian FSB.

From late 2004 to early 2009, he held key positions in the Federal Migration Service: Head of monitoring and mobilization work, Head of external labor migration.

In 2009-2010, held the post of Vice-Governor of Sakhalin Region.

Since May 2012 he held key positions in IDGC of Northern Caucasus, OJSC.

During the period from September 2012 to June 2013, held the position of General Director of IDGC of Northern Caucasus, OJSC. In June 2013 was elected to the post of General Director. Powers as General Director of IDGC of Northern Caucasus, OJSC were terminated in February 2014.

In 2013 was a board member of various companies: Karachaevo-Cherkesskenergo, OJSC (Chairman), Dagestan Energy Retail Company, OJSC (Board member), Sevkvkazenergo, OJSC (Chairman), Kabbalkenergo, OJSC (Chairman of the Board of Directors), Ingushenergo, OJSC (Chairman), Chechenenergo, OJSC (Board member).

He held no equity capital in IDGC of Northern Caucasus, OJSC or its subsidiaries and owned no ordinary shares of IDGC of Northern Caucasus, OJSC or its subsidiaries.

Andrei Vladimirovich Cherezov

First elected to the Board of Directors of IDGC of Northern Caucasus, OJSC on June 19, 2013.

Born in 1967. Graduated from Altai Polytechnic Institute n. a. I.I. Polzunov, specialty -Electricity (qualification Electrical Engineer).

From 2007 to 2010 worked as the First Deputy Director General – Chief Engineer of FGC UES, OJSC Branch – Main Electricity Grids of Siberia. Since 2010, held various positions in FGC UES, OJSC: Deputy Chief Engineer for operation, Deputy Chief Engineer, Deputy Chairman of the Board.

In the period from 2011 to 2013 he was Deputy Chairman of the Board – Chief Engineer and First Deputy Chairman of the Management Board – Chief Engineer of FGC UES, OJSC. Since 2013 – Deputy Minister of Energy of the Russian Federation. Member of the Board of Directors of Kubanenergo.

He held no equity capital in IDGC of Northern Caucasus, OJSC or its subsidiaries and owned no ordinary shares of IDGC of Northern Caucasus, OJSC or its subsidiaries.

All directors had Russian citizenship.

In 2013 members of the Board of Directors of IDGC of Northern Caucasus, OJSC did not perform transactions to acquire and/or dispose of the shares of the Company.

Remuneration to members of the Board of Directors

Remuneration of members of the Board of Directors shall be in line with market conditions and shall be set in such a way to ensure the engagement and participation of highly skilled professionals, to motivate them to act fairly and effectively.

The Company shall not provide loans to members of the Board of Directors unless a member of the Board of Directors is simultaneously its sole executive body.

Decisions on remuneration and compensation to Board members are within the competence of the General Shareholders Meeting.

Criteria for remuneration

Reflected in the Regulation on payment of remuneration and compensation to members of the Board of Directors of IDGC of Northern Caucasus, OJSC (approved by the General Shareholders Meeting, Minutes No. 1 of June 3, 2008). Text of the Regulation is available on the website of IDGC of Northern Caucasus, OJSC in the section "Shareholders and Investors / Corporate Governance / Charter and Internal Documents / Documents of Corporate Governance Procedures" at http://www.mrsk-sk.ru/shareholders_and_investors/dokumenty/dokumenty_protседur_upravleniya/.

The main criterion is participation in the meetings and activities of the Board of Directors (Clause 4.1 of the Regulation). Additional remuneration may be paid for the net profit of IDGC of Northern Caucasus, OJSC on the annual financial statements approved by the General Shareholders Meeting, and for the growth rate of the market value of the Company.

Remuneration paid to the members of the Board of Directors in 2013:

- 11,382.5 thousand rubles including tax (remuneration for participation in meetings of the Board of Directors, Clause 4.1 of the Regulation).

- 5,418.6 thousand rubles (additional remuneration for net profit, based on the decision of the Annual General Shareholders Meeting, Minutes No. 13 of June 21, 2013).

Name of the Director	Remuneration, thousand rubles
ALEXEI VLADIMIROVICH DEMIDOV	1,889.7
DENIS LVOVICH GURYANOV	1,915.9
VLADIMIR SEMYONOVICH SHUKSHIN	2,344.8
DMITRY IGOREVICH ROMEIKO	966.4
FEDOR ALEKSANDROVICH DYAKOV	938.3
NIKOLAI NIKITOVICH IVANOV	862.2
ALEXANDER MIKHAILOVICH OSIPOV	910.8

ROMAN NIKOLAYEVICH BERDNIKOV	901.6
OLEG ANATOLYEVICH NOVIKOV	273.8
NIKOLAI NIKOLAEVICH SHVETS	492.6
DENIS VIKTOROVICH KULIKOV	361.9
ALEKSANDR VIKTOROVICH SHEVCHUK	361.9
ROMAN ANATOLIEVICH KOZLOV	341.8
MAGOMED KADYEVICH KAITOV	261.4
ANDREI VALYEREVICH CHIGRIN	261.4
IGOR VASILYEVICH VERENICH	261.4
NATALYA ANATOLYEVNA UMANETS	100.5
RUSLAN KIMOVICH TSIKU	100.5
VLADIMIR VYACHESLAVOVICH INOZEMTSEV	100.5
ARMAN MUSHEGOVICH HAYRAPETYAN	561.6
NIKOLAI NIKOLAEVICH VARLAMOV	604.8
ALEKSANDR VIKTOROVICH VARVARIN	604.8
ALINA AFAKOEVNA LEVITSKAYA	172.8
YURY NIKOLAYEVICH MANGAROV	518.4
PETR ANDREEVICH SELTSOVSKIY	604.8
ANDREI VLADIMIROVICH CHEREZOV	86.4
Total	16,801.1

Attendance of meetings during the period from January 1 to June 19, 2013 (date of the Annual General Shareholders Meeting)

	Board of Directors	Audit Committee	Personnel and Remuneration Committee	Strategy and Development Committee	Technical Connection Committee	Reliability Committee
Meetings held, total	15	3	8	11	2	2
including meetings in praesentia (in praesentia/absentia)	1	0	0	1	0	2
Roman Nikolayevich Berdnikov	14					
including meetings in praesentia	0					
Denis Lvovich Guryanov	15	3		11		
including meetings in praesentia	1	0		1		
Alexei Vladimirovich Demidov	13	3				
including meetings in praesentia	0	0				
Fedor Aleksandrovich Dyakov	15					
including meetings in praesentia	1					
Nikolai Nikitovich Ivanov	13					
including meetings in praesentia	1					
Khasan Mushtafaevich Likhov	1					
including meetings in praesentia	0					
Leonid Valeryevich Neganov	9					
including meetings in praesentia	0					
Oleg Anatolyevich Novikov	2					
including meetings in praesentia	0					
Alexander Mikhailovich Osipov	14	3	8	11		
including meetings in praesentia	0	0	0	1		

Dmitry Igorevich Romeiko	14	3				
including meetings in praesentia	1	0				
Vladimir Semyonovich Shukshin	15					
including meetings in praesentia	1					

Notes.

In praesentia refers to meetings held in the form of joint attendance.

Attendance of meetings during the period from June 19 to December 31, 2013

	Board of Directors	Audit Committee	Personnel and Remuneration Committee	Strategy and Development Committee	Technical Connection Committee	Reliability Committee
Meetings held, total	15	5	2	8	2	6
including meetings in praesentia (in praesentia/absentia)	0	1	0	1	0	0
Arman Mushegovich Hayrapetyan	14					
including meetings in praesentia	0					
Aleksandr Viktorovich Varvarin	15		2	7		
including meetings in praesentia	0		0	0		
Nikolai Nikolaevich Varlamov	15	5				
including meetings in praesentia	0	1				
Denis Lvovich Guryanov	15	5		8		
including meetings in praesentia	0	1		1		
Alexei Vladimirovich Demidov	15	5				
including meetings in praesentia	0	1				
Alina Afakoevna Levitskaya	4					
including meetings in praesentia	0					
Khasan Mushtafaevich Likhov	2					
including meetings in praesentia	0					
Yury Nikolayevich Mangarov	13		2			
including meetings in praesentia	0		0			
Petr Andreevich Seltsovskiy	15					
including meetings in praesentia	0					
Andrei Vladimirovich Cherezov	3					
including meetings in praesentia	0					
Vladimir Semyonovich Shukshin	15					
including meetings in praesentia	0					

Notes.

In praesentia refers to meetings held in the form of joint attendance.

Board of Directors Committees

Board of Directors committees of IDGC of Northern Caucasus, OJSC – advisory and consultative bodies

The committees' main task is to increase the efficiency of the Company's Board of Directors activities, and also to develop recommendations for the Board of Directors and the Company's executive bodies.

IDGC of Northern Caucasus, OJSC has the following committees:

1. Reliability Committee;
2. Audit Committee;
3. Personnel and Remuneration Committee;
4. Committee for Technical Connection to Electric Power Grids;
5. Strategy and Development Committee.

In all their activities, the committees are guided by:

- current Russian legislation;
- Charter of IDGC of Northern Caucasus, OJSC,
- Regulations on committees and in-house documents of IDGC of Northern Caucasus, OJSC;
- Committee activity plans.

Reliability Committee

The Reliability Committee was created by a decision of IDGC of the Northern Caucasus, OJSC Board of Directors (Minutes No. 15 of November 30, 2007). The Committee's activities are regulated by the Regulation on the Reliability Committee, approved by a decision of the IDGC of Northern Caucasus, OJSC Board of Directors (Minutes No. 15 of November 30, 2007). Text of the Regulation is available on the website of IDGC of Northern Caucasus, OJSC in the section "Shareholders and Investors / Charter and Internal Documents / Documents of Corporate Governance Procedure" at – http://www.mrsk-sk.ru/shareholders_and_investors/dokumenty/dokumenty_protседur_upravleniya/.

Key tasks of the Committee:

- review of investment programs and energy facility repair plans, analysis of their performance;
- evaluation of measures following accidents and major technological violations, as well as control of their execution;
- control and evaluation of the Company's technical services for ensuring integrated reliability of grid equipment and building operation;
- analysis of fulfillment of negotiated and economic mechanisms for reliability management;
- informing the Board of Directors on the state of the main assets of the Company's power facilities.

Composition of the Reliability Committee as approved by a decision of the Board of Directors on October 17, 2012 (Minutes No. 114 of October 19, 2012)

1.	Boris Khyzyrovich Misirov (Chairman)	Deputy General Director for Technical Issues – Chief Engineer of IDGC of Northern Caucasus, OJSC
2.	Andrei Nikolayevich Kharin	Deputy General Director for Corporate Governance of IDGC of Northern Caucasus, OJSC

3.	Ruslan Raisovich Magadeyev	Head of Department for Operational and Technical Management of IDGC Holding, OJSC
4.	Andrei Vladimirovich Bocharov	Head of the Emergency Situations Prevention Directorate of IDGC Holding, OJSC
5.	Andrei Borisovich Lavrov	Head of Investment Projects and Cost Estimate Division of the Capital Construction Department of IDGC Holding, OJSC
6.	Dmitry Leonidovich Pankov	Director for Strategy, Development and Innovations of IDGC Holding, OJSC

Composition of the Reliability Committee as approved by a decision of the Board of Directors on July 24, 2013 (Minutes No. 139 of July 26, 2013)

1.	Ruslan Raisovich Magadeyev (Chairman)	Director of Department for Operational and Technical Management of Rosseti, OJSC
2.	Boris Khyzyrovich Misirov	Deputy General Director for Technical Issues – Chief Engineer of IDGC of Northern Caucasus, OJSC
3.	Aleksandr Ivanovich Valuev*	Deputy General Director for Corporate Governance of IDGC of Northern Caucasus, OJSC
3.1.	Soslan Ruslanovich Gutnov**	Deputy General Director for Corporate Governance of IDGC of Northern Caucasus, OJSC
4.	Andrei Borisovich Lavrov	Senior Expert of the Administration of Federal Programs of the Department of Special Projects of Rosseti, OJSC

* powers were terminated on December 9, 2013 (Minutes of the Board of Directors of December 11, 2013, No. 149)

** elected as a member of the Committee on December 9, 2013 (Minutes of the Board of Directors of December 11, 2013, No. 149)

The positions are indicated as of the date on which the committee composition was approved.

Report on the activities of the Committee in 2013

The Committee held nine meetings in absentia. The Committee worked out recommendations for the Board for decision-making on the adoption of the Uniform Technical Policy in the electric grid complex and approving targets as to the quality of services of the Ingush branch of IDGC of Northern Caucasus, OJSC for the long-term regulatory period until 2017.

A number of reports of the sole executive body were considered. In addition, the Committee considered organizational matters: election of the Deputy Chairman and the Secretary of the Committee, formation of the Committee's budget.

The minutes of the Committee meeting are available on the Company's website in the section "Shareholders and Investors / Corporate Governance / Committees of the Board of Directors / Reliability Committee" at: http://www.mrsk-sk.ru/shareholders_and_investors/korporativnoe_upravlenie/komitety_soveta_direktorov/komitet_po_nadezhnosti/.

Audit Committee

The Committee was created by a decision of the IDGC of the Northern Caucasus, OJSC Board of Directors (Minutes No. 33 of October 30, 2008). The Committee's activities are regulated by the Regulation on the Audit Committee, approved by a decision of the Board of Directors of IDGC of Northern Caucasus, OJSC (Minutes No. 33 of October 30, 2008). Text of the Regulation is available on the website of IDGC of Northern Caucasus, OJSC in the section "Shareholders and Investors / Charter and Internal Documents / Documents of Corporate Governance Procedures" at – http://www.mrsk-sk.ru/shareholders_and_investors/dokumenty/dokumenty_protседur_upravleniya/.

Key tasks of the Committee:

- control of the annual independent audit of the Company's consolidated financial statements and accounting (financial) statements;
- evaluation of the auditor's conclusion, which is provided as materials to the Annual General Shareholders Meeting;
- control of preparation for quarterly and annual reporting by the Company's executive bodies, as well as the objectivity of this reporting;
- evaluation of the Company's auditor candidates;
- control of the Company's internal control systems in the field of accounting reporting and finances, as well as of the Company's internal audit service;
- evaluation of the efficiency of the Company's internal control procedures and provision of suggestions for their improvement;
- examination, before they are sent to the Company's Board of Directors, of reports from independent evaluators on the conducting of valuation of the Company's property and liabilities when the Company completes major and other transactions, whose completion is decided upon by the Board of Directors.

Composition of the Audit Committee as approved by a decision of the Board of Directors on October 17, 2012 (Minutes No. 114 of October 19, 2012)

1.	Denis Lvovich Guryanov (Chairman)	Director for Corporate Policy of IDGC Holding, OJSC
2.	Alexei Vladimirovich Demidov	Deputy Executive Director for Economy and Finance of IDGC Holding, OJSC
3.	Alexander Mikhailovich Osipov	Vice President of All-Russia Public Organization Delovaya Rossiya, Chairman of the Expert Board
4.	Dmitry Igorevich Romeiko	Deputy Executive Director for Special Projects of IDGC Holding, OJSC

The positions are indicated as of the date on which the committee composition was approved.

Composition of the Audit Committee as approved by a decision of the Board of Directors on July 24, 2013 (Minutes No. 139 of July 26, 2013)

1.	Nikolai Nikolaevich Varlamov (Chairman)	Deputy General Director for the Control and Audit Activities of Rosseti, OJSC
2.	Alexei Vladimirovich Demidov	Deputy General Director of Rosseti, OJSC
3.	Denis Lvovich Guryanov	Director of the Department of Corporate Governance and Shareholder and Investor Relations of Rosseti, OJSC

Report on the activities of the Committee in 2013

The Committee held eight meetings, one of which was arranged in praesentia. The Audit Committee provisionally examined and developed recommendations for the Board of Directors on the following key issues:

- external auditor's notes on the main problems in accounting statements (per Russian Accounting Standards);
- proposals for the updating and enlargement of the risk register of IDGC of Northern Caucasus, OJSC;
- accounting statements (RAS) for 3, 6, 9 months of 2013 and 2012;
- financial statements (IFRS) for 6 months of 2013 and 2012;
- use of the assessment results for the market value of objects;

- regulations on the Internal Audit and Risk Management Service of IDGC of Northern Caucasus, OJSC as amended;
 - evaluation of the auditor's conclusion regarding 2012 accounting statements (per RAS);
 - nominee for the position of an external auditor to audit accounting statements of IDGC of Northern Caucasus, OJSC for 2013 (per RAS);
 - preliminary approval of the Regulation on Insider Information of IDGC of Northern Caucasus, OJSC as amended;
 - recruitment of an expert to participate in the activities of the Audit Committee.
- Furthermore, the committee examined several reports concerning:
- key risks of the Company in the I half of 2013;
 - compliance with the requirements of legislation on the control of insider information in IDGC of Northern Caucasus, OJSC;
 - the implementation of documents for the improvement and development of internal control, audit and risk management of IDGC of Northern Caucasus, OJSC;

The meetings also considered reports of the internal audit and risk management service of the Company on work completed and planned. The minutes of the Committee meeting are available on the Company's website in the section "Shareholders and Investors / Corporate Governance / Committees of the Board of Directors / Audit Committee" at – http://www.mrsk-sk.ru/shareholders_and_investors/korporativnoe_upravlenie/komitety_soveta_direktorov/komitet_po_auditu/.

Personnel and Remuneration Committee

The Committee was created by a decision of the IDGC of Northern Caucasus, OJSC Board of Directors (Minutes No. 33 of October 30, 2008). The Committee's activities are regulated by the Regulation on the Committee, approved by a decision of the Board of Directors of IDGC of Northern Caucasus, OJSC (Minutes No. 33 of October 30, 2008). Text of the Regulation is available on the website of IDGC of Northern Caucasus, OJSC in the section "Shareholders and Investors / Charter and Internal Documents / Documents of Corporate Governance Procedures" at – http://www.mrsk-sk.ru/shareholders_and_investors/dokumenty/dokumenty_protседur_upravleniya/.

Key tasks of the Committee:

- the development of principles and criteria for determining the remuneration of members of the Company's Board of Directors, members of the Management Board, and General Director, as well as determination of essential terms and conditions of agreements with them;
- determination of the criteria for selection of candidates for membership in the said management bodies;
- evaluation of activities of the Company's executive bodies.

Composition of the Personnel and Remuneration Committee as approved by a decision of the Board of Directors on October 17, 2012 (Minutes No. 114 of October 19, 2012)

1.	Yury Nikolayevich Mangarov (Chairman)	Deputy Executive Director – Chief of Staff of IDGC Holding, OJSC
2.	Dmitry Aleksandrovich Chevkin	Director for Personnel Management of FGC UES, OJSC
3.	Nataliya Ilinichna Erpsher	Head of the Department for Organizational Development of IDGC Holding, OJSC

4.	Alexander Mikhailovich Osipov	Vice President of All-Russia Public Organization Delovaya Rossiya, Chairman of the Expert Board
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Composition of the Personnel and Remuneration Committee as approved by a decision of the Board of Directors on July 24, 2013 (Minutes No. 139 of July 26, 2013)

1.	Yury Nikolayevich Mangarov (Chairman)	Deputy General Director – Chief of Staff of Rosseti, OJSC
2.	Dmitry Aleksandrovich Chevkin	Director of the Department for Personnel Policy and Organizational Development of Rosseti, OJSC
3.	Nataliya Ilinichna Erpsher	Head of Organizational Development Department for Personnel Policy and Organizational Development of Rosseti, OJSC
4.	Aleksandr Viktorovich Varvarin	Managing Director on Corporate Relations and Legal Support of Russian Union of Industrialists and Entrepreneurs (RUIE)

The positions are indicated as of the date on which the committee composition was approved.

Report on the activities of the Committee in 2013

The Committee held ten meetings in absentia. The Personnel and Remuneration Committee provisionally examined and developed recommendations for the Board of Directors for making decisions on the following key issues:

- organizational structure of the executive office and branches of IDGC of Northern Caucasus, OJSC;
- coordination of candidates for certain positions in the executive office of IDGC of Northern Caucasus, OJSC;
- list of positions of the executive office of IDGC of Northern Caucasus, OJSC, approval of candidates which fall within the competence of the Board of Directors;
- list of personnel reserve of young professionals of IDGC of Northern Caucasus, OJSC as amended;
- target positions and mentor candidates for members of the personnel reserve of young professionals of IDGC of Northern Caucasus, OJSC;
- candidates for the position of General Director of the Company;
- additional bonuses to the General Director based upon the performance results of 2012;
- list of positions included in the category of top managers.

The following organizational matters were considered: election of the Deputy Chairman and the Secretary of the Committee, approval of Committee budget. The minutes of the Committee meeting are available on the Company's website in the section "Shareholders and Investors / Corporate Governance / Committees of the Board of Directors / Personnel and Remuneration Committee" at http://www.mrsk-sk.ru/shareholders_and_investors/korporativnoe_upravlenie/komitety_soveta_direktorov/komitet_po_kadram_i_voznagrazhdeniyam/.

Strategy and Development Committee

The Strategy and Development Committee was created by a decision of the IDGC of Northern Caucasus, OJSC Board of Directors (Minutes No. 50 of December 23, 2009). The Committee's activities are regulated by the Regulation on the Committee, approved by a decision of the Board of Directors of IDGC of Northern Caucasus, OJSC (Minutes No. 50 of December 23, 2009). Text of the Regulation is available on the website of IDGC of Northern Caucasus, OJSC in the section "Shareholders and Investors / Charter and Internal Documents / Documents of Corporate Governance Procedures" at http://www.mrsk-sk.ru/shareholders_and_investors/dokumenty/dokumenty_protседur_upravleniya/.

Key tasks of the Committee:

- determination of priority areas, strategic goals, and main principles of the Company's strategic development;
- evaluation of efficiency of the Company's activities;
- increase of the Company's investment attractiveness;
- adjustment of the Company's current development strategy;
- determination and improvement of the Company's business planning and budgeting policies;
- control of the implementation of the Company's approved business plan and budget.

Composition of the Strategy and Development Committee as approved by a decision of the Board of Directors on October 17, 2012 (Minutes No. 114 of October 19, 2012)

1.	Vadim Alekseyevich Pavlov (Chairman)	Head of the Center for Strategy, Development and Innovations of IDGC Holding, OJSC
2.	Denis Lvovich Guryanov	Director for Corporate Policy of IDGC Holding, OJSC
3.	Timur Khyzyrovich Tambiyev	Head of the Department for Analysis and Evaluation of Investment Project Effectiveness of IDGC Holding, OJSC
4.	Aleksei Yuryevich Voronin	Deputy Head of the Tariffing Department of IDGC Holding, OJSC
5.	Vladimir Vyacheslavovich Inozemtsev	Head of the Department for Electric Energy Transmission and Energy Saving of IDGC Holding, OJSC
6.	Alexander Mikhailovich Osipov	Vice President of All-Russia Public Organization Delovaya Rossiya, Chairman of the Expert Board
7.	Andrei Nikolayevich Kharin	Deputy General Director for Corporate Governance of IDGC of Northern Caucasus, OJSC
8.	Astkhik Artashesovna Bashindzhagyan	Head Expert Specialist of the Corporate Governance Unit of the Department for Corporate Governance, Pricing Environment, and Control-and-Auditing Work in the Fuel & Energy Complex Industries of the Ministry of Energy of Russia

Composition of the Strategy and Development Committee as approved by a decision of the Board of Directors on July 24, 2013 (Minutes No. 139 of July 26, 2013)

1.	Dmitriy Igorevich Gotlib (Chairman)	Deputy General Director on Service Implementation and Development of Rosseti, OJSC
2.	Andrei Vladimirovich Lisavin	Head of Strategy Implementation Department of Rosseti, OJSC
3.	Tatyana Aleksandrovna Ivanova	Head of the Department for Tariff Setting Methodology of Rosseti, OJSC
4.	Denis Lvovich Guryanov	Director of the Department of Corporate Governance and Shareholder and Investor Relations of Rosseti, OJSC
5.	Yulia Vitalyevna Yashcheritsyna	Director of the Department of Economic Planning and Budgeting of Rosseti, OJSC
6.	Aleksandr Viktorovich Varvarin	Managing Director of Corporate Relations and Legal Support of the Russian Union of Industrialists and Entrepreneurs
7.	Aleksandr Ivanovich Valuev	Deputy General Director for Corporate Governance of IDGC of Northern Caucasus, OJSC
7.1.	Soslan Ruslanovich Gutnov	Deputy General Director for Corporate Governance of IDGC of Northern Caucasus, OJSC
8.	Astkhik Artashesovna Bashindzhagyan	Consultant of the Corporate Governance Unit of the Department for Corporate Governance, Pricing Environment, and Control-and-Auditing Work in the Fuel & Energy Complex Industries of the Ministry of Energy of Russia

* powers were terminated on December 9, 2013 (Minutes of the Board of Directors of December 11, 2013, No. 149)

** elected as a member of the Committee on December 9, 2013 (Minutes of the Board of Directors of December 11, 2013, No. 149)

The positions are indicated as of the date on which the committee composition was approved.

Report on the activities of the Committee in 2013

The Committee held 21 meetings, two of which were arranged in praesentia/absentia. The Committee provisionally examined and developed recommendations for the Board of Directors for making decisions on the following key issues concerning IDGC of Northern Caucasus, OJSC:

- approval of the Insurance Protection Program for 2013;
- approval of the credit plan;
- fulfillment of key performance indicators;
- proposals to the Extraordinary General Shareholders Meeting on the increase of the authorized capital of IDGC of Northern Caucasus, OJSC;
- approval of cash flow benchmarks;
- approval of the schedule of measures to decrease overdue receivables for energy transmission services by IDGC of Northern Caucasus, OJSC and settlement of disputes;
- analysis of implementation of the system of construction management of major investment projects;
- implementation of the Innovation Development Program;
- approval of internal documents;
- termination of participation in other organizations;
- approval of the scenarios of investment program formation for 2013-2018;
- consideration of the investment program for the period of 2013-2018;
- approval of reports on the execution of the business plan, including the investment program;
- implementation of the program of energy conservation and energy efficiency and the prospective development program of electricity metering systems in the retail electricity market in 2012;
- implementation of measures for the implementation of the production assets management system;
- approval of the revised business plan, including the investment program for 2013 and 2014 and forecast for 2015-2018.

The committee examined reports from the General Director on:

- execution of cash flow benchmarks;
- implementation of measures to reduce excessive losses in electricity distribution networks in the Northern Caucasus;
- implementation of measures to decrease overdue receivables for energy transmission services by IDGC of Northern Caucasus, OJSC and settlement of disputes;
- implementation of strategy in information technology, automation and telecommunications for the period;
- expenditure of credit aimed at implementing a comprehensive program of measures to reduce excessive power losses in electricity distribution networks in the North Caucasus;
- consolidation of power grid assets;
- implementation of the Prospective Development Plan for 2012-2016."
- implementation of measures to bring the centralized customer service into accordance with requirements of the standard "System of Centralized Customer Service."

The following organizational matters were considered by the Committee: election of the Deputy Chairman and the Secretary of the Committee, approval of Committee budget. The minutes of

the Committee meeting are available on the Company's website in the section "Shareholders and Investors / Charter and Internal Documents / Documents of Corporate Governance Procedures" at http://www.mrsk-sk.ru/shareholders_and_investors/korporativnoe_upravlenie/komitety_soveta_direktorov/komitet_po_strategii_i_razvitiyu/.

Committee for Technical Connection to Electric Power Grids

The Committee for Technical Connection to Electric Power Grids of IDGC of Northern Caucasus, OJSC was created by a decision of the IDGC of Northern Caucasus, OJSC Board of Directors (Minutes No. 36 of January 30, 2009). The Committee's activities are regulated by the Regulation on the Committee, approved by decision of the Company's Board of Directors (Minutes No. 36 of January 30, 2009). Text of the Regulation is available on website of IDGC of Northern Caucasus, OJSC in the section "Shareholders and Investors / Charter and Internal Documents / Documents of Corporate Governance Procedures" at – http://www.mrsk-sk.ru/shareholders_and_investors/dokumenty/dokumenty_protседur_upravleniya/.

Key tasks of the Committee:

- development of proposals on improving the legal base of anti-monopoly regulation and provision of consumers with nondiscriminatory access to technical connection to the electricity grids;
- development of proposals on improving the Company's internal regulations and Company's standards on providing consumers with nondiscriminatory access to technical connection to the electricity grids;
- development of principles and criteria for evaluating the Company's efficiency on technical connection of consumers to the electricity grids;
- evaluation of the Company's efficiency on technical connection of consumers to the electricity grids;
- analysis of the Company's current situation and preparation of recommendations to the Company's Board of Directors concerning technical connection of consumers to electricity grids.

Composition of the Committee for Technical Connection to Electric Power Grids, as approved by a decision of the Board of Directors on October 17, 2012 (Minutes No. 114 of October 19, 2012)

1.	Alexander Mikhailovich Osipov (Chairman)	Vice President of All-Russia Public Organization Delovaya Rossiya, Chairman of the Expert Board
2.	Aslan Cholpanovich Apsuvayev	Deputy General Director for Development and Marketing of Services of IDGC of Northern Caucasus, OJSC
3.	Andrei Nikolayevich Kharin	Deputy General Director for Corporate Governance of IDGC of Northern Caucasus, OJSC
4.	Valentin Mikhailovich Komarov	Deputy Head of the Department for Prospective Development and Technical Connection – Head of the Unit for Technical Connection Organization of IDGC Holding, OJSC
5.	Dmitry Nikolayevich Nedobuga	Head of the Department for Technical Connection of Customers of IDGC of Northern Caucasus, OJSC

Composition of the Committee for Technical Connection to Electric Power Grids, as approved by a decision of the Board of Directors on April 9, 2013 (Minutes No. 129 of April 12, 2013)

1.	Alexander Mikhailovich Osipov (Chairman)	Vice President of All-Russia Public Organization Delovaya Rossiya, Chairman of the Expert Board
2.	Aleksandr Ivanovich Valuev	Acting Deputy General Director for Development and Services

		of IDGC of Northern Caucasus, OJSC
3.	Igor Borisovich Salpagarov	Acting Deputy General Director for Corporate Governance of IDGC of Northern Caucasus, OJSC
4.	Valentin Mikhailovich Komarov	Head of the Department of Prospective Development and Technological Connection of Rosseti, OJSC
5.	Dmitry Nikolayevich Nedobuga	Head of the Department for Technical Connection of Customers of IDGC of Northern Caucasus, OJSC

Composition of the Committee for Technical Connection to Electric Power Grids, as approved by a decision of the Board of Directors on August 20, 2013 (Minutes No. 141 of September 2, 2013)

1.	Aleksandr Viktorovich Varvarin (Chairman)	Managing Director of Corporate Relations and Legal Support of the Russian Union of Industrialists and Entrepreneurs
2.	Maksim Aleksandrovich Ovechkin*	Deputy General Director for Development and Services of IDGC of Northern Caucasus, OJSC
2.1.	Roman Vladimirovich Rubtsov**	Deputy General Director for Development and Services of IDGC of Northern Caucasus, OJSC
3.	Aleksandr Ivanovich Valuev*	Deputy General Director for Corporate Governance of IDGC of Northern Caucasus, OJSC
3.1.	Soslan Ruslanovich Gutnov**	Deputy General Director for Corporate Governance of IDGC of Northern Caucasus, OJSC
4.	Dmitry Nikolayevich Nedobuga	Head of the Department for Technical Connection of Customers of IDGC of Northern Caucasus, OJSC
5.	Aleksandr Yuryevich Korneev	Head of Administration for TC regulation of the Department of Prospective Development of networks and technological connection of Rosseti, OJSC

* powers were terminated on December 9, 2013 (Minutes of the Board of Directors of December 11, 2013, No. 149)

** elected as a member of the Committee on December 9, 2013 (Minutes of the Board of Directors of December 11, 2013, No. 149)

The positions are indicated as of the date on which the committee composition was approved.

Report on the activities of the Committee in 2013

The Committee held four meetings in absentia. The Committee monitored the activities of IDGC of Northern Caucasus, OJSC on the technological connection of consumers to electric distribution networks, including contract work and general statistics of connection with consideration for certain groups of consumers, and prepared appropriate recommendations for the Board of Directors. The following organizational matters were considered: election of the Deputy Chairman and the Secretary of the Committee, approval of Committee budget. The minutes of the Committee meeting are available on the Company's website in the section "Shareholders and Investors / Charter and Internal Documents / Documents of Corporate Governance Procedures" at http://www.mrsk-sk.ru/shareholders_and_investors/korporativnoe_upravlenie/komitety_soveta_direktorov/komitet_po_tekhnologicheskomu_prisoedineniyu_k_elektricheskim_setyam/.

Remunerations to members of the committees under the Board of Directors

Payments of remunerations to members of the committees under the Board of Directors are made in compliance with the Regulations on the committees.

Payments of remunerations and compensation of expenditures associated with the committee members' discharge of their duties are made in compliance with the decision of the Board of Directors. The Board of Directors determines the amount of such remunerations and compensations, as well as the procedure and time frame for their payment.

**Remuneration paid to members of committees under the IDGC of Northern Caucasus,
OJSC Board of Directors in 2013 (taking into account tax payments)**

Committee name	Remuneration amount, thousand rubles
Strategy and Development Committee	699.7
Personnel and Remuneration Committee	246.4
Reliability Committee	243.3
Audit Committee	199.6
Committee for Technical Connection to Electric Power Grids	153.2
Total	1,542.2

Remuneration payments are made in cash. In 2013 no transactions were concluded between IDGC of Northern Caucasus, OJSC and members of committees under the Board of Directors. IDGC of Northern Caucasus, OJSC issued no claims against the members of committees under the Board of Directors.

**Management Board –
collegial executive body**

Art. 22 of the Charter of IDGC of Northern Caucasus, OJSC allows for the presence of a collegial executive body, a Management Board. Election and size of the Management Board are determined by the Board of Directors of IDGC of Northern Caucasus, OJSC. The decision to form a Management Board of IDGC of Northern Caucasus, OJSC by the Company Board of Directors was not made in the financial year of 2013. In February 2014, based on the decision of the Board of Directors of IDGC of Northern Caucasus, OJSC (Minutes No. 157 of February 14, 2014), the Management Board of IDGC of Northern Caucasus, OJSC was established, which consisted of:

Sergey Aleksandrovich Arkhipov, from February 2015 – Acting General Director of IDGC of Northern Caucasus, OJSC

Boris Khyzyrovich Misirov, First Deputy General Director – Chief Engineer of IDGC of Northern Caucasus, OJSC (see Management Team)

Yuriy Viktorovich Zaitsev, from February 2014 – Acting First Deputy General Director of IDGC of Northern Caucasus, OJSC.

The above persons do not own shares of IDGC of Northern Caucasus, OJSC.

**General Director
- single member executive body**

Competence:

all matters related to management of the current Company activities, except for matters that fall under the competencies of the General Shareholders Meeting, the Board of Directors and

Company Management Board.

The General Director is guided by:

- Federal Law “On Joint Stock Companies” and other regulatory and legal acts of the Russian Federation;
- Charter of IDGC of Northern Caucasus, OJSC;
- Employment contract signed with the Company Board of Directors.

The Company General Director acts without power of attorney, taking into account limitations set out in current legislation, the Charter and decisions of the Company Board of Directors:

- ensures the completion of the Company's plans aimed at reaching the goals of the Company;
- organizes maintenance of accounting records and preparation of financial reports;
- disposes of the Company's property, making transactions on behalf of the Company, issues powers of attorney, opens settlement accounts and other accounts in banks and other credit institutions (as well as in organizations of securities market professionals in cases stipulated by the law);
- issues orders approving (accepting) guidelines, local regulatory acts and other internal documents, gives instructions binding upon all employees of the Company;
- approves the regulations on branches and representative offices of the Company;
- approves staffing chart and official salaries of employees of the Company based on the administrative structure of the executive apparatus;
- exercises rights and bearing responsibilities of an employer in respect of the Company's employees in accordance with the labor law;
- acts as the Chairman of the Board;
- allocates responsibilities among the Deputies of the General Director;
- submits to the Board of Directors the annual report, annual financial statements, profit distribution of IDGC of Northern Caucasus, OJSC;
- Manages other matters.

In September 2012, by decision of the Board of Directors (Minutes No. 112 of September 20, 2012), the duties of the General Director of IDGC of Northern Caucasus, OJSC were assigned to Deputy General Director for Security of the Company, Petr Andreevich Seltsovskiy. In 2013 he was elected to the post of General Director of the Company. His powers as General Director of IDGC of Northern Caucasus, OJSC were terminated in February 2014.

Petr Andreevich Seltsovskiy

Born in 1961 in Moscow. Graduated from Donetsk Higher Military Political School of Engineering and Signal Corps of the Ministry of Defense of the USSR (1983), Russian Academy of Public Service under the President of the Russian Federation – with honors (2000), higher academic courses for the leading staff of the FSB of Russia at the Academy of the Russian FSB (2004). Associate of Political Science, PhD of Social Science, since October 2010 has been an Associate Professor of Philosophy and Social and Political Sciences at Moscow State Humanitarian University n.a. M.A. Sholokhov.

From 1983 to 1992 he served in the Armed Forces of the USSR and Russia in officers positions. From 1997 to 2009 he continued his military service in the Russian FSB, title – Maj.-Gen. Combatant, took part in a counter-terrorist operation in the North Caucasus in 2001. Military rank – Major-General of reserve.

Awarded with state awards: two Orders of Courage (2002, 2005), the Order "For Military Merit" (2003), 5 medals.

Since 2002, has been serving in the employee staff of FSB of Russia, he worked as: Advisor to the Office of the regime to protect state secrets of the Government Staff of the Russian Federation, Deputy Head of the Office of the Plenipotentiary Representative of the President of the Russian Federation in the North-West Federal District, Deputy Head of the "M" Department of the Russian FSB.

From late 2004 to early 2009, he held key positions in the Federal Migration Service: Head of monitoring and mobilization work, Head of external labor migration.

In 2009-2010, held the post of Vice-Governor of Sakhalin Region.

Since May 2012 he held key positions in IDGC of Northern Caucasus, OJSC.

He held no equity capital in IDGC of Northern Caucasus, OJSC or its subsidiaries and owned no ordinary shares of IDGC of Northern Caucasus, OJSC or its subsidiaries.

General Director Remuneration

The General Director's employment conditions, guarantees, and compensation for the period in which he/she fulfills his/her duties are determined by the employment contract, the conditions of which are determined by the person authorized by the Company's Board of Directors. The size of the IDGC of Northern Caucasus, OJSC General Director's salary and material incentives (remuneration) are determined in accordance with the Regulation on material incentives for the General Director of IDGC of Northern Caucasus, OJSC as approved by a decision of the Company's Board of Directors as of July 17, 2007 (Minutes No. 13) taking into account changes approved by decisions of the Board of Directors dated October 30, 2008 (Minutes No. 33) and December 2, 2009 (Minutes No. 49).

The Regulation on material incentives for the General Director of IDGC of Northern Caucasus, OJSC regulates the size of the quarterly and annual premium for achieving KPIs and also stipulates lump sum payments for performing especially important tasks or for receiving awards from the Government, Ministry of Energy of Russia, and Rosseti, OJSC corporate awards. Information on target values of key performance indicators, as well as data on their achievement, are provided in the section "Financial Report" of the Annual Report.

Annual and quarterly premiums are paid based on the Company's results for the accounting period. Key performance indicators are established based on the Company's development strategy.

In 2013, persons who discharged the duties of General Director of IDGC of Northern Caucasus, OJSC did not make transactions for the acquisition and/or alienation of shares of the Company or its subsidiaries and affiliated companies. In 2013, there were no transactions between IDGC of Northern Caucasus, OJSC and its General Director (Acting General Director). The total amount of remuneration due to the General Director of IDGC of Northern Caucasus, OJSC in 2013 equal to 9,930 thousand rubles.

Management team

As of the date of Annual Report, the management team of IDGC of Northern Caucasus, OJSC is not identical to that presented below. Nevertheless, we believe it is important to specify Company executives, who contributed to the performance of IDGC of Northern Caucasus, OJSC in 2013.

The management team of IDGC of Northern Caucasus, OJSC has been led by Petr Andreevich Seltsovskiy as Acting General Director in 2013 (and since June 2013 – as the General Director). For details on executive bodies see the "Management and control bodies" section of the Annual Report.

Boris Khyzyrovich Misirov

Born in 1963. Higher education with a degree in Power Plants. Has worked in IDGC of Northern Caucasus, OJSC in managerial positions since 2006, namely: since July 2013 – First Deputy General Director – Chief Engineer.

Mukhamed Khamzetovich Medaliev

Born in 1954. Two degrees in Physics and Legal Science. Has worked in IDGC of Northern Caucasus, OJSC since 2006. Since July 2013 holds the office of Deputy General Director for Security.

Gennadiy Grigoryevich Dzyuba

Born in 1967. Two degrees in Military and Political Air Defense and State and Municipal Management. Since 2009, held senior positions in various institutions: in 2009 took part in the establishment of the Department of Information and Communications Policy of IDGC Holding, OJSC; from June 2010 to January 2012, was Deputy Head of the Presidential Administration of the Republic of South Ossetia. Started working for IDGC of Northern Caucasus, OJSC in June 2012 as Deputy General Director for authorities and public relations. Since December 2013 he has been Deputy General Director – Chief of Staff.

Ivetta Vladimirovna Tkhakakhova

Born in 1976. Higher education with a degree in Accounting and Auditing. Has been holding leadership positions in IDGC of Northern Caucasus, OJSC since 2006, namely: since June 2013 – Deputy General Director for Economics and Finance.

Natalia Viktorovna Larionova

Born in 1968. Higher education with a degree in Accounting and Auditing and Business Analysis. Since 2007 has been working as Chief Accountant of IDGC of Northern Caucasus, OJSC.

Vladimir Vladimirovich Khodnevich

Born in 1972. Two degrees in Foreign Language and Legal Science. Since 2009, served as an assistant member of the Federation Council of the Federal Assembly of the Russian Federation. Since February 2013 has been working in IDGC of Northern Caucasus, OJSC as Deputy General Director for authorities and public relations.

Roman Vladimirovich Rubtsov

Born in 1977. Higher education with a degree in Finance and Credit. Since 2007, held senior positions in financial and credit institutions. In 2012 was employed by IDGC of Northern Caucasus, OJSC, and in October 2013 was transferred to the position of Deputy General Director for Development and Sales.

Soslan Ruslanovich Gutnov

Born in 1979. Higher education with a degree in Legal Science. Since 2010 has been working in senior positions in the electricity sector. Since October 2013 has been Deputy General Director for Corporate Governance of IDGC of Northern Caucasus, OJSC.

Aleksandr Ivanovich Valuev

Born in 1957. Higher education with a degree in Electrical Systems. Since 2003, held senior positions in commercial institutions, namely: from 2003 to 2011 managed STC Yugenergoservis, CJSC; from 2011 to 2012 served as General Director of Kadastrovy Tsentri, LLC. Since

December 2012 has been working in IDGC of Northern Caucasus, OJSC, namely: from February to May 2013 – Deputy General Director for Development and Services; from June to September – Deputy General Director for Corporate Governance; from October 2013 – Deputy General Director for Capital Construction.

Sergey Vitalyevich Cheremisinov

Born in 1976. Higher education with a degree in Electrical Systems and Networks. Since 2009, held senior positions at Volgogradenergosbyt, OJSC and Karachaevo-Cherkessskenergo, OJSC. In June 2013 was employed by IDGC of Northern Caucasus, OJSC as Deputy General Director for Special Projects.

Oleg Lvovich Dementyev

Born in 1970. Higher education with a degree in Personnel Management. From October 1999 to December 2012, held senior positions in commercial and government institutions, namely: Deputy Director of Logistics of Pharmakon, OJSC, St. Petersburg, General Director of SUE Mosmedkomplekt. Has worked in IDGC of Northern Caucasus, OJSC since December 2012. From January 2013 held the position of Acting Deputy General Director for Logistics and Procurement, in April he was transferred to the specified position.

Aslan Cholpanovich Apsuvayev

Born in 1970. Higher education with a degree in Electric Power Systems and Networks. Has worked in IDGC of Northern Caucasus, OJSC since 2006, namely: from 2007 to February 2013 he served as Deputy General Director for Development and Sales.

Alim Dzhagoparovich Tekeev

Born in 1958. Higher education with a degree in Hydraulic Engineering. Has worked in IDGC of Northern Caucasus, OJSC since 2006, namely: from December 2007 to October 2013 he served as Deputy General Director for Development and Sales.

Maksim Aleksandrovich Ovechkin

Born in 1977. Higher education with a degree in Electric Power Systems and Networks. Work experience in the energy industry – over 10 years. From April to September 2013 served in IDGC of Northern Caucasus, OJSC as Deputy General Director for Development and Sales.

Igor Borisovich Salpagarov

Born in 1977. Higher education with a degree in Legal Science. Has worked in IDGC of Northern Caucasus, OJSC since 2006, namely: from January to June 2013 served as Deputy General Director for Corporate Governance.

Vladislav Vitalyevich Zuevskiy

Born in 1980. Higher education with a degree in State and Municipal Management. Has worked in IDGC of Northern Caucasus, OJSC since 2006, namely: from February 2011 to August 2013 as Deputy General Director for Economics and Finance.

According to information available to the Company, top managers of IDGC of Northern Caucasus, OJSC do not own Company's shares.

Revision Commission

- permanent body for internal control of the financial and business operations of the Company

The Revision Commission works in the interests of the Company's shareholders and is accountable to the Company's General Shareholders Meeting. The Revision Commission is elected by the General Shareholders Meeting for one year.

The main task of the Commission is to perform regular internal control of the financial and business operations of IDGC of Northern Caucasus, OJSC, its standalone divisions, officers, management bodies and structural divisions of the executive apparatus, to check compliance with legislation of the Russian Federation, Company Charter and internal Company documents.

Its competence is provided for by Art. 24 of the Charter of IDGC of Northern Caucasus, OJSC:

- verification of data contained in the annual report and annual accounting reports;
- analysis of the financial standing of the Company, identification of opportunities for improvement in the financial standing of the Company, and development of recommendations for the Company's management bodies;
- organization and carrying out of the verification (audit) of financial and business activity of the Company, including:
 - ✓ verification (audit) of financial, accounting, payment, and other documents related to the Company's financial and business activities for compliance with legislation of the Russian Federation, the Company's Charter, and other internal documents of the Company;
 - ✓ supervision over preservation and use of main assets;
 - ✓ Supervision over compliance with the procedure for writing off bad debts as losses of the Company;
 - ✓ supervision over the use of funds of the Company in accordance with the approved business plan and the budget;
 - ✓ supervision over the accumulation and use of reserve and other special purpose funds of the Company;
 - ✓ verification of the accuracy and promptness of accruing and paying out the dividends on the Company's shares, interests on bonds, and earnings on other securities;
 - ✓ verification of the execution of previously issued instructions for the elimination of irregularities and shortcomings identified by previous verifications (audits);
- performance of other actions (measures).

The Revision Commission functions are also recorded in the Regulation on the Revision Commission of IDGC of Northern Caucasus, OJSC, approved by the Management Board of RAO UES of Russia, OJSC (Minutes No. 1694pr/7 of June 29, 2007). Full text of the Regulation is available on the website of IDGC of Northern Caucasus, OJSC in the section "Shareholders and Investors / Charter and Internal Documents / Documents of Corporate Governance Procedures" at http://www.mrsk-sk.ru/shareholders_and_investors/dokumenty/dokumenty_protседur_upravleniya/.

The Company Revision Commission has the right, and if it discovers serious violations in the Company financial and business operations, must demand that an Extraordinary General Shareholders Meeting be called.

Composition of the Revision Commission

In accordance with clause 24.1 of the Charter of IDGC of Northern Caucasus, OJSC, the Company Revision Commission shall consist of 5 (Five) members.

In 2010 the Revision Commission had two compositions.

At the beginning of 2013 (prior to the General Shareholders Meeting), the composition of the IDGC of Northern Caucasus, OJSC Revision Commission was that elected by the Company's annual General Shareholders Meeting on June 13, 2012 (Minutes No. 10 of June 14, 2012). The data are specified as of the date on which the Commission composition was approved.

Izumrud Aligadzhievna Alimuradova Chairman

Born in 1971. She graduated from Dagestan State University n.a. Lenin with a degree in Theoretical Economics. From 2003 to 2009, held the position of Director for Development in

Energokonsalting, LLC. Since 2009, she has been Director for Internal Audit and Risk Management – Head of the Department of Internal Audit and Risk Management of IDGC Holding, OJSC.

The share in the authorized capital of IDGC of Northern Caucasus, OJSC (in early 2013) – 0.00003% (share of ordinary shares of IDGC of Northern Caucasus, OJSC). She held no equity capital in IDGC of Northern Caucasus, OJSC or its subsidiaries and owned no ordinary shares of IDGC of Northern Caucasus, OJSC or its subsidiaries.

Vladimir Nikolaevich Arkhipov

Born in 1956. Graduated from Novosibirsk Institute of Electrical Communication with a degree in Telecommunications Engineer. 2006 to 2009 – Rustel, CJSC General Director. Since 2009, he has been First Deputy Head of the Department for Security of IDGC Holding, OJSC.

Held no equity capital in IDGC of Northern Caucasus, OJSC or its subsidiaries and owned no ordinary shares of IDGC of Northern Caucasus, OJSC or its subsidiaries.

Lyudmila Dmitriyevna Kormushkina

Born in 1956. She graduated from the Far Eastern State Academy of Economics and Management with a degree in Accounting and Auditing. In 2004–2008, she was Head Expert of RAO UES of Russia, OJSC. From 2008 to 2011, she was Head of the Department for Audit Organization and Performance of the Internal Audit Department of IDGC Holding, OJSC; since 2011, she has been Head of the Unit for Internal Audit and Revision of the Department for Internal Audit and Risk Management of IDGC Holding, OJSC.

Held no equity capital in IDGC of Northern Caucasus, OJSC or its subsidiaries and owned no ordinary shares of IDGC of Northern Caucasus, OJSC or its subsidiaries.

Olga Sergeyevna Sinitsina

Born in 1979. She graduated from the Novosibirsk State Academy of Economics and Management with a degree in Accounting and Auditing. In 2005–2010, she was Project Manager of the Audit Department of FinEkspertisa, LLC. From 2010 to 2011, she was Chief Expert of the Internal Audit, Auditory Review and Expert Evaluation Unit of the Department for Internal Audit and Risk Management of IDGC Holding, OJSC. Since 2011, she has been Lead Expert of the Unit for Auditory Review and Expert Evaluation of the Department for Internal Audit and Risk Management of IDGC Holding, OJSC.

Held no equity capital in IDGC of Northern Caucasus, OJSC or its subsidiaries and owned no ordinary shares of IDGC of Northern Caucasus, OJSC or its subsidiaries.

Yakov Borisovich Yakubovich

Born in 1981. Graduated from Moscow Engineering Institute with a degree in Applied Mathematics. In 2007–2008, he was Head of the Risk Management Unit of the Department for Internal Audit of KES, CJSC. From 2009 to 2010, he was Head of the Risk Management Unit of the Financial Division of MGTS, OJSC. Since May of 2012, he has been Head of the Unit for Risk Management and Internal Control Organization under the Department for Internal Audit and Risk Management of IDGC Holding, OJSC. Since 2012, he has also been a member of the Revision Commissions of Kubanenergo, OJSC and Tomsk Distribution Company, OJSC.

Held no equity capital in IDGC of Northern Caucasus, OJSC or its subsidiaries and owned no ordinary shares of IDGC of Northern Caucasus, OJSC or its subsidiaries.

As of the end of 2013 (after the General Shareholders Meeting), the composition of the IDGC of Northern Caucasus, OJSC Revision Commission was that elected by the Company's annual General Shareholders Meeting on June 19, 2013 (Minutes No. 13 of June 21, 2013). The positions are indicated as of the date on which the Commission composition was approved.

Galina Ivanovna Meshalova

Chairman

Born in 1957. Graduated from North Ossetian State University with a degree in Industry Planning. In the period from 2004 to 2009 worked as the chief expert of Energokonsalting, OJSC. From 2009 to 2013 acted as chief expert of pooled analysis, planning and control for the Risks Control and Internal Audit Department of Rossetti, OJSC. Works as chief expert of the Department for analysis of operating and investment activities of FGC UES, OJSC.

Held no equity capital in IDGC of Northern Caucasus, OJSC or its subsidiaries and owned no ordinary shares of IDGC of Northern Caucasus, OJSC or its subsidiaries.

Mariya Viktorovna Bunyayeva

Born in 1982. Graduated from Kuban State Technological University with a degree in Accounting, Analysis and Audit (Economist).

From 2007 to 2010 worked as chief accountant of ProffStil, LLC. In 2010 worked as chief expert in the expert and analytical department of construction of Olympic facilities of the Construction Department of Krasnodar Krai Administration. From August 2010 to April 2012 worked as chief expert of the economic security unit of the Security Department of Kubanenergo, OJSC. Since May 2012 has been working in Rossetti, OJSC: from May to August 2012 – chief expert in the economic security unit of the Security Department; since August 2012 – chief expert of the general audit and revision unit of the Revision Activity and Internal Audit Administration of the Internal Audit Department and Control Department. Is also a member of the Revision Committee of Nurenergo, OJSC, Energoservis, OJSC, Sevkavkazenergo, OJSC, Kabbalkenergo, OJSC.

Held no equity capital in IDGC of Northern Caucasus, OJSC or its subsidiaries and owned no ordinary shares of IDGC of Northern Caucasus, OJSC or its subsidiaries.

Ivan Alekseyevich Gaychenya

Born in 1967. Graduated from Higher Border Military Political School of KGB of the USSR, International Independent University of Environmental and Policy with a degree in Legal Science (lawyer), Academy of the General Staff of Armed Forces.

Served in the armed forces from 1985 to 2011. From 2011 to 2012 served as First Deputy Head for the Security Department of IDGC Holding, OJSC. From 2012 to 2013 worked as First Deputy Head of the Security Department of FGC UES, OJSC. Since 2013 – Director of Security Department of Rossetti, OJSC.

Since 2013 has been a member of the Board of Directors of Kubanenergo, OJSC, as well as a member of the Revision Committee of IDGC Center, OJSC.

Held no equity capital in IDGC of Northern Caucasus, OJSC or its subsidiaries and owned no ordinary shares of IDGC of Northern Caucasus, OJSC or its subsidiaries.

Elena Aleksandrovna Kabizskina

Born in 1964.

Graduated from the Far Eastern Technical Institute of Fishing Industry with the specialty Engineer-Economist.

From 2008 to 2009 was the chief expert of the Unit for Financial Control and Internal Audit of FGC UES, OJSC. From 2010 to 2013 worked as Deputy Head of the Department of Control and Audit of FGC UES, OJSC. Since 2013 has been heading the Department for Internal Control and Risk Management of FGC UES, OJSC.

Held no equity capital in IDGC of Northern Caucasus, OJSC or its subsidiaries and owned no ordinary shares of IDGC of Northern Caucasus, OJSC or its subsidiaries.

Anna Yurievna Katina

Born in 1982. Graduated from Moscow University for the Humanities with a degree in Legal Science (lawyer).

Works in Rosseti, OJSC since 2008. Before July 2013 served as Head of the Department of Corporate Governance and Shareholder Relations, Deputy Head of the Department of Corporate Governance and Shareholder Relations. Since July 2013 has been the Deputy Head of the Administration – Head of the Department of Corporate Governance and Shareholder and Investor Relations of Rosseti, OJSC. Since 2013 has also been a member of the Board of Directors of Kubanenergo, OJSC, Tyumenenergo, OJSC, Berendeevskoe, OJSC, Ekaterinburgenergosbyt, OJSC, Plant RETO, OJSC, Tsarskoselskaya Energy Company, CJSC, Energy Service Company Lenenergo, OJSC, Energy Company of Ural, OJSC, Ural SIC, OJSC. Held no equity capital in IDGC of Northern Caucasus, OJSC or its subsidiaries and owned no ordinary shares of IDGC of Northern Caucasus, OJSC or its subsidiaries.

Remuneration of Revision Commission members

The payment of remuneration is made in compliance with the Regulation on payment of remuneration and compensation to members of the Revision Commission of IDGC of Northern Caucasus, OJSC, as approved by the annual General Shareholders Meeting (Minutes No. 1 of May 30, 2008). Text of the Regulation is available on the website of IDGC of Northern Caucasus, OJSC in the section "Shareholders and Investors / Charter and Internal Documents / Documents of Corporate Governance Procedures" at – http://www.mrsk-sk.ru/shareholders_and_investors/dokumenty/dokumenty_protседur_upravleniya/.

According to the Regulation, members of the Revision Commission are paid for performing inspections (revisions) of the Company's financial and business activities in a lump sum remuneration of an amount equivalent to twenty-five minimum monthly base salaries of a top level worker. The amount of the lump sum remuneration is established by the sectoral tariff agreement (STA) in the electricity power industry of the Russian Federation for the period of the inspection (revision), taking into account indexation established by the STA. The remuneration amount paid to the Chairman of the Revision Commission is increased by 50%. Remuneration and compensation payments to specialists (experts) called upon by the Revision Commission, who are not members of the Company's Revision Commission, are carried out by the Company based on contracts with the Company. The conditions of such contracts are approved by the Company's Board of Directors.

In 2013 payments to members of the Revision Commission amounted to 2,149.7 thousand rubles, including taxes. Remuneration payments are made in cash. In 2013 there were no transactions between IDGC of Northern Caucasus, OJSC and Revision Commission members. No claims were made against members of the Revision Commission of IDGC of Northern Caucasus, OJSC.

Auditor

The Auditor of IDGC of Northern Caucasus, OJSC, based on a contract, performs an inspection of the financial and business activities of the Company and draws up a report on the compliance of the accounting procedure with Russian Federation law.

The Auditor's conclusion, compiled following the results of a review, shall contain:

- confirmation of the accuracy of data in the Company's statements and other financial documents;
- information on violations by the Company of accounting and bookkeeping procedures established by legal acts of the Russian Federation, as well as on other violations of legal acts of the Russian Federation occurring during the conducting of financial and business activities.

The Audit Committee under the Board of Directors of IDGC of Northern Caucasus, OJSC selects external auditor candidates, assesses their qualification, quality of work, and compliance with the independence requirements, and draws up conclusions on the candidates for auditor proposed by third parties. The Board of Directors nominates an auditor candidate for consideration and approval by the General Shareholders Meeting.

In accordance with Sub-clause 14, Clause 15.1, Art. 15 of the Charter of IDGC of Northern Caucasus, OJSC, the amount of fee payable to the auditor shall be determined by the Company's Board of Directors.

Auditor who reviews accounting statements prepared in accordance with the Russian Accounting Standards

By a decision of the annual General Shareholders Meeting of IDGC of Northern Caucasus, OJSC (Minutes No. 13 of June 21, 2013), KPMG, CJSC was assigned to audit accounting statements of IDGC of Northern Caucasus, OJSC for 2013 prepared in accordance with the Russian Accounting Standards.

Closed Joint-Stock Company KPMG

KPMG, CJSC

Registered office: 129110, Moscow, 18/1 Olimpiyskiy Ave., suite 3035

TIN: 7702019950

OGRN state registration No.: 1027700125628

Telephone: (495) 937 -4477

Fax: (495) 937-4400

E-mail: moscow@kpmg.ru

Is a member of the international audit network KPMG International

Is a member of a self-regulating organization of auditors – Non-Commercial Partnership Russian Audit Chamber (105120, Russia, Moscow, 3rd Syromyatnicheskiy Lane, 3/9, bldg. 3)

Takes second place in the Expert RA ranking of the largest audit and consulting groups at year-end 2012 <http://raexpert.ru/ratings/auditors/2012/>

Auditor who reviews accounting statements prepared in accordance with the international accounting standards

According to the results of open competitive negotiations, KPMG, CJSC was also elected the auditor of IDGC of Northern Caucasus, OJSC for auditing financial statements for 2013, prepared in accordance with IFRS.

Rotation of auditors of IDGC of Northern Caucasus, OJSC in 2010-2013

Year	Auditor	Subject of audit	Remuneration, thousand rubles	Information about determining the amount of fee
2010	AAF Auditinform, CJSC	Financial statements for 2010 according to RAS	2,891	Decision of the Board of Directors, Minutes No. 61 of August 17, 2010
2011	AAF Auditinform, CJSC	Financial statements for 2011 according to RAS	2,891	Decision of the Board of Directors, Minutes No. 79 of August 29, 2011
2011	AAF Auditinform, CJSC	Financial statements for 2010 for inclusion in the text of securities prospectus	40	Decision of the Board of Directors, Minutes No. 86 of November 18, 2011

2011	KPMG, CJSC	Consolidated financial statements for 2010-2011 according to IFRS	6,985.6	By the decision of the Central Purchasing Body of IDGC of the Northern Caucasus, OJSC, Minutes No. PR 010811/9 of August 1, 2011
2012	KPMG, CJSC	Financial statements for 2012 according to RAS	2,253.2	Decision of the Board of Directors, Minutes No. 111 of August 27, 2012
2012	KPMG, CJSC	Consolidated financial statements for 2012 according to IFRS	3,540	Determined on the basis of open competitive negotiations, Minutes of the meeting of the Procurement Commission to select the winner of IDGC Holding, OJSC as of June 25, 2012, No. 207/IP
2013	KPMG, CJSC	Financial statements for 2013 according to RAS	2,253.2	Decision of the Board of Directors, Minutes No. 140 of August 19, 2013
2013	KPMG, CJSC	Consolidated financial statements for 2013 according to IFRS	3,736.4	Decision of the Board of Directors, Minutes No. 140 of August 19, 2013

In 2013 the auditors did not provide to IDGC of Northern Caucasus, OJSC other (non-audit) services.

Registrar

By a decision of the Board of Directors of IDGC of Northern Caucasus, OJSC (Minutes No. 8 of April 19, 2007), the Registrar Society STATUS Closed Joint-Stock Company (License No. 10-000-1-00304 of March 12, 2004 (unlimited) issued by the Federal Securities Market Commission of the Russian Federation) was approved as the registrar of the Company.

STATUS, CJSC maintains the functions of the register for all registered issued securities of the Company.

For the convenience of IDGC of Northern Caucasus, OJSC, Sberbank of Russia performs the functions of a transfer-agent for the Company's securities. A list of branches of Sberbank of Russia, OJSC, which perform the functions of a transfer-agent for the shares of IDGC of Northern Caucasus, OJSC, is provided on the Company's website in the section "Shareholders and Investors / Share Capital / Registrar" at http://www.mrsk-sk.ru/shareholders_and_investors/share_capital/registrator/.

Registrar relations

The Company guarantees protection and registration of shareholder ownership rights of IDGC of Northern Caucasus, OJSC securities through the maintenance and protection of the Company shareholder register by the registrar.

The Company shareholder register is maintained by an independent registrar. The selection and appointment of an independent registrar, who has all the necessary technical means and an irreproachable reputation, allows the Company to provide reliable and efficient registration of ownership rights for IDGC of Northern Caucasus, OJSC shares.

Rating information

Translation of IDGC of Northern Caucasus, OJSC activities into ratings

Rating/contest name	Rating of IDGC of Northern Caucasus, OJSC	Source
Corporate awards		
IV annual meeting of shareholder and investor relations divisions of companies in the distribution grid sector	Corporate Award for Best Meeting with Investment Community	IDGC Holding, OJSC (November 23, 2011)
II annual meeting of shareholder and investor relations divisions of companies in the distribution grid sector	Corporate Award for Best Design of the 2008 Annual Report	IDGC Holding, OJSC (October 6, 2009)
Contests and ratings of annual reports		
TOP 30 annual reports in Russia and CIS	X place	Expert RA rating agency (November 2013)
XVI Annual Federal Contest of Annual Reports and Corporate Websites	Best Annual Report of Issuer in the Northern Caucasus Federal District	Rynok Tsennykh Bumag Magazine, Investor.ru social network, Bank of Russia (November 15, 2013)
XV Annual Federal Contest of Annual Reports and Corporate Websites	Best Annual Report of Issuer in the Northern Caucasus Federal District	Rynok Tsennykh Bumag Magazine, Investor.ru social network, FFMS of Russia (November 14, 2012)
Annual Open Contest of Annual Reports of Joint-Stock Companies	Best Annual Report in the Infrastructure sector (2nd place); Best Electronic Annual Report (3rd place)	Administration of Krasnodar Krai (September 22, 2012)
VIII Annual Contest of Annual Reports and Corporate Websites of Companies in the Electric Energy Sector	Best Ideas and Design of Annual Report (3rd place)	EnegroRynok Magazine, Bureau for Intellectual Support of Reforms in the Power Industry (March 12, 2012)
XIV Annual Federal Contest of Annual Reports and Corporate Websites	Best Information Disclosure in an Annual Report by Companies with Capitalization of up to 10 billion rubles (2nd place)	RTS, OJSC; MICEX, CJSC (November 18, 2011)
XIII Annual Federal Contest of Annual Reports and Corporate Websites	Award for Transparency in the Electric Energy Sector	Rynok Tsennykh Bumag Magazine, with support from MICEX Stock Exchange (November 17, 2010)
Translation of activities into independent ratings		
Top 10 largest companies in the Northern Caucasus Federal District	8th place	Analytical center Expert Yug (November 2013)
Power Transmission National Business Rating	TOP-20	National Business Rating (according to the results of 2011-2012, August 2013)
Expert-400. List of top companies by market value (capitalization)	175	Expert RA rating agency (2013 evaluation)
Expert-400. List of top companies by market value (capitalization)	195	Expert RA rating agency (2012 evaluation)
Expert-400. List of top companies by market value (capitalization)	174	Expert RA rating agency (2011 evaluation)
Expert-400. List of top companies by market value (capitalization)	153	Expert RA rating agency (2010 evaluation)
Expert-400. List of top companies by market value (capitalization)	178	Expert RA rating agency (2009 evaluation)

Transparency of information

Information disclosure policy

We consider disclosures an important element of corporate governance of IDGC of Northern Caucasus, OJSC, providing an opportunity for shareholders, investors and other interested

parties to obtain an objective view of the Company's performance, plans and development directions.

The main purpose of the disclosure policy is to ensure a high degree of confidence of all stakeholder groups: state and region, shareholders and investors, customers and clients, contractors, staff.

We aim to provide information to such persons in an amount sufficient for them to make reasonable and informed decisions regarding IDGC of Northern Caucasus, OJSC.

IDGC of Northern Caucasus, OJSC is a large public company and discloses information in compliance with the requirements set forth in the Russian Federation law for issuers who place and/or trade securities in the Russian Federation:

- ✓ Federal Law "On Joint-Stock Companies";
- ✓ Federal Law "On the Securities Market";
- ✓ Federal Law "On countering the misuse of insider information and market manipulation and on amendments to certain legislative acts of the Russian Federation";
- ✓ Regulation on the disclosure of information by issuers of equity securities, approved by the Decree of Federal Financial Markets Service of October 10, 2006, No.11-46/pz-n;
- ✓ other legal instruments of the Russian Federation.

As a network organization, IDGC of Northern Caucasus, OJSC also discloses essential information necessary for consumers to make informed decisions. A list of such information is specified by the Standards for information disclosure by actors of the wholesale and retail electric energy market (approved by Resolution No. 24 of the RF Government of January 21, 2004).

According to the specified normative legal acts, we adopted a number of documents regulating the practice of information disclosure to IDGC of Northern Caucasus, OJSC. In 2013 the Board of Directors approved new versions of the Regulation on Information Policy (Minutes No. 141 of September 2, 2013), the Regulation on Insider Information (Minutes No. 135 of June 20, 2013), the Code of Corporate Conduct (Minutes No. 127 of March 18, 2013), and the Code of Corporate Ethics (Minutes No. 127 of March 18, 2013) (see Appendix No. 4 to the Annual Report).

The main principles of disclosure of information about the Company and its activities are:

- regularity and promptness,
- accessibility of information,
- completeness and accuracy of information disclosed,
- reasonable balance between the transparency of the Company and the protection of its commercial interests.

Executive bodies of IDGC of Northern Caucasus, OJSC are responsible for information disclosure. Members of the IDGC of Northern Caucasus, OJSC Board of Directors shall disclose to the Company information on themselves which is necessary for the Company to perform the requirements of Russian legislation on the securities market.

On March 20, 2008, a share issue prospectus for IDGC of Northern Caucasus, OJSC was registered with the Federal Service for Financial Markets, the shares being placed by conversion of shares of Stavropolenergo, OJSC, Dagenergo, OJSC, KEUK, OJSC into additional shares of IDGC of Northern Caucasus, OJSC upon merger. Therefore, in accordance with cl. 5.1 of the Regulation on information disclosure by issuers of equity securities, approved by Decree No. 11-

46/pz-n of the Federal Financial Markets Service of October 10, 2006, from the first quarter of 2008 the Company shall disclose information as quarterly reports of the equity security issuer and as announcements of significant facts. The Company provides timely financial statements and information to the Bank of Russia and publishes information on the information resource – news line (SKRIN, CJSC), on the Company’s website at <http://www.mrsk-sk.ru>, as well as in printed publications. (The printed publication provided for in the Charter of IDGC of Northern Caucasus, OJSC for disclosure of information to shareholders is the regional issue of the Russian newspaper).

Confidential information

Information disclosure is characterized by maintaining a reasonable balance between information transparency and protection of the commercial interests of the Company, its customers, and business partners. The responsibility for maintaining information confidentiality lies on all employees, members of management bodies, and shareholders of IDGC of Northern Caucasus, OJSC.

Insider information

The Company strives to restrict the possibility of conflicts of interest arising and to prevent misuse of insider information. The procedure for using insider information is set out in the Regulation on insider information of IDGC of Northern Caucasus, OJSC.

Financial statements

The Company prepares reporting and financial statements in accordance with Russian accounting and financial statement standards. Financial statements are supported by detailed notes which make it possible for the recipient to correctly interpret information provided on the Company's financial performance. Financial information is provided together with additional commentaries and analysis of the management of IDGC of Northern Caucasus, OJSC, as well as the auditor's and Company Revision Commission’s reports.

In order to increase transparency and the level of information disclosure, beginning with reports for 2011, the Company prepared accounting reports in accordance with international financial reporting standards for the first time.

Ownership structure

IDGC of Northern Caucasus, OJSC strives to ensure transparency of the structure of the Company’s equity capital, disclosing information on the ownership structure in accordance with the laws of the Russian Federation and in a form that does not violate the rights of the Company’s shareholders.

Disclosure of remuneration information

The Company ensures the disclosure of information on remuneration of management body members in accordance with the requirements of Russian Federation law.

Participation in non-profit organizations

As of the end of 2013, IDGC of Northern Caucasus, OJSC holds a stake in four non-profit organizations with different profiles and is the founder of two non-profit educational

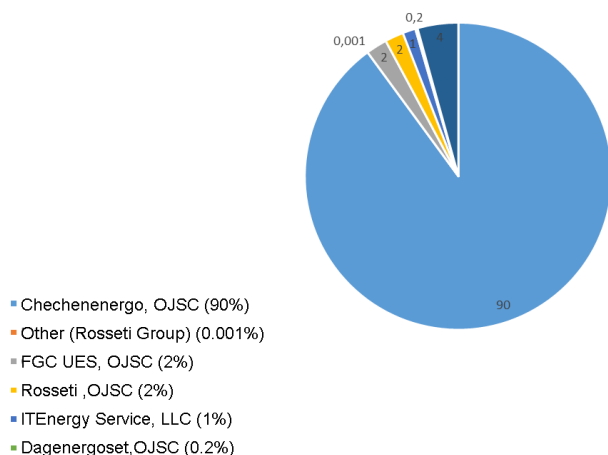
organizations. The Company considers participation in non-profit organizations to be one of the important areas of its activities. It encourages the development of partnership relations, stimulates the Company's innovation potential, and strengthens the image of IDGC of Northern Caucasus, OJSC as a reliable business partner amongst Russian power and industrial companies.

See Appendix No. 8 to the Annual Report.

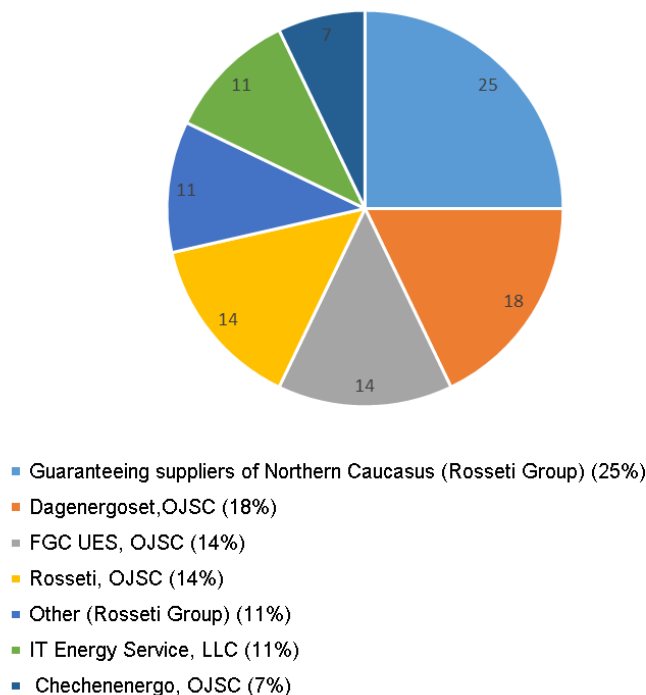
Information on transactions

Information on major transactions and interested party transactions performed by IDGC of Northern Caucasus, OJSC in 2013 is provided in Appendix No. 9 to the Annual Report.

Transactions executed in 2013 in which there was an interest, as percentage of the total amount of all transactions



Transactions executed in 2013 in which there was an interest, as percentage of all transactions



4. Value creation for stakeholders. Consumers and customers

Competitive analysis

IDGC of Northern Caucasus, OJSC provides electric power supply for consumers in a territory with a total area of 171 thousand sq. km (1% of the Russian territory) populated by 9.5 million people (about 6% of the Russian population). The company's production potential consists of 22.5 thousand substations with a total capacity of 14,201 MVA and 107.2 thousand km of aerial and cable power transmission lines.

The company occupies the leading position in the territory of the Northern Caucasus Federal District in the sphere of power transmission services, with a market share equal to about 50% (the share of the power net supply to the total supply in the presence region). The company is characterized by the lowest indicators within the Rosseti, OJSC Group.

Position of IDGC of Northern Caucasus, OJSC within the Rosseti, OJSC Group

Indicator	Rosseti Group	IDGC of Northern Caucasus, OJSC	
	Value*	Value	% in the group volume
Service territory, thousand sq. km	7,761	171.	2.2.
Population of the service territory, million people	123.9.	9.5.	7.7.
Length of power transmission lines, thousand km	1,964.	114.3.	5.8.
Substations' transformer capacity, GVA	403.7.	14.9.	3.7.
Number of personnel, thousand people	188.8.	8.2.	4.3.

* 2011-2012 data

Production report

Transmission and distribution of power supply

Indicators of the 2011-2013 power supply balance

Name of the subsidiary / company	Grid output, million kWh	Grid output to consumers and adjacent territorial network organizations, million kWh	Losses	
			million kWh	%
2011				
Kabardino-Balkar branch	1,451	1,201.	250.	17.26%
Karachay-Cherkess branch	1,247.	1,030.	216.	17.36%
North Ossetia branch	1,702.	1,527.	174.	10.24%
Stavropolenergo branch	6,668.	5,719.	948.	14.22%
Ingushenergoset, OJSC	614.	367.	247.	40.27%
Dagenergoset, OJSC	5,204.	3,202.	2,002.	38.47%
Total	16,886.	13,047.	3839.	22.74%

2012				
Kabardino-Balkar branch	1,479.	1,244.	235.	15.89%
Karachay-Cherkess branch	1,207.	1,004.	203.	16.82%
North Ossetia branch	1,694.	1,521.	173.	10.20%
Stavropolenergo branch	6,751.	5792.	959.	14.21%
Ingushenergoset, OJSC	625.	446.	179.	28.60%
Dagenergoset, OJSC	5,153.	3,530.	1,624.	31.51%
Total	16,910.	13,537.	3,373.	19.95%
2013				
Kabardino-Balkar branch	1,423.	1192.	232.	16.27%
Karachay-Cherkess branch	1,224.	1015.	209.	17.09%
North Ossetia branch	1,576.	1429.	147.	9.33%
Stavropolenergo branch	6,720.	5,796.	924.	13.75%
Ingush branch (till May 1, 2013, the branch property is rented by Ingushenergoset, OJSC)	626.	414.	212.	33.82%
Dagenergoset, OJSC	5,229.	3,696.	1,533.	29.32%
Total	16,799.	13,542.	3,257.	19.39%

Dynamics of the provided service volume in the sphere of power transmission in 2011-2013

Name of the branch / subsidiary	Volume of the provided services in the sphere of power transmission, million kWh			Change			
	2011	2012	2013	2012/2011		2013/2012	
				million kWh	%	million kWh	%
Kabardino-Balkar branch	1,201.	1,244.	1,192.	43.	3.62.	-52.	-4.19.
Karachay-Cherkess branch	1,030.	1004.	1,015.	-26.	-2.54.	11.	1.07.
North Ossetia branch	1,527.	1,521.	1,429.	-6.	-0.41.	-92.	-6.03.
Stavropolenergo branch	5,376.	5,450.	5,565.	73.	1.37.	115	2.12
Ingush branch (till May 1, 2013, the branch property is rented by Ingushenergoset, OJSC)	367	446	414	79	21.63	-32	-7.22
Dagenergoset, OJSC	3202	3530	3696	327	10.22	167	4.72
Total	12,704	13,195	13,311	491	3.86	117	0.88

Based on the results of the IDGC of Northern Caucasus, OJSC operation, in 2013 the volume of the provided services in the sphere of power transmission made up 13,311 million kWh, which exceeds the 2012 indicators (13,195 million kWh) by 117 million kWh, or 0.88%.

Revenues for the provided services in the sphere of power transmission, million rubles (VAT excluded)

Name of the subsidiary / company	Revenues for the provided services in the sphere of power transmission, million rubles (VAT excluded)						
	2011	2012	2013	Change 2013/2011		Change 2013/2012	
				million rubles	%	million rubles	
Kabardino-Balkar branch	1,596	1,612	1,769	173	11	157	10
Karachay-Cherkess branch	1,347	1,373	1,378	31	2	5	0
North Ossetia branch	1,780	1,554	1,423	-357	-20	-131	-8
Stavropolenergo branch	5,513	5,444	6,176	663	12	732	13
Ingush branch (till May 1, 2013, the branch property is rented by Ingushenergoset, OJSC)	0	0	406	406	0	406	0%
Total	10,235	9,983	11,152	916	9	1,169	12
Dagenergoset, OJSC	2,205	2,077	2,077	-128	-6	0	0
Ingushenergoset, OJSC (till May 1, 2013, the Ingush branch property is rented by Ingushenergoset, OJSC)	605	709	239	-366	-60	-470	-66%
Total	13,046	12,768	13,468	422	3	699	5
For reference:							
Republic of Ingushetia	605	709	645	40	7	-64	-9

Based on the results of the IDGC of Northern Caucasus, OJSC operation, in 2013 the revenues for the provided services in the sphere of power transmission made up 13,468 million rubles, VAT excluded, which exceeds the 2012 indicators by 699 million rubles, VAT excluded, or by 5%, and the 2011 indicators by 422 million rubles, VAT excluded, or by 3%.

Structure of the net supply to the end consumers from the IDGC of Northern Caucasus, OJSC grid in 2013 by consumer groups

Group of consumers	Consumer's share, %
Industrial consumers	10.5
Transport	0.5
Agriculture	3.5
Non-industrial consumers	9.2
Budget consumers	4.3
Population and equivalent to them	24.3
Territorial grid operators	47.6

Structure of the net supply to the end consumers from the IDGC of Northern Caucasus, OJSC grid in 2013 by the levels of power grid voltage

Group of consumers	Share, %
HV	48.2
MV1	7.6
MV2	15.0
LV	29.2

Power losses in 2012-2013

Name of the subsidiary / company	2012 data		2013 data			Change	
	million kWh	%	million kWh	%	% (under comparable conditions *)	million kWh	%
Kabardino-Balkar branch	235	15.89	232	16.27	15.42	-4	0.38
Karachay-Cherkess branch	203	16.82	209	17.09	17.09	6	0.27
North Ossetia branch	173	10.20	147	9.33	9.21	-26	-0.88
Stavropolenergo branch	959	14.21	924	13.75	13.75	-35	-0.45
Ingush branch (till May 1, 2013, the branch property is rented by Ingushenergoset, OJSC)	179	28.60	212	33.82	33.82	33	5.22
Dagenergoset, OJSC	1,624	31.51	1,533	29.32	29.20	-91	-2.19
Total	3,373	19.95	3,257	19.39	19.25	-116	-0.56

* In 2013, the "last mile" agreements were terminated for the Kabardino-Balkar and North Ossetia branches and Dagenergoset, OJSC. In order to demonstrate the level of losses under comparable conditions, the 2013 indicators are indicated with consideration of the volumes for the "last mile" facilities excluded from the power supply balance.

The actual losses of power in the power grids of the branches and the IDGC of Northern Caucasus, OJSC subsidiary made up 3,257 million kWh, or 19.39% of the grid output. As compared with the similar indicators of 2012, the decrease of the grid output by 0.66% is accompanied by the decrease of the level of power losses by 116 million kWh, while the relative losses are reduced by 0.56% in respect of the power grid output.

Under comparable conditions, with consideration for the recovery of power volumes for the "last mile" facilities in 2013, the actual power indicators in the IDGC of Northern Caucasus, OJSC power grids are equal to 19.25%, which is lower than the 2012 indicators by 0.69%.

Norms of power losses for 2013

Name of the branch / subsidiary	2013 norm		
	million kWh	%	Order of the Ministry of Energy of Russia
Kabardino-Balkar branch	235	16.50	of March 29, 2012, No. 127
Karachay-Cherkess branch	206	16.82	of March 29, 2012, No. 127
North Ossetia branch	167	10.59	of March 29, 2012, No. 127
Stavropolenergo branch	979	14.57	of March 29, 2012, No. 127
Ingush branch	151	24.10	of September 28, 2012, No. 462
Dagenergoset, OJSC	1,103	21.10	of September 28, 2012, No. 462

* The volume of normative power losses is obtained based on the normative power loss level approved by the Ministry of Energy of Russia and the actual volume of electricity input into the grid in 2013.

It is expected that the relative power losses will achieve the norm for the Ingush branch of IDGC of Northern Caucasus, OJSC and Dagenergoset, OJSC upon the implementation of the Comprehensive Program of measures aimed at the reduction of excess power losses within distribution grids in the territory of Northern Caucasus.

In 2014, it is expected that the level of power losses will decrease to 16.33% for the grids of the branches and subsidiary of IDGC of Northern Caucasus, OJSC with the projected increase of grid output by 2%. By 2018, the power losses for all the branches and subsidiary of IDGC of

Northern Caucasus, OJSC are to be reduced to 15.31%.

Resource conservation and energy efficiency

We regard the development of the metering systems and reduction of power losses within the grids of IDGC of Northern Caucasus, OJSC as the decisive factor for the enhancement of the financial sustainability and investment attractiveness of the electrical energy industry of Northern Caucasus.

The energy efficiency policy is implemented in accordance with the following:

- Federal Law No. 261-FZ of November 23, 2009, "On Energy Conservation and Improved Energy Efficiency, and Its Introduction into Certain Legislative Acts of the Russian Federation";
- Program of the Perspective Development of Power Metering Systems for 2012-2017 approved by the Board of Directors of IDGC of Northern Caucasus, OJSC, Minutes No. 108 of July 26, 2012;
- Program of Energy Conservation and Improved Efficiency for 2013-2018 approved by the Board of Directors of IDGC of Northern Caucasus, OJSC, Minutes No. 121 of December 27, 2012;
- Comprehensive Program of measures aimed at the reduction of excess power losses within distribution grids in the territory of Northern Caucasus.

Main measures for energy conservation and efficiency:

- organizational measures for the maintenance of the current loss level;
- measures for the inclusion of off-the-meter consumption certificates into net grid output;
- measures for the improvement of power metering systems.

Programs of Energy Conservation and Improved Efficiency

Tasks:

- reduction of power losses within grids;
- reduction of electric and thermal power consumption related to economic and auxiliary needs of substations.

For the purpose of the implementation of the Program of Energy Saving and Efficiency, in the executive apparatus and branches of IDGC of Northern Caucasus, OJSC the managers responsible for controlling its implementation are appointed, and task groups performing the analysis of the program implementation are created.

Funding sources:

- owned funds – in the amount of 582.9 million rubles, including the costs of the implementation of the Program of the Perspective Development of Power Metering Systems – 198.5 million rubles;
- acquired Federal Budget funds directed toward the implementation of the Comprehensive Program of measures aimed at the reduction of excess power losses within distribution grids in the territory of Northern Caucasus – in the amount of 178.8 million rubles.

Effect:

The projected effect of the implementation of the measures specified by the Program of Energy Saving and Improved Efficiency for 2013 is 39.732 million kWh, or 76.230 million rubles, including the following programs:

- Program of the Perspective Development of Power Metering Systems – 1.804 million kWh, or 4.320 million rubles;

- Comprehensive Program of measures aimed at the reduction of excess power losses within distribution grids in the territory of Northern Caucasus – 11.276 million kWh, or 23.522 million rubles.

Through the implementation of the set of measures for the optimization of losses, in 2013 the saved amount made up 44.9 million kWh (106.9 million rubles), including:

- the effect of organizational measures in the amount of 38.6 million kWh (93.3 million rubles);
- the effect of the implementation of the measures for the improvement of power metering systems in the amount of 3.9 million kWh (10.2 million rubles);
- the effect of the implementation of technical measures in the amount of 2.3 million kWh (3.4 million rubles).

In the sphere of energy conservation and improved efficiency, in accordance with the Program of Energy Saving and Improved Efficiency, the following target indicators are adopted:

- power losses with transmission and distribution across power grids;
- consumption of energy resources for economic needs;
- equipping with modern power metering devices on the retail market in accordance with the Program of the Perspective Development of Power Metering Systems.

Program of the Perspective Development of Power Metering Systems

Tasks:

- automated measurement of active power increase characterizing the product turnover from unauthorized access;
- protection of metering devices, software and data against any unauthorized access at the hardware level by means of sealing and at the software level.

Implementation:

Within the framework of the implementation of the Program of the Perspective Development of Metering Systems and Comprehensive Program related to the reduction of excess power losses within distribution grids in the territory of Northern Caucasus, works aimed at the creation of a system for automated collection of data from power metering devices are performed. The main objective of the specified system is to ensure duly and reliable provision of all the power turnover stakeholders with trustworthy and legitimate information concerning the actual flow of products (power and capacity) required for arranging work under the power market conditions.

In 2013, under the modernization plan including 0.042 million metering points and projected costs of 0.976 billion rubles, 0.027 million metering points were modernized while the costs made up 0.396 billion rubles. The plan for reduction of power losses for 2013 (in physical terms) is fulfilled at 113%.

Comprehensive Program of measures aimed at the reduction of excess power losses within distribution grids in the territory of the republics of Northern Caucasus

For the purpose of reducing excess power losses within the power grids of IDGC of Northern Caucasus, OJSC, the works related to the implementation of the Comprehensive Program of measures aimed at the reduction of excess power losses in the territory of Northern Caucasus are continued.

Report on the works related to the installation and automation of metering devices

Subject name	Plan for metering device installation			Actual as of January 1, 2014					%
	Total	including	including	Total	including		including		
		1-phase	3-phase		1-phase		3-phase		
Republic of Dagestan	452,816	407,023	45,793	424,702	391,265	96.13%	33,437	73.02%	93.79
Republic of Ingushetia	52,584	49,228	3,356	44,959	42,124	85.57%	2,835	84.48%	85.50
Chechen Republic	136,708	127,780	8,928	135,651	128,801	100.80%	6,850	76.72%	99.23
Total	642,108	584,031	58,077	605,312	562,190	96.26%	43,122	74.25%	94.27

As of the the beginning of 2014, objects of the Comprehensive System of Power Metering System were transferred to the experimental operation with the signature of corresponding acts in the Republic of Dagestan (7 district power grids), Ingush Republic and Chechen Republic to the full extent.

The contracting organizations jointly with IDGC of Northern Caucasus, OJSC implement works related to:

- the elimination of deficiencies revealed by working commissions;
- the assembly of metering devices in those districts where it is impossible to install meters at the end consumers' places for the purpose of obtaining a possibility of forming balances by transformer substations;
- the acceptance of objects by working commissions in the Republic of Dagestan for the purpose of further transferring the automated power metering system for all district power grids into experimental operation;
- the creation of databases of the TP-6.10/0.4 KV transformer stations attached to the feeding centers PS 110/6.10KV for the purpose of ensuring the creation of balances for the objects of the Comprehensive Power Metering System and integration of the "low" and "high" levels of the Comprehensive Power Metering System;
- profiling power consumers, including the assignment of metering points to feeding centers by the efforts of Dageenergost, OJSC, Chechenenergo, OJSC and the Ingush branch of IDGC of Northern Caucasus, OJSC.

The works related to the creation of the Comprehensive Power Metering System can be completed in the Chechen Republic in the 2nd quarter of 2014, in the republics of Ingushetia and Dagestan – by the end of 2014.

Works related to energy conservation and improved efficiency were arranged by IDGC of Northern Caucasus, OJSC in 2013 in accordance with the following:

- ✓ Federal Law "On Energy Conservation and Improved Energy Efficiency, and Its Introduction into Certain Legislative acts of the Russian Federation,"
- ✓ Regulation of the Government of the Russian Federation No. 340 of May 15, 2010, "On the Procedure of Setting Requirements for Energy Conservation and Improved Efficiency Programs for Organizations Performing the Managed Types of Activity,
- ✓ Regulation of the Government of the Russian Federation No. 977 of December 1, 2009, "On the Investment Programs of Electric Power Subjects,"
- ✓ regulations of the executive bodies of the Russian federal subjects in the sphere of the state management of tariffs in respect of organizations performing their activity related to power transmission (see "Tariff Policy"),
- ✓ Program of Energy Conservation and Improved Efficiency of IDGC of Northern Caucasus, OJSC for 2013-2018.

The Program of Energy Conservation and Improved Efficiency of IDGC of Northern Caucasus, OJSC includes sections, target subprograms (measures) and support measures divided, in their turn, into the measures aimed at the reduction of power losses with transmission and distribution across power grids as well as measures aimed at the reduction of energy resource consumption at the site of production and economic needs and classified into organizational and technical measures.

The target measures include those measures that provide for a reduction of power source consumption (including electric power) and /or water by at least 15% of the annual consumption volume of the corresponding resource, providing an 80% return on investments for 5 years for energy resource and/or water consumption for production and economic needs and for up to 10 years for the measures ensuring the reduction of losses with electric power transmission and distribution.

The support measures for the optimization of expenses on production and economic needs and the measures for the reduction of power losses encompass the measures characterized by positive energy efficiency that do not meet the target-related criteria.

The measures for the optimization of power grid operation, as well as measures related to the identification of non-contractual consumption, are performed on an annual basis, are included with those preserving the current level of power losses and do not affect the company energy balance.

Effect of the implementation of measures for the reduction of energy losses within the distribution grids of IDGC of Northern Caucasus, OJSC in 2013

Measures	Plan		Actual	
	million kWh	million rubles	million kWh	million rubles
organizational measures	19.2	39.1	38.6	93.3
metering system development program	13.1	27.8	3.9	10.2
technical measures for the reduction of losses	7.4	9.3	2.3	3.4
Total	39.7	76.2	44.9	106.9

The effect of the implementation of measures preserving the current level of losses made up 6.2 million kWh (13 million rubles).

The total expenses for the implementation of the measures for the reduction of power losses made up 761.6 million rubles.

Based on the 2013 results, the effect of the implementation of the target measures for the reduction of energy losses totaled 38.6 million kWh (93.3 million rubles).

Information on the volume of energy resources consumed in 2013

Name	Measurement units	Plan	Actual
Power losses, including	million kWh	1,676.14	1,654.50
	%	14.60	14.59
expense on owned needs of substations	million kWh	31.22	23.33
Consumption of energy resources for economic needs,	million rubles	344.00	324.66
including by resource type			

Name	Measurement units	Plan	Actual
electric power	million rubles	155.27	142.37
	million kWh	43.68	44.13
thermal power	million rubles	7.15	7.77
	GCal	5,749.54	5,486.42
cold water supply	million rubles	4.00	2.63
	million m ³	180.33	125.27
hot water supply	million rubles	0.06	0.06
	million m ³	0.53	0.16
natural gas	million rubles	2.08	1.77
	million m ³	561.72	419.34
gasoline	million ruble, VAT included	148	148
	million l	5.1	5.1
diesel fuel	million ruble, VAT included	69.9	69.9
	million l	2.4	2.4
Equipping with modern power metering devices on the retail market	%	39.07%	78.08%*

* level of equipping with metering devices in accordance with regulatory and legal acts,

IDGC of Northern Caucasus, OJSC did not use any other types of energy resources in the accounting year, including atomic energy, electromagnetic energy, oil, residual oil, natural gas, coal, combustible shales, turf, etc.

Technological connection

Results of 2013

The availability of the electric power infrastructure is increased for economic development

In 2013 the Rosseti Group of Companies, including IDGC of Northern Caucasus, OJSC, managed to make significant progress toward increased availability of the electric power infrastructure for the population and business.

In 2012 Russia took 188th place in the Doing Business rating for its energy infrastructure availability. This event induced the Russian authorities to implement direct measures to reform the current situation. For this purpose the Government of the Russian Federation approved the roadmap "Increase of Grid Infrastructure Availability". The implemented measures resulted in the number of stages of consumers' technological connection being reduced from 10 to 6 for six months of 2013, while the connection time frame achieved the target indicator: today it does not exceed 195 days (it used to be 280 days). As a result, Russia took 117th place in the Doing Business rating for its energy infrastructure availability, stepping up by 71 positions. It is expected that by 2015, the time frame for technological connection of small business enterprises will not exceed 45 days.

The Rosseti Group created a unified information center for technological connection – Portal-TP.rf

On December 25 Rosseti, OJSC launched the Customer Relations Portal, i.e. a unified information center on the procedure of technological connection to electric power grids.

The portal enables gradual monitoring of the whole procedure of grid connection and provides information on where to go, how long to wait, and what documents to sign up. The "calculator" function allows independent calculation of the cost of one's technological connection based on the rates approved by regional energy commissions.

For better convenience, the customer can find the closest main substation, view its load and the capacity of the transformers installed there, and the number of applications filed for technological connection.

The interactive resource will provide the consumer with information concerning the electric power industry of each region: data concerning large power generating stations, major consumers, regional load, set capacity of stations, and the amount of territorial grid operators serving the present territory and their tariffs.

The customer can learn what improvements of the connection procedure are being done in the regulatory and legislative base of the Russian Federation.

The project is also implemented upon the order of the Ministry of Energy of the Russian Federation within the framework of fulfilling the roadmap "Increase of Grid Infrastructure Availability".

See also http://www.rosseti.ru/press/news/?ELEMENT_ID=15806&sphrase_id=60049

Plans for 2014

IDGC of Northern Caucasus, OJSC is preparing for automation of the "technological connection" business process online.

Applications for connecting consumer sites to power grids can be filed on the official website of IDGC of Northern Caucasus, OJSC via one's personal account.

According to the IDGC of Northern Caucasus, OJSC Strategy in the sphere of information technologies, automation and telecommunications, the automated system of technological connection management will cover all the company branches up to district energy grids.

The system's introduction will decrease the terms of document preparation for technical connection of sites and increase the transparency of the process through the automated control of the implementation of all stages and the reduction of risks related to terms violation.

According to Regulation of the Government of the Russian Federation No. 1131 of December 9, 2013, the acceptance of applications for technological connection to power grids via the information and telecommunication Internet network, with the possibility of tracking the application fulfillment online, will become obligatory as of March 10, 2014.

See also http://www.mrsk-sk.ru/press_center/company_news/detail.php?ID=7469

Number of applications for technological connection to IDGC of Northern Caucasus, OJSC power grids

Name of the branch / subsidiary	2011		2012		2013	
	number of applications	for the total capacity,	number of applications	for the total capacity, MW	number of applications	for the total capacity, MW

		MW				
Stavropolenergo branch	2,805	144.76	3,104	309.43	3,133	321.57
Kabardino-Balkar branch	1,217	31.01	1,277	37.33	1,200	83.21
Karachay-Cherkess branch	909	28.24	988	23.54	1,018	178.85
North Ossetia branch	1,092	33.11	1,015	45.65	1,059	76.34
Ingush branch* (Ingushenergoset, OJSC)	114	8.10	112	10.92	642	20.98
Dagenergoset, OJSC	3451	143.69	4,638	140.99	4,428	204.32
Total	9,588	388.91	11,134	567.86	11,480	885.27

* The Ingush branch started its activity related to technological connection within IDGC of Northern Caucasus, OJSC in the 2nd quarter of 2013.

Number of concluded contracts for technological connection to IDGC of Northern Caucasus, OJSC power grids

Name of the branch / subsidiary	Number of concluded contracts			Volume of concluded contracts			Volume of monetary proceeds		
	pcs.			MW			million rubles		
	2011	2012	2013	2011	2012	2013	2011	2012	2013
Stavropolenergo branch	2,639	2,868	2,931	64.14	72.12	279.27	1,970.78	83.16	366.38
Kabardino-Balkar branch	1,215	1,207	1,128	51.27	29.12	60.68	7.25	9.94	9.54
Karachay-Cherkess branch	858	965	951	66.96	13.9	16.11	15.55	9.66	13.35
North Ossetia branch	975	872	955	17.11	53.69	50.89	3.77	-8.45	-0.62
Ingush branch* (Ingushenergoset, OJSC)	90	108	359	1.57	5.04	6.13	2.8	0.02	3.39
Dagenergoset, OJSC	2,844	4,632	3,287	39.87	69.44	132.95	66.41	2.7	6.73
Total	8,621	10,652	9,611	240.92	243.31	546.03	2066.56	97.03	398.77

Number of completed connections to IDGC of Northern Caucasus, OJSC power grids

Name of the branch / subsidiary	Number of completed connections			Volume of the connected capacity			Revenues		
	pcs.			MW			million rubles		
	2011	2012	2013	2011	2012	2013	2011	2012	2013
Stavropolenergo branch	2,329	2,684	2,682	62.44	72.32	136.26	105.03	1,091.18	1,170.27
Kabardino-Balkar branch	927	1,208	1,150	7.71	13.38	14.92	5.19	12.75	9.18
Karachay-Cherkess branch	844	947	986	10.92	12.28	13.43	11.52	11.29	5.41
North Ossetia branch	734	670	644	13.58	11.81	14.24	7.36	4.06	2.11
Ingush branch* (Ingushenergoset, OJSC)	75	76	333	1.26	4.92	5.95	2.7	22.16	3.38
Dagenergoset, OJSC	2,117	3,131	3,395	25.62	27.61	22.89	4.94	61.14	5.46
Total	7,026	8,716	9,190	121.53	142.32	207.69	136.74	1,202.58	1,195.81

Total number of offer rejections and terminated agreements

Name of the branch / subsidiary	2011		2012		2013	
	number of terminated agreements	for the total capacity, MW	number of terminated agreements	for the total capacity, MW	number of terminated agreements	for the total capacity, MW
Stavropolenergo branch	33	0.16	89	0.305	89	0.305
Kabardino-Balkar branch	0	0	32	1.97	32	1.98
Karachay-Cherkess branch	0	0	0	0	0	0
North Ossetia branch	4	0.11	1	0.20	1	0.2
Ingush branch* (Ingushenergoset, OJSC)	0	0	0	0	0	0
Dagenergoset, OJSC	0	0	73	18.97	73	18.96
Total	37	0.27	195	21.45	195	21.44

Forecast for 2014-2018

Stavropolenergo branch

	Measur ement units	2014	2015	2016	2017	2018
Sales volume						
Technological connection services	kW	50,924.14	26,108.9	27,414.4	28,785.1	30,224.3
Applicants for connected capacity up to 15 kW inclusive	pcs.	1,089.0	1,855	1,948.0	2,048.0	2,154.0
Applicants for connected capacity:	kW	40,032.1	21,411	22,482	23,606	24,786
Up to 150 kW	kW	2,187.5	2,297	2,412	2,532	2,659
150 – 670 kW	kW	10,844.6	19,114.2	20,069.9	21,073.4	22,127.1
Over 670 kW	kW	27,000.0	0	0	0	0
Revenue						
Technological connection services	thousan d rubles	241,229.73	28,237.6	29,652.8	31,135.8	32,691.3
Applicants for connected capacity up to 15 kW inclusive	thousand rubles	554.2	900	948	995.8	1,044.4
Applicants for connected capacity:	thousand rubles	240,675.5	27,337.8	28,704.7	30,140.0	31,647.0
Up to 150 kW	thousand rubles	1,851.09	1,944	2,041	2,143	2,250
150 – 670 kW	thousand rubles	21,212.9	25,394	26,664	27,997.1	29,396.9
Over 670 kW	thousand rubles	217,611.5	0	0	0	0

Kabardino-Balkar branch

	Measurem ent units	2014	2015	2016	2017	2018
Sales volume						
Technological connection services	kW	7,545.4	7,630.4	8,011.9	8,412.5	8,580.8
Applicants for connected capacity up to 15 kW inclusive	pcs.	160.0	415	435.0	457.0	467.0
Applicants for connected capacity:	kW	6,756.3	5,558	5,836	6,127	6,250
Up to 150 kW	kW	2,498.5	1,087	1,141	1,198	1,222
150 – 670 kW	kW	4,257.8	4,470.6	4,694.2	4,928.9	5,027.5
Over 670 kW	kW	0	0	0	0	0
Revenue						
Technological connection services	thousand rubles	5,442.46	9,790	10,280	10,794	11,010
Applicants for connected capacity up to 15 kW inclusive	thousand rubles	74.57	193	203	213.0	217.3
Applicants for connected capacity:	thousand rubles	5,367.9	9,597	10,077	10,581	10,793
Up to 150 kW	thousand rubles	1,563.0	1,641	1,723	1,809	1,846
150 – 670 kW	thousand rubles	3,804.9	7,956	8,354	8,771.5	8,946.9
Over 670 kW	thousand rubles	0	0	0	0	0

Karachay-Cherkess branch

	Measurement units	2014	2015	2016	2017	2018
Sales volume						
Technological connection services	kW	1,752.5	4,469.5	4,693.0	4,927.7	4,927.7
Applicants for connected capacity up to 15 kW inclusive	pcs.	240.0	777	816.0	856.0	856.0
Applicants for connected capacity:	KVA	555.5	583	612	643	643
Up to 150 kW	kW	555.5	583	612	643	643
150 – 670 kW	kW	0	0	0	0	0
Over 670 kW	kW	0	0	0	0	0
Revenue						
Technological connection services	thousand rubles	2,870.66	3,259	3,422	3,593	3,593
Applicants for connected capacity up to 15 kW inclusive	thousand rubles	111.9	362	380	399.1	399.1
Applicants for connected capacity:	thousand rubles	2,758.8	2,897	3,042	3,194	3,194
Up to 150 kW	thousand rubles	2,758.8	2,897	3,042	3,194	3,194
150 – 670 kW	thousand rubles	0	0	0	0	0
Over 670 kW	thousand rubles	0	0	0	0	0

North Ossetia branch

	Measurement units	2014	2015	2016	2017	2018
Sales volume						
Technological connection services	kW	10,240.7	8,525.2	8,951.5	9,399.0	9,587.0
Applicants for connected capacity up to 15 kW inclusive	pcs.	1,038.0	427	448.0	471.0	481.0
Applicants for connected capacity:	kW	6,129.5	6,436	6,758	7,096	7,238
Up to 150 kW	kW	497.7	523	549	576	588
150 – 670 kW	kW	5,631.8	5,913	6,209	6,519	6,650
Over 670 kW	kW	0	0	0	0	0
Revenue						
Technological connection services	thousand rubles	784.97	515	541	568	580
Applicants for connected capacity up to 15 kW inclusive	thousand rubles	483.81	199	209	219.6	224.0
Applicants for connected capacity:	thousand rubles	301.2	316	332	349	356
Up to 150 kW	thousand rubles	157.0	165	173	182	185
150 – 670 kW	thousand rubles	144.2	151	159	167	170
Over 670 kW	thousand rubles	0	0	0	0	0

Ingush branch

	Measurement units	2014	2015	2016	2017	2018
Sales volume						
Technological connection services	kW	497.0	525.0	602.0	637.0	649.7
Applicants for connected capacity up to 15 kW inclusive	pcs.	71.0	75	86.0	91.0	93.0
Applicants for connected capacity:	kW	0	0	0	0	0
Up to 150 kW	kW	0	0	0	0	0
150 – 670 kW	kW	0	0	0	0	0
Over 670 kW	kW	0	0	0	0	0
Revenue						
Technological connection services	thousand rubles	33.09	0	0	0	0
Applicants for connected capacity up to 15 kW inclusive	thousand rubles	33.1	0	0	0	0
Applicants for connected capacity:	thousand rubles	0	0	0	0	0
Up to 150 kW	thousand rubles	0	0	0	0	0
150 – 670 kW	thousand rubles	0	0	0	0	0
Over 670 kW	thousand rubles	0	0	0	0	0

IDGC of Northern Caucasus, OJSC

	Measurement units	2014	2015	2016	2017	2018
Sales volume						
Technological connection services	kW	70,959.7	47,259.0	49,672.8	52,161.3	53,969.5
Applicants for connected capacity up to 15 kW inclusive	pcs.	2,598	3,549.0	3,733.0	3,923.0	4,051.0
Applicants for connected capacity:	kW	53,473.3	33,988.0	35,687.4	37,471.7	38,916.5
Up to 150 kW	kW	5,739.2	4,489.8	4,714.3	4,950.0	5,112.1
150 – 670 kW	kW	20,734.1	29,498.2	30,973.1	32,521.8	33,804.4
Over 670 kW	kW	27,000.0	0	0	0	0
Revenue						
Technological connection services	thousand rubles	250,360.9	41,802.31	43,895.43	46,090.75	47,873.51
Applicants for connected capacity up to 15 kW inclusive	thousand rubles	1,257.53	1,654.26	1,739.98	1,827.52	1,884.69
Applicants for connected capacity:	thousand rubles	249,103.39	40,148.05	42,155.46	44,263.23	45,988.82
Up to 150 kW	thousand rubles	6,329.87	6,646.44	6,978.77	7,327.70	7,474.67
150 – 670 kW	thousand rubles	25,161.97	33,501.61	35,176.69	36,935.53	38,514.15
Over 670 kW	thousand rubles	217,611.55	0	0	0	0

Dagenergoset, OJSC

Product types	Measurement	2014	2015	2016	2017	2018
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	ent units					
Sales volume						
Technological connection services	kW	20,569.6	16,600.0	17,111.0	17,642.0	17,850.0
Applicants for connected capacity up to 15 kW inclusive	pcs.	1,151.0	2,600	2,621.0	2,635.0	2,652.0
Applicants for connected capacity:	kW	12,512.7	6,200	6,600	7,100	7,242
Up to 150 kW	kW	10,423.7	4,300	4,500	4,800	4,896
150 – 670 kW	kW	2,089.0	1,900.0	2,100.0	2,300.0	2,346.0
Over 670 kW	kW	0	0	0	0	0
Revenue						
Technological connection services	thousand rubles	951.24	1,682	1,912	2,128	2,154
Applicants for connected capacity up to 15 kW inclusive	thousand rubles	536.5	1,212	1,222	1,228.2	1,236.1
Applicants for connected capacity:	thousand rubles	414.8	470	690	900	918
Up to 150 kW	thousand rubles	392.0	400	600	800	816
150 – 670 kW	thousand rubles	22.8	70	90	100.0	102.0
Over 670 kW	thousand rubles	0	0	0	0	0

Settlements with customers

The operation of the power industry in the republics of the Northern Caucasus Federal District is traditionally regarded as an object of special attention in the energy industry. First of all, the payment discipline and system of mutual debts of regional power subjects are assessed.

The debt for power transmission services owed to IDGC of Northern Caucasus, OJSC (including Dagenergoset, OJSC and Ingushenergoset, OJSC) for December 31, 2013, was 7,660.7 million rubles (increase of 2,318.6 million rubles), including the past-due debt of 5,660.7 million rubles and disputable debt of 944.6 million rubles.

Customers' liabilities owed to the power grid operator for power transmission services

Name of the subsidiary / company	Accounts receivable			
	at the beginning of the year, million rubles, VAT included		at the end of the year, million rubles, VAT included	
	Total	Including the disputable debt	Total	Including the disputable debt
Kabardino-Balkar branch	552.6	0	1,060.0	0.6
Karachay-Cherkess branch	50.3	0	47.1	4.0
North Ossetia branch	1,949.0	36.7	2,465.7	36.7
Stavropolenergo branch	682.6	29.2	833.0	28.2
Ingush branch	0	0	342.0	61.1
Dagenergo branch	0	0	0	0
IDGC of Northern Caucasus, OJSC, total	3,234.5	65.9	4,747.8	130.6
Dagenergoset, OJSC	1,431.4	525.4	1,945.0	642.5
Ingushenergoset, OJSC (till May 1, 2013)	676.2	104.3	967.9	171.5
IDGC of Northern Caucasus, OJSC Group of Companies, total	5,342.1	695.6	7,660.7	944.6

Structure of the accounts receivable, million rubles

Accounts receivable	as of December 31, 2011	as of December 31, 2012	as of December 31, 2013
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Current	799.96	766.13	1055.46
Past-due	2032.87	3946.23	5660.66
Disputable	1007.48	695.61	944.62

The level of settlements for provided power transmission services for 2013 was 13,369 million rubles, or 86%, which corresponds to the 2012 level.

Structure of the accounts receivable by consumer groups, million rubles

Group of consumers	as of December 31, 2011	as of December 31, 2012	as of December 31, 2013
Guaranteeing suppliers	1,466.8	1,589.9	2,360.5
Power supply companies	28.3	19.5	24.2
Territorial grid operators	2,330.8	3,725.4	5,253.1
Direct consumers	14.4	7.4	22.9

The main liability volume (69%, or 5,253.1 million rubles) accounts for territorial grid operators.

Structure of the disputable accounts receivable, million rubles

Group of consumers	as of December 31, 2011	as of December 31, 2012	as of December 31, 2013
Guaranteeing suppliers	7.8	652.7	907.9
Power supply companies	0	0	0
Territorial grid operators	999.6	42.9	36.7

The problematic regions in the territory of the Northern Caucasus Federal District include the Republic of North Ossetia, the Kabardino-Balkarian Republic, the Republic of Dagestan and the Republic of Ingushetia.

The largest debtors for the provided power transmission services

Republic of North Ossetia

- Vladikavkazenergo, ARMUE – the debt amount is 1,726.2 million rubles (23% of the total accounts receivable). The organization is not in operation (since April 2012), the bankruptcy procedure is initiated.

- Alaniaelectroset, SUE – the debt amount is 522.6 million rubles (7% of the total accounts receivable). For 2013, 472.8 million rubles, or 67% of the provided services, was paid, which resulted in a debt increase of 228 million rubles.

In order to collect the accounts receivable, a claim review is performed, and the Consolidation Program stipulating the conclusion of the agreement for renting the Alaniaelectroset, SUE property located in the territory of the city of Vladikavkaz is implemented.

In accordance with the Roadmap for Consolidation of the Power Grid Assets located in the territory of the Republic of North Ossetia – Alania (signed on October 24, 2012), the Republic Government initiated the process of privatization of Alaniaelectroset, SUE. IDGC of Northern Caucasus, OJSC developed the mechanisms for the appropriation of the power grid property / assets created in the course of the joint stock company privatization.

Kabardino-Balkarian Republic

In the territory of the republic, the Nalchik City Power Grid Company (NGEK, OJSC) is a problematic customer due to non-performance of its contractual obligations. In 2013 the level of settlements for the power transmission services was 416.5 million rubles, or 49%. Such a poor payment discipline resulted in the increase of liabilities as of the end of 2013 by 431.4 million

rubles, while the debt owed to company was 961.4 million rubles (13% of the total accounts receivable).

In order to improve the payment discipline of the territorial grid operator, in 2013 the Nalchikenergosbyt, OJSC consumers connected to the NGEK, OJSC grids were transferred to direct service of the guaranteeing supplier – Kabbalkenergo, OJSC.

For the purpose of collecting the accounts receivable, IDGC of Northern Caucasus, OJSC initiated a claim review; the whole amount of the debt is covered by claims.

Also, the Roadmap signed by IDGC of Northern Caucasus, OJSC and the head of the Kabardino-Balkarian Republic stipulated the consolidation of the power grid property of NGEK, OJSC in repayment of the accounts receivable. However, the agreements achieved with the Republic Government were not fulfilled, as in December 2013 Kabbalkkommunenergo, MUE was created, which eventually acquired the NGEK, OJSC power grid complex. As a result, IDGC of Northern Caucasus, OJSC filed a lawsuit to the Arbitration Court of the Kabardino-Balkarian Republic declaring NGEK, OJSC insolvent (bankrupt).

Republic of Dagestan

The most problematic debtor of the republic is Makhachkala City Power Grids, OJSC, with a debt of 945.8 million rubles (9% of the total accounts receivable). For 2013 the payment made up 443.7 million rubles, or 55% of the volume of provided services. Due to this fact, the debt increased by 368.5 million rubles.

In order to reduce the accounts receivable, a claim review has been initiated, as well as work in the production execution stage with the Bailiff Service.

The main method of reducing the current accounts receivables is power grid property consolidation. On July 17, 2013, the Government of the Republic of Dagestan and IDGC of Northern Caucasus, OJSC signed the Roadmap specifying the stage-by-stage implementation of the measures for the conclusion of the rental agreement for the power grid property of Makhachkala City Power Grids, OJSC. Currently, due to the presence of the second grid owner (Makhachkala City Power Grids, OJSC), the Dagestan OFAS extended the consideration of the claim for approving the appropriation of the main manufacturing facilities of Makhachkala City Power Grids, OJSC. Also, we prepared draft agreements for renting the property of the grid complex of the Companies.

In order to improve the payment discipline in the territory of the republic, the consumers of the Energosbyt-1 power supply company connected to the Makhachkala City Power Grids, OJSC grids were transferred to direct service of the guaranteeing supplier – Dagenenergobyt, OJSC.

Republic of Ingushetia

The main counterparty to settlements for power transmission services in the republic is Ingushenergo, OJSC. Due to the seizure of the accounts of the guaranteeing supplier (caused by its liabilities on the wholesale power (capacity) market due to underpayment of funds for the power consumed by the Vodokanal enterprises), the level of settlements with Ingushenergoholding, OJSC was 12%, with the Ingush branch of IDGC of Northern Caucasus, OJSC – 29%. Also, the Ingushenergo, OJSC debt owed to Ingushenergoholding, OJSC as of May 1, 2013, was 967.9 million rubles, to the Ingush branch of IDGC of Northern Caucasus, OJSC – 342 million rubles.

On October 31, 2013, the Roadmap for consolidation of power grid assets in the territory of the Republic of Ingushetia was signed, specifying the legal processing of rights to the power grid property, the construction of which was financed by the republic's budget, as well as to the abandoned power grid property located in the territory of the Republic of Ingushetia owned by the republic.

The main objective reasons for non-performance of the obligations by the electric power market and, correspondingly, the increase of the accounts receivable for its transmission services include the following:

- a low level of legal awareness and legal culture of citizens;
- shortcomings of Russian Federation legislation in the sphere of the electric power industry, presence of numerous gaps and corruption factors;
- a low level of responsibility of the retail power market participants in respect of the performance of their contractual obligations
- lack of reforms in the utility services market and a low efficiency level of utility service providers;
- excess losses of power of territorial grid organizations.

In order to pay the current liabilities and improve the payment discipline, meetings with the vice-presidents of the Republic of North Ossetia – Alania, the Kabardino-Balkarian Republic, the Republic of Dagestan, and the head of the Republic of Ingushetia were held. Also, numerous letters were sent to the heads of the republics requesting assistance with payment stabilization and repayment of the accounts receivable for the provided power transmission services.

In order to protect the rights and legal interests of IDGC of Northern Caucasus, OJSC, the letters were to the Main Directorate for Economic Security and Anti-Corruption Enforcement of the MIA of Russia, General Prosecutor's Office of the Russian Federation for the Northern Caucasus Federal District, Main Directorate of the MIA of Russian for the Northern Caucasus Federal District, and Head Bailiff of the Russian Federation with a request to take responsive measures concerning non-paying counterparties.

In 2013 IDGC of Northern Caucasus, OJSC and Dagenergoset, OJSC implemented a considerable claim review related to the collection of the accounts receivables for power transmission services. 179 lawsuits for the total amount of 5,683.6 million rubles were filed, and court rulings for indebtedness in the amount of 3,396.8 million rubles were received. In actual fact, based on the outcome of the legal work, funds in the amount of 3,773.5 million rubles were obtained.

Outcome of court work for 2013

Name of the branch / subsidiary	Amount of the filed lawsuits for debt recovery		Amount of the court rulings delivered (or payed) in relation to non-paying consumers, including the previously submitted lawsuits		Total amount of the accrued funds (including at the execution stage), including the previously submitted lawsuits
	amount	sum	amount	sum	sum
	pcs.	million rubles	pcs.	million rubles	million rubles
Stavropolenergo branch	54	2,398.4	25	2,266.3	2,261.6
North Ossetia branch	45	691.9	23	418.3	461.5
Karachay-Cherkess branch	22	41.2	22	41.2	38.8
Kabardino-Balkar branch	16	1,206.5	7	670.9	458.6
Ingush branch*	0	0	0	0	0
IDGC of Northern Caucasus, OJSC, total	137	4,338.0	77	3,396.7	3,220.5
Dagenergoset, OJSC	42	1 345, 6	22	0.2	553.0
IDGC of Northern Caucasus, OJSC Group of Companies, total	179	5,683.6	99	3,396.9	3,773.5

* The Ingush branch has been operating since May 1, 2013. Within the accounting year, no lawsuits for the recovery of accounts receivable were submitted. The single consumer of the branch services is Ingushenergo, OJSC (belongs to the Rosseti Group).

Settlements of the grid organization with guaranteeing suppliers for electric power purchased for the purpose of compensating their losses and with FSK EES, OJSC for the provided power transmission services

Liabilities of the grid operator for acquisition of electric power for the purpose of loss compensation

Name of the subsidiary / company	Accounts payable			
	at the beginning of the year, million rubles, VAT included		at the end of the year, million rubles, VAT included	
	Accounted by the grid operator	Not accounted by the grid operator (disputable losses)	Accounted by the grid operator	Not accounted by the grid operator (disputable losses)
Kabardino-Balkar branch	6	0	5	0
Karachay-Cherkess branch	0	0	4	4
North Ossetia branch	0	0	15	0
Stavropolenergo branch	27	0	23	47
Ingush branch	0	0	80	36
Dagenergo branch	1,077	0	1,077	0
IDGC of Northern Caucasus, OJSC, total	1,110	0	1,204	87
Dagenergoset, OJSC	4,378	900	5,594	1,267
Ingushenergoset, OJSC (till April 30, 2013)	121	150	193	205
IDGC of Northern Caucasus, OJSC Group of Companies, total	6,713	1,051	8,170	1,642

The accounts payable for electric power purchased for the purpose of compensating the losses as of the beginning of 2014 made up 8,170 million rubles.

For the Kabardino-Balkar, Karachay-Cherkess, North Ossetia and Stavropolenergo branches, the accounts payable are regarded as current.

The poor payment discipline in the sphere of settlements for the power transmission services of the Ingushenergo, OJSC guaranteeing supplier affected the increase of the debt for loss compensation for the Ingush branch of IDGC of Northern Caucasus, OJSC and Ingushenergoset, OJSC (the main income source of the grid operator in the Republic of Ingushetia is the settlements with the guaranteeing supplier for the provided services).

The debt growth for Dagenergoset, OJSC is caused by the poor payment discipline of grid operators for the provided power transmission services, as well as tariff insufficiency in the region.

Volume of the power transmission services provided by FSK EEC, OJSC, debt amount owed to FSK EES, OJSC

Name of the subsidiary	Debt as of January 1, 2013, million rubles, VAT included	Total amount for 2013 under the acts for actually provided services, million rubles, VAT included	Paid for 2013, million rubles, VAT included	Debt as of January 1, 2014 ("=" – debt, "-" – overpayment), million rubles, VAT included
Kabardino-Balkar branch	58	133	179	12
Karachay-Cherkess branch	30	81	104	7
North Ossetia branch	85	169	241	13
Stavropolenergo branch	142	404	516	30
Ingush branch	0	64	3	61
IDGC of Northern Caucasus, OJSC, total	315	851	1,043	123
Dagenergoset, OJSC	534	480	0	1,013
Ingushenergoset, OJSC (till May 1, 2013)	82	28	0	110

IDGC of Northern Caucasus, OJSC, total	930	1,359	1,043	1,246
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The accounts payable of IDGC of Northern Caucasus, OJSC as of January 1, 2014, made up 1,246 million rubles, including those that were overdue – 1,135 million rubles. The payment level for 2013 was equal to 77%.

The main debt amount falls on Dageenergaset, OJSC. The growth is determined by the poor payment discipline of grid operators for the provided power transmission services, as well as tariff insufficiency in of the region.

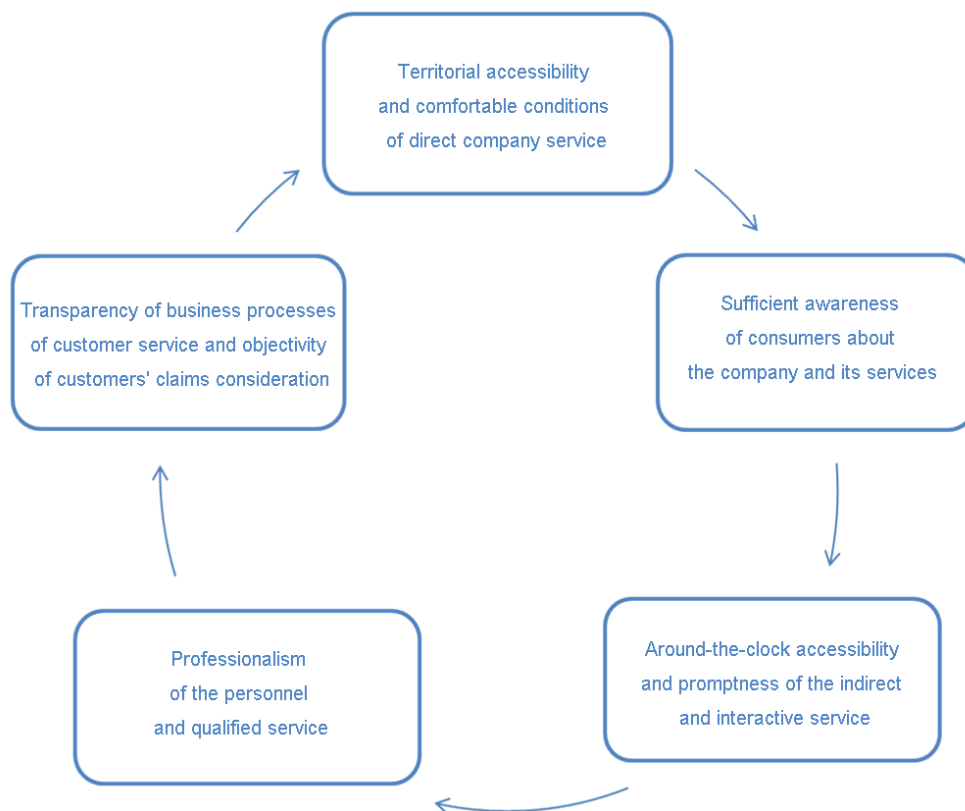
Customer relations

We are sure that the decisive factor in achieving the strategic development goals of IDGC of Northern Caucasus, OJSC is the engagement and retention of customers' trust.

The main principles of the policy we are pursuing in the sphere of our company's customer relations are the following: simplicity and availability.

In 2011 IDGC of Northern Caucasus, OJSC adopted the "Centralized Customer Service System" standard (Minutes of the meeting of the Board of Directors No. 79 of August 29, 2011) and developed the plan of measures for the implementation of the system of customer service in accordance with the Standard requirements.

Centralized Customer Service System



Customer service is provided in the following forms:

Direct form:

direct interaction between service customers and the IDGC of Northern Caucasus, OJSC branches

Indirect form:

- Call center
- Hotline
- System of automated notification of service customers by phone: 8-800-200-99-97.

During 2013 the call center operators served 4,554 incoming calls received from consumers.

The number of outgoing calls to customers amounted to 10,337 calls.

In order to increase our customers' confidence, the Stavropolenergo branch launched the "trust phone" (http://www.stavre.elektra.ru/content.php?page_id=17&elem_id=38). Calling (8793) 34-18-95, customers can inform an authorized employee of the branch about instances of rude interaction, non-performance of appropriate measures, and illegal actions by the branch employee.

There is also a hotline in the Ingush branch. Calling (8732) 22-19-11, customers can receive information concerning the reasons for an emergency power cutoff and the time frame for its correction, and they can have other consultations on relevant issues.

Interactive form of service provision

The measures for the creation of the Customer Service Centers, call center, operation of the "Personal Account" subsection on the corporate website, CRM-system (Customer Relations Management System) are being implemented.

The IDGC of Northern Caucasus, OJSC corporate website hosts an interactive service of "Online Reception" and "Service Customer Questionnaire" – in the "For Customers" section (http://www.mrsk-sk.ru/customer/internet-reception/ask_specialist/).

The "Online Reception" enables consumers

- to pose a question to a specialist;
- to send communication, an application for any additional service, application-intention (for technological connection, restoration of technical conditions, etc.);
- to send communication;
- to pose a question and receive a response;
- to inform about power theft.

In 2013 a new, more convenient interactive form of the "Online Reception" was provided. The "Online Reception" is:

- simple interaction between service consumers and IDGC of Northern Caucasus, OJSC;
- the chance to receive any necessary information;
- efficient settlement of any issues consumers encounter.

In 2013 53 consumers' requests were accepted by us via "Online Reception", and corresponding answers to them were sent via e-mail.

In 2013 the Rosseti Group of Companies, including IDGC of Northern Caucasus, OJSC and guaranteeing suppliers of Northern Caucasus, opened 6 Customer Service Centers. Such centers were opened in the following cities: Nalchik (the Kabardino-Balkarian Republic), Vladikavkaz and Mozdok (the Republic of North Ossetia – Alania), Ust-Djeguta (the Karachay-Cherkess Republic), Nazran (the Republic of Ingushetia) as well as in the town of Pregradnaya (the Karachay-Cherkess Republic). As a result, consumers started receiving services on the "Single Window" site.

In order to increase customers' confidence and develop the public control, the Counsel of Consumers was created in 2013.

Quality assessment

The quality of interaction with service consumers of IDGC of Northern Caucasus, OJSC can be assessed on the basis of a performance analysis for the planned service quality indicator that was set as 1.0102 for 2013. The permissible variation is 30%.

Name of the branch / subsidiary	Actual indicator of the service provision quality by branch for 2013	Deviation from the planned value
Stavropolenergo branch	0.984	2.54%
Kabardino-Balkar branch	-1.0013	-0.89%
Karachay-Cherkess branch	-1.0097	-0.05%*
North Ossetia branch	-1.0014	-0.88%
Ingush branch	0.9986	1.16%
Dagenergoset, OJSC	0.993	1.72%

Our plans

By 2015 we plan to introduce an additional interactive service on the IDGC of Northern Caucasus, OJSC corporate website, i.e. "Personal Account". The introduction of this service is also stipulated by the company's "Centralized Customer Service System" standard. The "Personal Account" will enable consumers not only to address a request to the company but also to track the progress of its review.

Investment activity

Parameters of the investment activity

Investment planning is an integral part of the system of the business planning and budgeting of IDGC of Northern Caucasus, OJSC. When building an investment program, we consider the effect of its implementation upon the company's economy as a whole.

With the investment policy implementation, the following measures are taken:

- maintenance of the equipment required for sufficient, reliable, continuous energy supply for consumers;
- decrease of production costs, including through improving the efficiency of the equipment's operation;
- modernization of capital funds;
- ensuring the safety of equipment operation;
- introduction of new capacities in case it is necessary to cover a load deficit or create a capacity reserve.

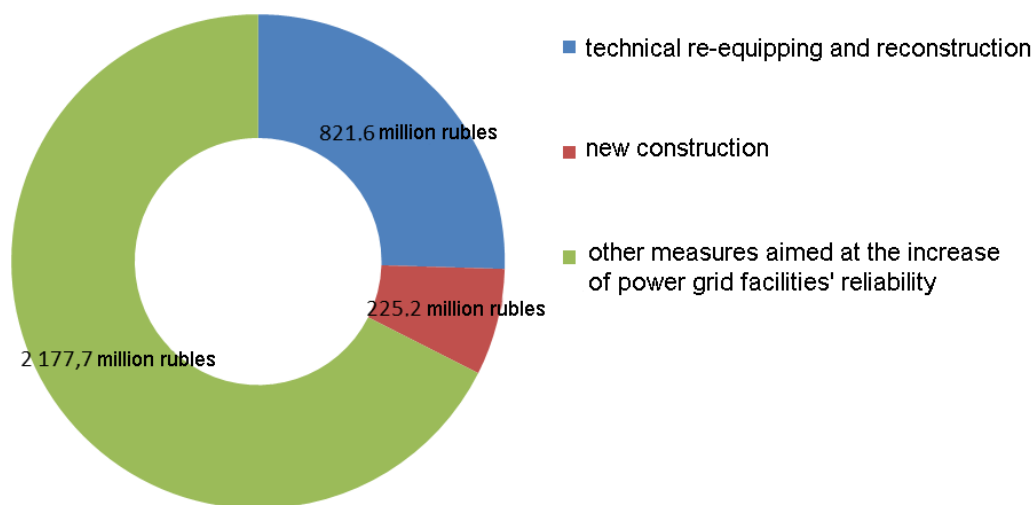
Main parameters of the 2013 investment program

Name of the subsidiary	Deployment	Capital funds introduction	Funding	Capacity introduction		Capacity increase	
	million rubles, VAT excluded	million rubles	million rubles, VAT included	MVA	km	MVA	km

2011							
IDGC of Northern Caucasus, OJSC	5,558.3	4,023.0	7,207.7	315.6	844.7	110.1	95.8
Stavropolenergo branch	1,977.1	1,507.1	2,481.6	118.6	300.4	62.3	75.3
Dagenergo branch	555.2	429.9	1,006.6	53.1	82.2	15.0	14.5
Kabardino-Balkar branch	921.2	761.4	1,001.2	59.5	92.1	2.3	0
North Ossetia branch	848.9	476.7	981.7	75.9	78.6	27.8	0
Karachay-Cherkess branch	937.4	680.9	857.0	5.4	181.9	2.8	6.0
Ingush branch	212.1	138.3	535.5	3.0	109.6	0	0
Management authorities	106.4	28.6	344.0	0	0	0	0
2012							
IDGC of Northern Caucasus, OJSC	5,503.6	3,186.0	5,830.3	241.5	1,468.6	198.1	1,290.0
Stavropolenergo branch	1,624.3	1,710.2	1,635.6	174.7	204.7	156.9	198.2
Dagenergo branch	1,608.1	150.9	1,780.7	0	1,058.2	0	1,058.2
Kabardino-Balkar branch	411.7	490.8	395.7	33.0	55.9	7.7	17.1
North Ossetia branch	253.2	397.2	311.8	33.8	74.3	33.5	16.5
Karachay-Cherkess branch	308.8	304.5	561.3	0	75.5	0	0
Ingush branch	532.9	8.2	344.9	0	0.0	0	0
Management authorities	764.7	124.1	800.3	0	0	0	0
2013							
IDGC of Northern Caucasus, OJSC	3,224.4	2,398.8	3,511.1	277.0	621.4	201.0	461.0
Stavropolenergo branch	1,043.2	1,069.7	1,291.5	122.8	166.3	108.1	118.1
Dagenergo branch	485.4	239.3	325.3	86.7	318.0	66.3	293.5
Kabardino-Balkar branch	445.1	495.1	592.7	25.7	17.5	0.7	9.5
North Ossetia branch	421.6	148.0	398.2	1.9	45.0	1.9	6.7
Karachay-Cherkess branch	424.2	419.1	478.8	40.0	74.6	24.0	33.2
Ingush branch	194.4	7.9	224.5	0	0	0	0
Management authorities	210.37	19.78	200.04	0	0	0	0

Direction and structure of capital investments

The deployment of the capital investments of IDGC of Northern Caucasus, OJSC in 2013 made up 3,224.4 million rubles, including:



Stavropolenergo branch

execution – 1,043.2 million rubles, including:

- ✓ technical re-equipping and reconstruction – 96.6 million rubles,
- ✓ new construction – 130.9 million rubles,
- ✓ other measures – 815.7 million rubles.

The most important objects

- reconstruction of OHL 110 KV L-77 "Prikumsk-330" station – "Pokoinaya" station 4 launch complexes – 40.2 million rubles: construction of a new two-stage lag from Support No. 81 till "Budenovsk-500" station along the existing route 6.6 km long (52 supports, including PB-101 – 44 pcs. and U-110 – 8 pcs, cable AS-240);
- construction of the 110/10 KV "NPS-5" station – 306.6 million rubles (2 TRDN power transformers – 40000/110-U1);
- construction of OHL 110 KV "Yuzhnaya" station – "GES-4" station – 228.5 million rubles 52.5 km long (for NPS-5) (403 supports, including PB-110 – 280 pcs., cable AS-185, AS-300).

Work related to large projects are being continued:

- construction of the 110/10 KV "Radiozavod" station with OHL 110 RV-83.1 million rubles (equipping of relay-protective automation, construction of the module building for the supervisory control center, equipping with an instrument board, means of communication and telemechanics, iron and concrete guardrail, area development);
- The program of the perspective development of power metering systems on the retail electric power market (modernization of the power metering system and arrangement of the automated data collection of the needs of the IDGC of Northern Caucasus, OJSC branch – Stavropolenergo) – 95.5 million rubles.

Dagenergo branch

execution – 485.4 million rubles, including:

- ✓ technical re-equipping and reconstruction – 153.2 million rubles,
- ✓ other measures – 332.2 million rubles.

Largest projects

- reconstruction of OHL 110 KV No. 109 "Babayurt-PS "Kizlyar-1" – 3.6 km;
- reconstruction of OHL 110 KV No. 119 "Kaskad Sulakskikh GES-Chiryury-330" – 5.9 km;
- reconstruction of OHL 110 KV No. 120 "Kaskad Sulakskikh GES-Chiryury-330" – 5.4 km.

Kabardino-Balkar branch

execution – 445.1 million rubles, including:

- ✓ technical re-equipping and reconstruction – 272.6 million rubles,
- ✓ other measures – 172.5 million rubles.

Largest projects

The reconstruction of the 110/10/6 KV "Nalchik-110" station in the amount of 463 million rubles, VAT included, is completed. The "Nalchik-110" station is the main station in the power supply system of the city of Nalchik. The station reconstruction will make it possible to increase the reliability of the consumers' power supply, eliminate the possibility of damaging the overloaded equipment and provide the developing district of the Kabardino-Balkarian Republic with power. The facility is put into operation.

Reconstruction of 110/10/6 KV "SKEP" station that supplies power to Nalchik consumers. The TRDN 25000/110/10/6 transformer was worn out and did not provide reliable power supply to consumers. The transformer replacement made it possible to increase the reliability of power supply and ensure the continuous operation of the station on the whole. The works are completed.

North Ossetia branch

execution – 421.6 million rubles, including:

- ✓ technical re-equipping and reconstruction – 74.6 million rubles,
- ✓ new construction and extension of the existing objects – 51.1 million rubles,
- ✓ other – 295.9 million rubles.

The most important measures:

Execution of the work related to reconstruction of the 110/35/6 KV "Nuzal" station, including the replacement of the T-1 6.3 MVA double-winding transformer with the 10 MVA triple-winding one. The facility is to be put into operation in 2014. The reconstruction of this facility will increase the reliability of 35KV power grid operation in the adjacent district.

Completion of work related to the reconstruction of the 110/6 KV "Yantar", "RP-110", and "Alagir" stations, including the installation of the "Bresler" emergency regulator. The specified works will make it possible to conduct a more detailed analysis of the short circuit if any emergencies occur.

Work related to the reconstruction of OHL-110 KV "Alagir" – "Unal" is completed, including the replacement of one anchor support and cable 0.3 km long.

The construction of the two-link OHL is completed, including the installation of the 630 KVA transformer station for the Clinical Hospital in the city of Vladikavkaz. As a result of the construction, the high-voltage, 1.46 km line has been constructed, and the two-set transformer station with a 2*630 KVA capacity is installed (2 transformers of 630 KVA capacity).

Work on the 110/6 KV "Parkovaya" station has been started. The construction of this substation will provide power supply to the south-western and western parts of Vladikavkaz and improve the quality and reliability of the city power supply.

Karachay-Cherkess branch

deployment – 424.2 million rubles, including:

- ✓ technical re-equipping and reconstruction – 220.6 million rubles,
- ✓ new construction – 0.1 million rubles,
- ✓ other measures – 203.5 million rubles.

The most important measures:

The 110/10 KV "Yuzhnaya" station was put into operation, including the replacement of one TDN-16000 power transformer for the TRDN-40000/110-U1 transformer. The reconstruction of the 110/10KV "Yuzhnaya" station in Cherkessk will make it possible to eliminate tension related to the overload of power transformers at the "Yuzhnaya" station, increase the power supply reliability in the southern part of Cherkessk and provide a possibility of additional power supply from this substation.

Work on the construction of two-line cells at the 110 KV "Zelenchuk" station has been started, it is to be put into operation in 2014.

In order to increase the power supply reliability under the conditions of excess ice and wind loads, the reconstruction of OHL-110 KV L-96 at the "Ilyichyovskaya-Bekeshevskaya" station was completed, including the replacement of wooden supports with iron/concrete ones, as well as the assembly of the new AS-185 cable instead of the existing one.

For the purpose of power supply provision to the consumers of the Malokarachaevsk district of the Karachay-Cherkessk Republic, the reconstruction of OHL-35 KV at the "Kichibalyk-Observation" station with a length of 5.28 km was performed, including the replacement of wooden supports for iron/concrete and steel ones.

Ingush branch

deployment – 194.4 million rubles, including:

- ✓ technical re-equipping and reconstruction – 3.9 million rubles,
- ✓ new construction – 43 million rubles,
- ✓ other measures – 147.5 million rubles.

Executive authorities

deployment – 210.4 million rubles.

Structure of the capital investments of IDGC of Northern Caucasus, OJSC for 2013-2018, million rubles

	2013	2014	2015	2016	2017	2018
Total	3,224.4	2,067.2	1,756.8	2,124.6	2,387.6	2,628.0
Technical re-equipping and reconstruction	821.6	649.6	705.6	696.1	1,202.4	1,401.1
New construction	225.2	120.8	264.0	481.1	84.8	69.0
Special programs	430.6	0	0	0	0	0

Technological connection, including	515.9	583.5	62.2	20.0	20.0	20.0
Technological connection objects, with a capacity exceeding 670 kW (HV, MV1)	390.4	538.1	42.2	0	0	0
Technological connection objects, with a capacity of 150 – 670 kW (MV2)	49.4	21.1	0	0	0	0
Technological connection objects, with a capacity of 15 – 150 kW	21.4	4.0	0	0	0.0	0
Technological connection objects, with a capacity of up to 15 kW	54.7	20.3	20.0	20.0	20.0	20.0
Generation	0.0	0.0	0.0	0.0	0.0	0
Distribution grids	303.7	290.5	282.8	416.6	685.2	676.3
Automation of technological management (except for the automated system of power metering and control)	306.7	171.2	162.7	190.0	85.0	90.0
Means of power metering and control	221.1	12.9	16.9	20.0	20.0	20.0
Safety provision programs	47.5	0	0	0	0	0
Acquisition of power grid assets, land plots and other objects	86.9	0	0	0.0	0.0	0.0
Other programs and measures	265.2	238.7	262.5	300.8	290.1	351.7

Since 2014 a reduction of the volume of capital investments by 36% can be observed, as compared with 2013. The reduction is brought about by the fact that the investment program is formed with consideration for the growth rates of the power transmission services provided to end consumers under the condition of the extension of the current tariff until July 1, 2015, and setup of the tariff for the proceeding years at the level of the preceding year's inflation.

Within the period from 2013 to 2018, a considerable share of the volume of capital investments is taken up by technical re-equipping and reconstruction of distribution grids.

Comprehensive Program of measures aimed at the reduction of excess power losses within distribution grids in the territory of Northern Caucasus.

It is implemented for the purposes of reducing commercial losses of power in the grids of IDGC of Northern Caucasus, OJSC in the territory of the Republic of Dagestan, Republic of Ingushetia and Chechen Republic. The program specifies the measures for arrangement, modernization and automation of power accounting for all fiscal metering points as well as for the key feeding centers where technical power management is required. It will allow for a reduction of commercial losses down to to the level of standard indicators. The program has been implemented since 2011.

Implementation costs – 5,253.8 million rubles, VAT included, including by means of:

- federal budget funds – 4,949.3 million rubles;
- company's own funds – 304.5 million rubles;

The total number of metering points covered by the program – 642,108

In 2013 the implementation of the Comprehensive Program of measures aimed at the reduction of excess power losses within distribution grids in the territory of Northern Caucasus cost 430.6 million rubles (including the credit interest – 44.8 million rubles). Funding made up 273.1 million rubles, VAT included (including the credit interest – 44.8 million rubles).

Implementation of the Comprehensive Program of measures aimed at the reduction of excess power losses within distribution grids in the territory of Northern Caucasus in 2013

Name of Russian subject	Implementation, million rubles, VAT excluded	Funding, million rubles, VAT included
	Actual	Actual
Republic of Dagestan	176.5	47.2
Republic of Ingushetia	64.8	62.0
Chechen Republic	189.4	163.9
Total	430.7	273.1

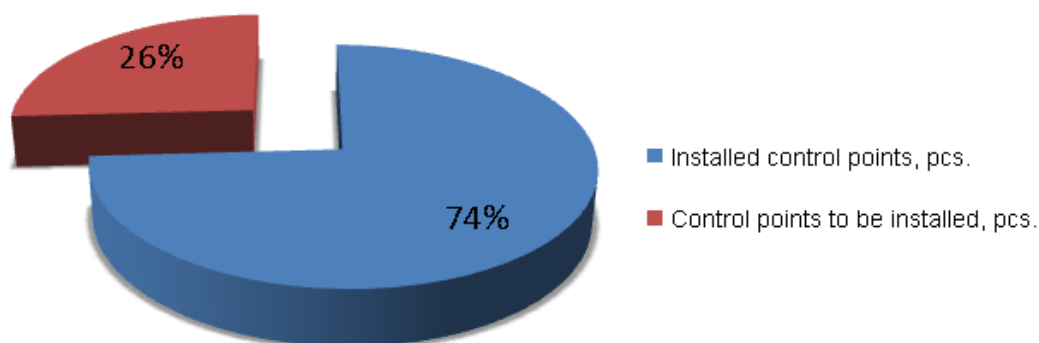
Implementation of the Comprehensive Program of measures aimed at the reduction of excess power losses within distribution grids in the territory of Northern Caucasus since its launch date

Name of Russian subject	Implementation, million rubles, VAT excluded	Funding, million rubles, VAT included
	Actual	Actual
Republic of Dagestan	1,616.0	2,224.9
Republic of Ingushetia	372.4	426.7
Chechen Republic	929.8	1,194.6
Total	2,918.1	3,846.2

Note: The data are reflected without including credit interest.

In the course of the implementation of the Comprehensive Program of measures aimed at the reduction of excess power losses within distribution grids in the territory of Northern Caucasus, 475,896 metering devices were installed:

Name of Russian subject	Number of installed metering devices	Number of automated metering devices	%	Number of metering devices to be installed
Republic of Dagestan	322,090	306,878	68	130,726
Republic of Ingushetia	40,634	36,901	70	11,950
Chechen Republic	113,172	129,589	95	23,536
Total	475,896	473,368	74	166,212



In December 2012, 10,772 metering devices that were installed in the territory of the Republic of Dagestan (Tabasaran District Power Grids) were put into operation. The volume of the commissioned capital funds is 49.2 million rubles, VAT excluded.

Implementation of the target indicators of the Comprehensive Program of measures aimed at the reduction of excess power losses within distribution grids in the territory of Northern Caucasus in 2013

Name of Russian subject	Target indicator	Actual level
Republic of Dagestan	25.00%	29.32%
Republic of Ingushetia	28.50%	33.82%
Chechen Republic (without including the Chechkommunenergo, SUE objects)	27.00%	28.13%

As a result of the implementation of the Comprehensive Program of measures aimed at the reduction of excess power losses within distribution grids in the territory of Northern Caucasus, in 2013 the following indicators of the power loss level were achieved:

- for the Republic of Dagestan – 29.32%, which is higher than the target indicators by 4.32%;
- for the Republic of Ingushetia – 33.82%, which is higher than the target indicators by 5.32%;
- for the Chechen Republic (without including the Chechkommunenergo, SUE objects) – 28.13%, which is higher than the target indicators by 1.13%.

The power loss levels were affected by the power grid output, which turned out to be much higher than the projected indicators. Therefore, the power grid output in 2013 exceeded the projected indicator:

- for the Republic of Dagestan by 10.43%;
- for the Republic of Ingushetia by 5.36%;
- for the Chechen Republic by 1.27%.

Based on the results of the Comprehensive Program of measures aimed at the reduction of excess power losses within distribution grids in the territory of Northern Caucasus, a reduction of power losses is expected in the grids located in the territories where the program is being implemented, down to the standard level.

For the purpose of completing the implementation of the Comprehensive Program of measures aimed at the reduction of excess power losses within distribution grids in the territory of Northern Caucasus:

- decisions related to ensuring the functioning of the program complex are formed with consideration for the integration of the "upper" and "low" levels into the Comprehensive System of Power Accounting. The integration mechanism involves the possibility of stepping down, within the tree of system power facilities, from the level of substations and technical management to the level of the end-consumer metering device, providing an option of direct connection to the metering device and its metering. The planning documents of the Comprehensive Program of measures aimed at the reduction of excess power losses within distribution grids in the territory of Northern Caucasus are amended regarding technical solutions for metering device installation;

- the work commissions, including the specialists of the IDGC of Northern Caucasus, OJSC specialized subdivisions and employees with the subordinate companies, conducted an audit of the readiness of the facilities of the Comprehensive Program of measures aimed at the reduction of excess power losses within distribution grids in the territory of Northern Caucasus by all

district and city power grids. Jointly with the contractor organizations, the deficiencies revealed by the work commissions in the performance of construction and assembly works and preparation of the initial executive documentation for the facilities of the Comprehensive Program of measures aimed at the reduction of excess power losses within distribution grids implemented in the territory of the Republics of Dagestan and Ingushetia are being eliminated. The deficiencies concerning the Comprehensive Program of measures aimed at the reduction of excess power losses within distribution grids in the territory of the Chechen Republic have been corrected;

- the draft staff schedule including the transfer of administration, actualization and further database analysis functions to the executive body of IDGC of Northern Caucasus, OJSC is formed for the purpose of further application of the Comprehensive System of Power Accounting;

- profiling power consumers, including the assignment of metering points to feeding centers, is performed by the efforts of Dageenergaset, OJSC, Chechenenergo, OJSC and the Ingush branch of IDGC of Northern Caucasus, OJSC. This profiling will make it possible to form a current and trustworthy database of consumers for the purpose of increasing the level of metering automation and localization of trouble spots related to commercial losses through the makeup of power balances by its voltage levels;

- the objects of the the Comprehensive System of Power Accounting are put into operation in the territory of the Republic of Ingushetia and Chechen Republic by all district power grids, in the territory of the Republic of Dagestan – by 7 district and city power grids. The measures aimed at preparation for holding commissions for the acceptance of the completed construction facilities of the Comprehensive Program of measures aimed at the reduction of excess power losses within distribution grids are implemented;

- the equipment installed in the course of the implementation of the Comprehensive Program in the territory of the Chechen Republic and the Republic of Ingushetia is accepted for care and custody.

Based on the above-mentioned reasons, taking into account the scale of the anti-crisis measures implemented by IDGC of Northern Caucasus, OJSC, the completion of the work for the Comprehensive Program is planned for:

- by the Chechen Republic – in the 2nd quarter of 2014;
- by the Republic of Ingushetia – in the 3rd quarter of 2014;
- by the Republic of Dagestan – in the 1st quarter of 2015.

Long-term investment program

The authorized bodies of the executive power of the Russian federal subjects approved the adjusted investment program for 2014-2018 of the IDGC of Northern Caucasus, OJSC branches within the set terms:

- ✓ Stavropolenergo branch: approved by the Minister of Energy, Industry and Communication, V.P. Khotsenko, Order No. 278-o/d of December 25, 2013;
- ✓ Dageenergobranche: approved by the Vice-President of the Republic of Dagestan, A.M. Gamidov, on December 20, 2013;
- ✓ Ingush branch: approved by the Vice-President of the Republic of Ingushetia, M.A. Malsagov, on December 30, 2013;

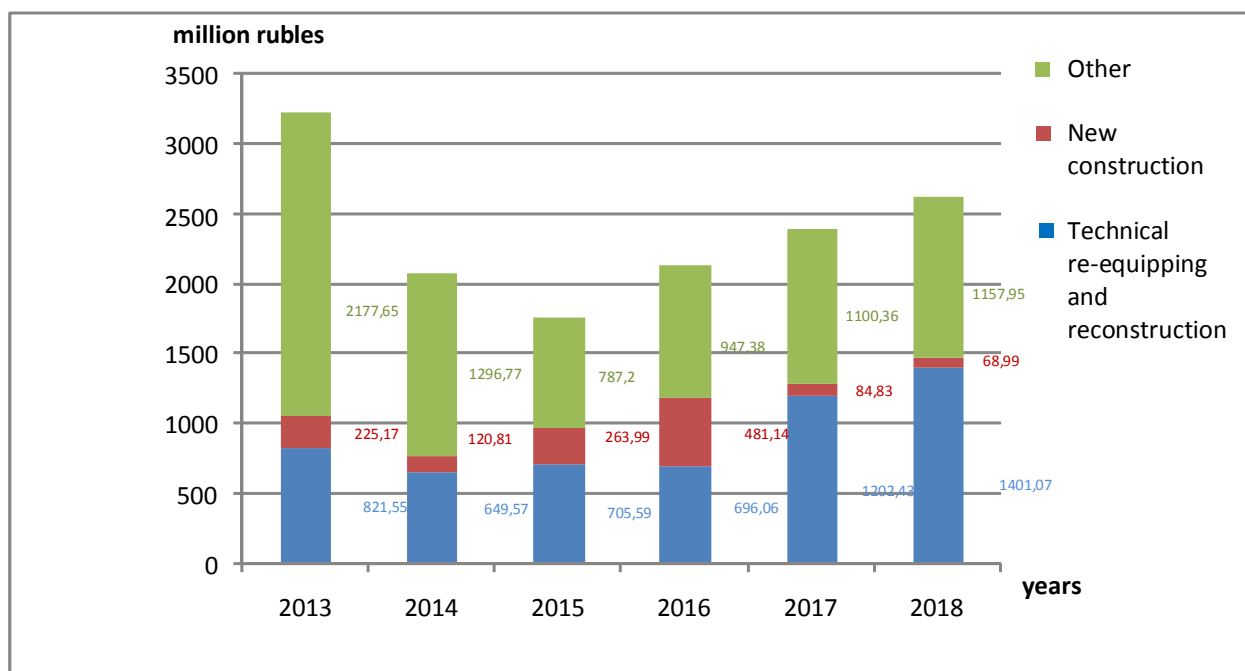
- ✓ Kabardino-Balkar branch: approved by the acting Minister of Energy, Housing and Utilities Infrastructure and Tariff Policy of the Kabardino-Balkarian Republic, T.M. Kuchmenov, on January 13, 2014;
- ✓ North Ossetia branch: approved by the deputy Chairman of the Government of the Republic of North Ossetia – Alania, K.E. Gabisov, on February 11, 2014;
- ✓ Karachay-Cherkess branch: approved by the head of the Main Department of Tariff and Prices of the Karachay-Cherkess Republic, M-A.I. Chomaev on February 14, 2014.

According to the approved investment program of IDGC of Northern Caucasus, OJSC, the funding volume for 2014-2018 is 12,953.6 million rubles, VAT included, including:

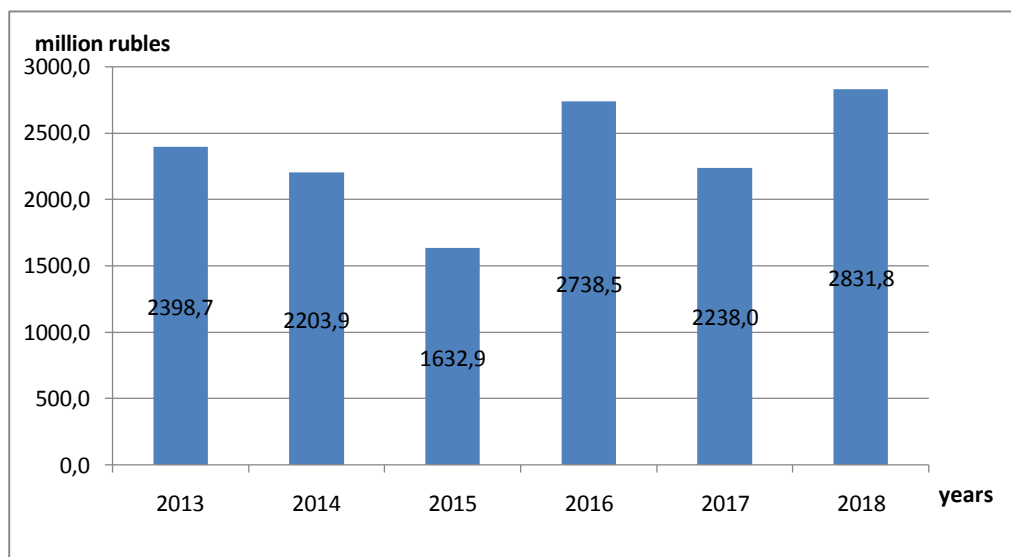
- ✓ 2014 – 2,415.1 million rubles;
- ✓ 2015 – 2,113 million rubles;
- ✓ 2016 – 2,507 million rubles;
- ✓ 2017 – 2,817.4 million rubles;
- ✓ 2018 – 3,101.1 million rubles.

Starting from 2016, the funding volume of the investment program is to be increased. All funds will be channeled to technical re-equipping and reconstruction of the existing facilities of the power grid complex, as well as the construction of new facilities. The reconstruction will result in the improved operation of equipment at substations and aerial power transmission lines, enhanced quality and reliability of consumers' power supply, and a reduced level of power losses.

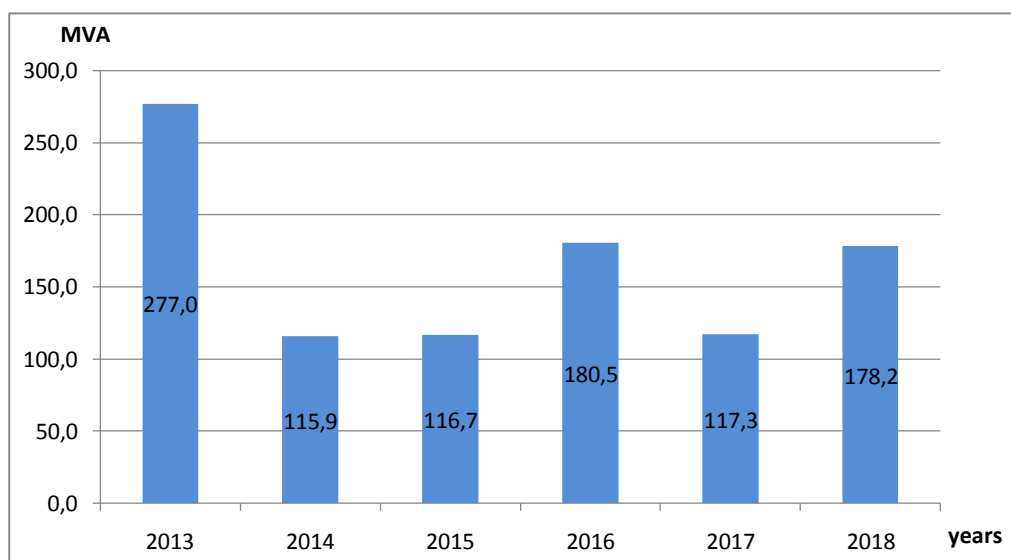
Volume of the projected capital investments for 2013-2018



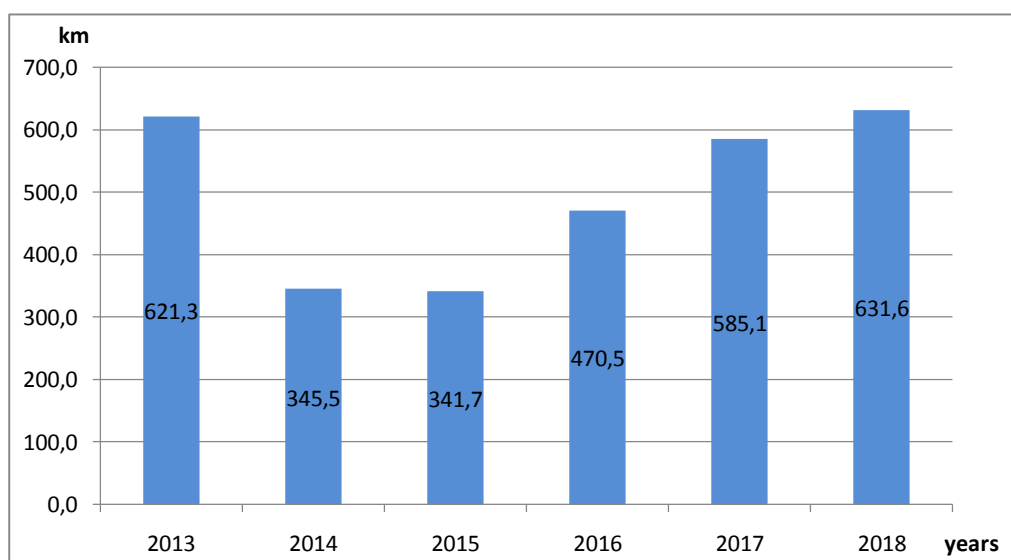
Volume of capital funds input for 2013-2018, million rubles, VAT excluded



Volume of capital funds input for 2013-2018, MVA



Volume of capital funds input for 2013-2018, km



Technical equipping and equipment renovation

Main characteristics of transmission capacities

The interregional distribution grid company of the Northern Caucasus is presented as a set of aerial and cable power transmission lines and transformer stations of various voltage classes connected by the common operation regime, capacity reserve and centralized operational-dispatching office.

The total length of power transmission lines of the branches and subsidiary of IDGC of Northern Caucasus, OJSC makes up 114,347.07 km

Name of the branch / subsidiary	Aerial power transmission lines, km	Cable power transmission lines, km	Power transmission lines, total, km
Stavropolenergo branch	50,483.8	1,697.0	52,180.8
Dagenergoset, OJSC	34,698.3	276.0	34,974.3
Kabardino-Balkar branch	10,464.5	35.3	10,499.8
Karachay-Cherkess branch	7,214.7	161.4	7,376.1
North Ossetia branch	6,613.9	12.2	6,626.1
Ingush branch	2,690.0	0	2,690
Total	112,165.2	2,181.8	114,347.07

Stepdown stations

790 stepdown stations of 35 KV and more, characterized by a total capacity of power transformers of 10,751.6 MVA, are on the balance sheet of the branches and subsidiaries of IDGC of Northern Caucasus, OJSC. In addition, 24,165 transformer stations of 6-10 KV, characterized by the total capacity of power transformers as equal to 3,034 MVA, are on the balance sheet of the branches and subsidiaries of IDGC of Northern Caucasus, OJSC.

Stepdown stations	Quantity,	Capacity,
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	pcs.	MVA
Stavropolenergo branch	11,447	6,868.29
Stepdown stations 35 KV and higher	352	4,888.21
Transformer stations, 6-35/0.4 KV	11,095	1,980.08
Dagenergoset, OJSC	7,688	3,335.81
Stepdown stations 35 KV and higher	204	2,226.80
Transformer stations, 6-35/0.4 KV	7,484	1,109.10
Kabardino-Balkar branch	2,461	1,425.90
Stepdown stations 35 KV and higher	73	1,034.80
Transformer stations, 6-35/0.4 KV	2,388	391.10
Karachay-Cherkess branch	1517	1,237.08
Stepdown stations 35 KV and higher	60	945.80
Transformer stations, 6-35/0.4 KV	1,457	291.28
North Ossetia branch	1260	1,611.25
Stepdown stations 35 KV and higher	76	1,380.00
Transformer stations, 6-35/0.4 KV	1,184	231.25
Ingush branch	582	415.30
Stepdown stations 35 KV and higher	25	276.00
Transformer stations, 6-35/0.4 KV	557	139.30
IDGC of Northern Caucasus, OJSC	24,955	14,893.72
Stepdown stations 35 KV and higher	790	10,751.61
Transformer stations, 6-35/0.4 KV	24,165	4,142.11

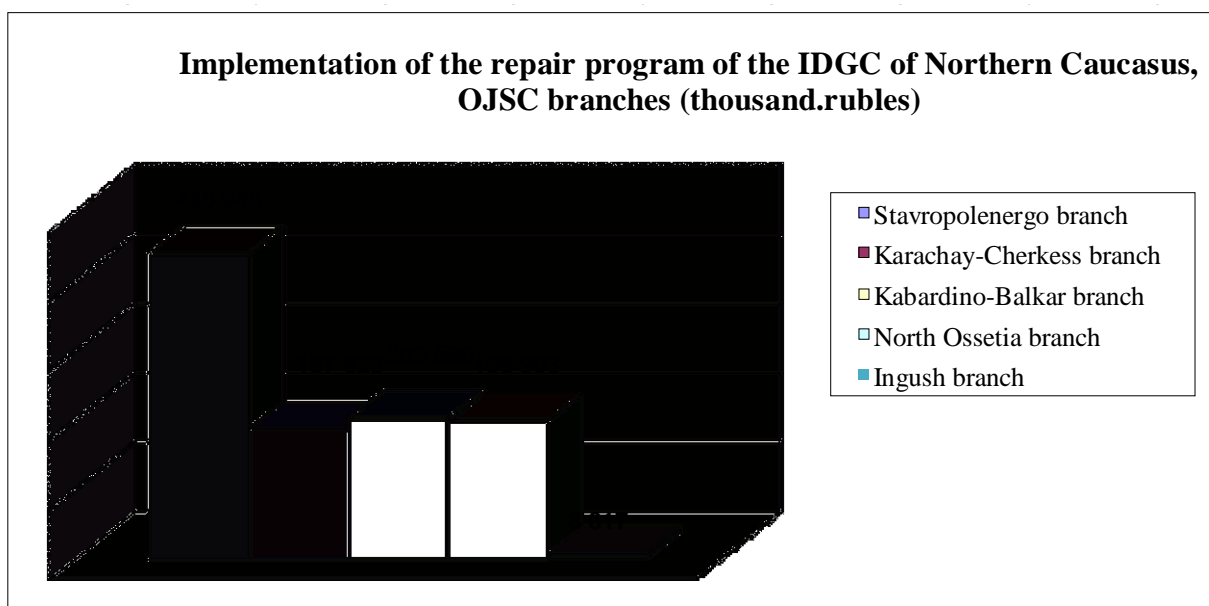
Repair and operation activity

Repair work on power grids and substation equipment was performed in accordance with the approved schedule for 2013. No deviations of the operational characteristics of the repaired equipment from the standard ones are recorded.

The total expenses on the overhaul and maintenance of the power grids of the branches of IDGC of Northern Caucasus, OJSC in 2013 were planned in the amount of 1,039,434.76 thousand rubles, while the actual repair costs were 1,039,848.74 thousand rubles, which amounts to 100.04% of the plan figure.

Performance of the repair works by the IDGC of Northern Caucasus, OJSC branches for 2013

Implementation of the repair program of the IDGC of Northern Caucasus, OJSC branches (thousand.rubles)



Performance of the repair program by the IDGC of Northern Caucasus, OJSC branches for 2011-2013, thousand rubles

Name of the subsidiary	2011		2012		2013	
	plan	actual	plan	actual	plan	actual
Kabardino-Balkar branch	195,048	199,712	195,048	188,697	195,033	203,560
Karachay-Cherkess branch	180,556	180,663	180,556	174,321	180,556	187,623
North Ossetia branch	197,583	203,527	197,582	197,655	197,581	198,903
Stavropolenergo branch	433,413	454,865	433,413	433,551	433,413	440,946
Ingush branch	-	-	-	-	32,851	8,817
IDGC of Northern Caucasus, OJSC	1,006,600	1,038,767	1,006,600	994,223	1,039,435	1,039,849

The repair costs for the IDGC of Northern Caucasus, OJSC branches are presented. The costs of the Ingush branch are provided from the moment of its operation activity start (May 1, 2013). Within the period of 2011 to 2013, the Dagenergo branch did not perform any operational activity.

Repair costs of the power grids of IDGC of Northern Caucasus, OJSC broken down by equipment category for 2011-2013, thousand rubles

Name of equipment category	2011		2012		2013	
	plan	actual	plan	actual	plan	actual
OHL 35-110 KV repair	88,454	85,931	98,475	91,762	74,575	75,003
OHL and CL 0.4-10 KV repair	252,346	264,308	238,635	229,972	255,236	252,107
Repair of the equipment of the 35-110 KV station	239,295	237,274	238,428	224,315	238,951	236,246
Repair of the equipment of the 6-10 /0.4 KV transformer station	77,109	93,279	76,244	84,529	95,840	100,132
Repair of other equipment	349,396	357,974	354,818	363,645	374,833	376,362
Repair costs, total	1,006,600	1,038,767	1,006,600	994,223	1,039,435	1,039,849

Repair work on power grids and substation equipment was performed in accordance with the approved schedule. No deviations of the operational characteristics of the repaired equipment from the standard ones are recorded.

The total expenses for the overhaul and maintenance of the power grids of the Dagenergo branch in 2013 were planned in the amount of **274,394.5 thousand** rubles, while the actual repair cost made up **273,570.3 thousand** rubles, which amounts to **99.7%** of the plan figure.

Performance of the repair program by Dagenergo, OJSC for 2011-2013, thousand rubles

2011		2012		2013	
plan	actual	plan	actual	plan	actual
274,395	265,883	274,394	273,926	274,395	273,570

Repair costs of the power grids of Dagenergo, OJSC broken down by equipment category for 2011-2013, thousand rubles

Name of equipment category	2011		2012		2013	
	plan	data	plan	data	plan	data
OHL 35-110 KV repair	24,176	30,299	25,570	26,620	20,639	18,714
OHL and CL 0.4-10 KV repair	134,423	129,690	136,821	143,168	141,495	144,651
Repair of the equipment of the 35-110 KV station	41,008	39,577	41,408	43,501	42,952	41,539
Repair of the equipment of the 6-10 /0.4 KV transformer station	41,001	37,512	41,810	38,621	39,757	41,333
Repair of other equipment	33,787	28,805	28,786	22,017	29,552	27,334
Repair costs, total	274,395	265,883	274,394	273,926	274,395	273,570

Increase of power grid reliability

Within the accounting year, we implemented measures aimed at increasing the level of operation, reliability and sustainability of power grids, and we executed plans for preventive measures. A timely investigation of technological violations was arranged. Unscheduled inspections of aerial lines of 6-110 KV are conducted in order to find and cut down trees that are likely to fall on the cables. Continuous monitoring of the main equipment state is conducted in accordance with the schedules.

Accident prevention measures are closely related to the implementation of the repair and investment programs. Within the framework of the repair program, in 2013 the forest corridor of OHL of 0.4-110 KV was cleared – 1,410.35 ha, and the forest corridor of 35-110 KV OHL was cleared – 240.6 ha, replacement was conducted: 0.4-110 KV OHL supports – 7,655 pcs., 0.4-110 KV OHL cables – 1,331.8 km, 35-110 KV OHL strands – 38 km, 0.4-110 KV OHL isolators – 67,313 pcs. 245 power transformers of 35-110 KV, 632 oil break switches of 10-110 KV, 1,935 disconnecting and isolating switches, 2,504 transformer points of 10 (6)/0.4 KV were repaired.

See: Repair and operation activity

Within the framework of the investment program, technical re-equipping and reconstruction of power transmission lines was conducted, including the replacement of supports and uninsulated

cables with self-supporting insulated cable, and the replacement of oil break switches with vacuum ones.

Note: Investment activity

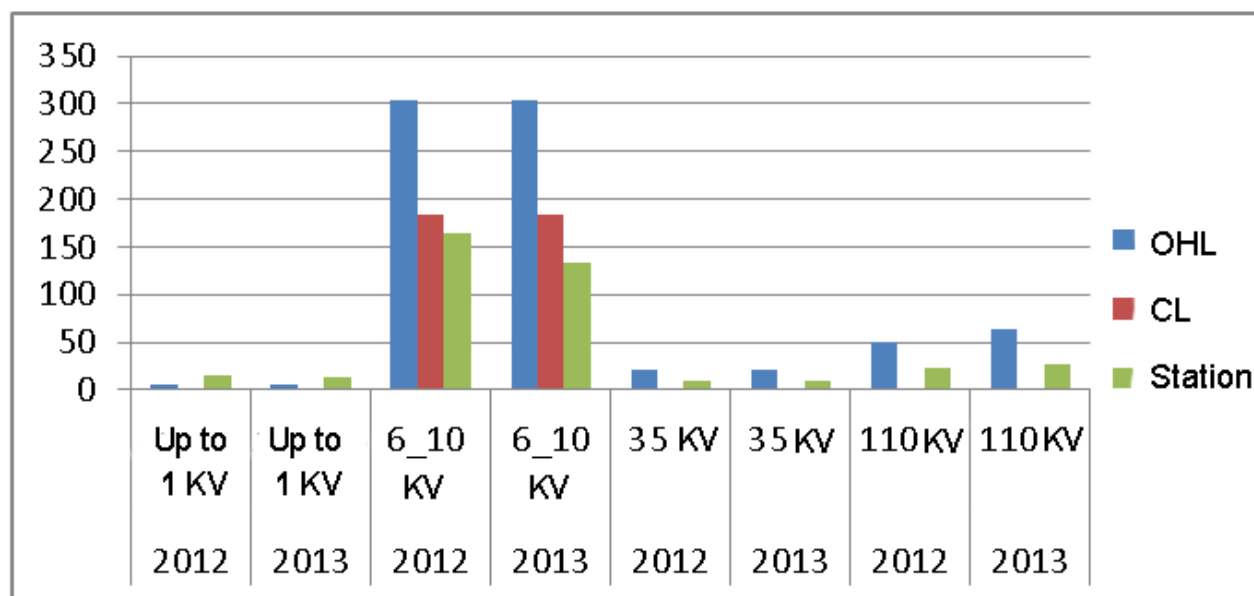
The consistent implementation of programs directly leads to the reduction of accident risks in the power grid of IDGC of Northern Caucasus, OJSC.

Dynamics of technological violations (accidents) for 2011-2013

Name of the subsidiary	Number of technological violations (accidents)			including those related to personnel errors			Under-output, thous. kWh			Economic loss, thousand rubles			Total duration of technological violations (in equipment of 6 KV and higher) causing supply interruption for consumers, hours		
	2011	2012	2013	2011	2012	2013	2011	2012	2013	2011	2012	2013	2011	2012	2013
Stavropolenergo branch	1,370	1,232	1,288	0	0	0	1,050.84	927.94	923.77	6248.646	7405.963	3,776.96	3,451.02	3,212.85	2,736.26
Kabardino-Balkar branch	258	203	297	0	0	0	178.4	171.22	159.07	1180.9	2760.482	925.30	194.05	187.02	348.80
Karachay-Cherkess branch	386	344	267	0	1	1	656.27	383.17	389.50	634.14	657.503	1,529.36	971.11	1,041.16	465.64
North Ossetia branch	279	259	174	0	0	0	357.56	288.77	172.99	1689.21	1515.17	838.94	882.88	766.94	240.35
Dagenergoset, OJSC	431	443	435	0	0	2	732.65	840.40	1,582.0	10224.27	8790.75	16,062.52	2,769.6	3,233.16	4,303.90
Total	2,724	2,481	435	0	1	3	2,975.72	2,611.5	1,582	19,977.166	21,129.868	16,062.52	2,769.6	3,233.16	8,094.95

The accounting period includes 766 technological violations related to the damage of equipment or its components (in 2012, there were 778 such cases). A trend of general reduction of the damage rate can be observed (by 1.5%).

Diagram of the damage rate of power installation components



In all, 95 mobile subdivisions were formed for IDGC of Northern Caucasus, OJSC, while their total manpower is 466 people with 153 automobile and load lifting vehicles.

IDGC of Northern Caucasus, OJSC	Number of mobile subdivisions	Manpower quantity of mobile subdivisions	Reserved self-contained supply of manpower	Number of vehicles						
				Number of lunch boxes, total	Vehicles, total	including				
						Team cross-country type	Offroad	Cranes	Lifting equipments (platforms)	Drilling equipment
total	total	total	total	total	total	total	total	total		
Stavropolenergo branch	18	81	243	36	18	-	-	18	-	-
Kabardino-Balkar branch	2	3	6	5	3	-	-	2	-	-
Karachay-Cherkess branch	2	8	16	4	2	-	-	2	-	-
North Ossetia branch	1	9	24	4	2	1	-	1	-	-
Ingush branch	17	54	108	16	5	4	-	6	-	1
Dagenergoset, OJSC	55	311	622	88	69	-	3	9	7	-
IDGC of Northern Caucasus, OJSC, total	95	466	1019	153	99	5	3	38	7	1

Consolidated information concerning the presence and readiness of the reserve power supply sources of IDGC of Northern Caucasus, OJSC

Name of the branch / subsidiary	Number of the reserve power supply sources, pcs.	Total capacity of the reserve power supply sources, KVA	Fuel reserve, hours
Stavropolenergo branch	9	317.3	48
Kabardino-Balkar branch	0	0	0
Karachay-Cherkess branch	6	111.5	30
North Ossetia branch	6	72.8	28.5
Ingush branch	3	540	15
Dagenergoset, OJSC	11	55.3	55
IDGC of Northern Caucasus, OJSC, total	35	1,096.9	176.5

In order to eliminate the consequences caused by natural disasters, emergency situations, accidents, and difficult technological disturbances, and to quickly restore the power supply of consumers, the IDGC of Northern Caucasus, OJSC branches concluded agreements for emergency and recovery work with contract organizations.

Efforts and means of contract organizations

Name of the branch, on whose territory it is planned to conduct emergency and recovery works	Name of contract organization	Number of mobile teams	Number of people	Number of vehicles
Stavropolenergo branch	Stavropolsetenergoremont, OJSC	4	28	17
Kabardino-Balkar branch Karachay-Cherkess branch North Ossetia branch	Northern Caucasus Power Repair Company, OJSC	4	12	24
Kabardino-Balkar branch North Ossetia branch	Production Power Repair Facility, LLC	4	12	13
Total		12	52	54

IDGC of Northern Caucasus, OJSC formed the emergency reserve of materials.

The set of measures aimed at ensuring the readiness for the start of work on an accident site.

1. Prompt receipt of accident information via channels of operation-dispatching management. Announcement of the high alert mode and the special mode of operation.
2. Prompt implementation of measures aimed at restoring power supply to consumers through reserve schemes, including the use of diesel generators.
3. Readiness of material and technical resources:
 - special equipment brought in for emergency and repair works at the basing stations should be in running order (fueled, provided with material and technical resources (MTR), tools, equipment), while in winter this equipment should be located in heated boxes;
 - provision of emergency and recovery teams with the required MTR, lunch boxes, certified copies of passports and their location in the teams' basing stations, creation of the so-called emergency kits;
 - provision of emergency and recovery teams and vehicles with communication means, including mobile and satellite communication, car chargers for mobile phones, etc.;
 - arrangement of the emergency reserve distribution, provision of logistics with consideration of the distance (delivery time) not exceeding 80 km (1.5 hours) to the place of the assumed emergency location;
 - periodic alignment and constant replenishment of the emergency reserve of IDGC of Northern Caucasus, OJSC and the FSK-EES, OJSC branch – Southern MES in permanent storage places.

In order to reduce the time of arrangement and implementation of emergency and recovery works, the Provision for Arrangement of Emergency and Recovery Works in the Power Grid Complex is approved and organized for execution.

Accident prevention readiness certificates for all district power grids and production divisions are prepared, and access schemes to the 110 KV power transmission lines are drawn.

Additionally, for the purpose of reducing the time of arrangement and implementation of emergency and recovery works, the following measures are taken:

- ✓ the Plans for Prevention of Icing in the Power Grids of the Branches are annually revised and approved for the current autumn/winter period, determining the following:
 - the order of interaction between the personnel of various structural subdivisions within the framework of icing prevention on power transmission lines from the moment of the receipt of a forecast of unfavorable weather conditions, of monitoring of the icing environment, of the implementation of ice melting procedures on power transmission lines;
 - traffic routes across metering points during the examination of power transmission lines;
 - frequency of power transmission line examination;
 - sequence of ice melting procedures on power transmission lines.
- ✓ accident prevention training sessions are conducted for the personnel involved in emergency and recovery works;
- ✓ framework agreements are concluded with contract organizations for the performance of emergency and recovery works;
- ✓ agreements with the MES and FSK EES, OJSC for assistance with manpower and specialized equipment for emergency and recovery works are concluded.

Innovation Development

Considering the main activity types of the power grid company, the strategic objective of IDGC of Northern Caucasus, OJSC is the provision of the highest reliability level and operational quality of the distribution power grid complex of Northern Caucasus, as well as availability of the distribution power grid infrastructure for consumers in the regions of Northern Caucasus included in the responsibility area of the grid operator. The approach to the corporate strategy implementation encompasses the development of new – and the search for the most efficient – innovative solutions out of those known on the market in order to resolve the tasks that are before the company, the most important of which is to ensure the reliable functioning of outdated and worn-out power grids.

According to the Implementation Plan for the Innovative Development Program of IDGC of Northern Caucasus, OJSC (approved by Order of IDGC of Northern Caucasus, OJSC No. 109 of August 30, 2011, "On the Implementation of Measures related to the Innovative Development Program)", the implementation of this program was conducted in the following main areas:

- Implementation of R&D plans;
- **Ошибка! Источник ссылки не найден.;**
- **Ошибка! Источник ссылки не найден.;**
- **Ошибка! Источник ссылки не найден.;**
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Implementation of R&D plans

In 2013 funds in the amount of 20.2 million rubles were planned for the implementation of the R&D works.

Within the accounting period, IDGC of Northern Caucasus, OJSC conducted the following works in the R&D sphere in accordance with the launched competitive negotiations concerning the concluded agreements with contract organizations:

✓ R&D project "Development and creation on the basis of the web-architecture of the corporate distributed information and educational environment of IDGC of Northern Caucasus, OJSC, that is meant for the use of electronic learning technologies" for the amount of 4.19 million rubles jointly with TMK-Center, LLC.

The following works were performed in the accounting period within the framework of this agreement:

- The "Web-Infosreda" software was developed. The software is introduced on the basis of the educational facility of the IDGC of Northern Caucasus, OJSC, branch – Stavropolenergo. The cost of works was 2.6 million rubles, paid less the advance payment – 1.8 million rubles. The works under this agreement are fully completed.

✓ R&D project "Development of Methods and Arrangement of Remote Identification of Damaged Isolators of Aerial Lines of 6-35 KV" for the amount of 6.3 million rubles jointly with R&D Institute of Energy Technologies, LLC.

The following works were performed in the accounting period within the framework of this agreement:

- Experimental research was conducted on the transition processes in the 6-35 KV aerial lines in the high-voltage test mode.

- The method of remote identification of damaged insulation of aerial power transmission lines was developed.

- The terms of reference for the performance of R&D works were developed. The cost of works was 1.3 million rubles, paid less the advance payment – 0.91 million rubles. The works under this agreement are continuing.

✓ R&D project "Research of the Principles of Construction and Development of the Complex Microprocessing Device for Diagnosing the System of Automatic Direct Current" for the amount of 9.5 million rubles jointly with Tekhnokomplekt, CJSC.

The following works were performed in the accounting period within the framework of this agreement:

- The testing sample of the complex microprocessing device for diagnosing the system of automatic direct current was installed at the station of the North-Ossetia branch of IDGC of Northern Caucasus, OJSC.

The R&D works and tests of the microprocessing device for diagnosing the system of automatic direct current were performed.

The cost of works was 7.6 million rubles, paid less the advance payment – 6.08 million rubles. The works under this agreement are fully completed.

✓ R&D project "Comprehensive Research of the Maximum Current Loads on Aerial Power Transmission Lines and Development of the Information Icing Control System" for the amount of 20 million rubles jointly with TMK-Center, LLC.

The following works were performed in the accounting period within the framework of this agreement:

- The testing program for the model of the discrete ice melting device was developed.
- The acceptance and delivery tests of the model of the discrete ice melting device with the management system providing ice melting on phase conductors by DC impulses and on ground wires by over-frequency inducing current were conducted.
- At 110 KV station "Essentuki-2" of the IDGC of Northern Caucasus, OJSC branch – Stavropolenergo, the test sample of the discrete ice melting device was installed and test ice melting on the 35 KV OHL was performed.

The cost of works was 12 million rubles, paid less the advance payment – 9.6 million rubles. The works under this agreement are fully completed.

No R&D documents were developed in IDGC of Northern Caucasus, OJSC within the current accounting period and preceding periods. The 2014 plan does not stipulate the development of R&D documents.

Name of measure	Cost of the agreement works, million rubles, VAT included	Funding, million rubles, VAT included	
		2013 plan	2013 data
Total	39.99	20.23	18.41
Comprehensive research and development of the information icing control system for maximum current loads on aerial power transmission lines (TMK-Center, LLC, Stavropolenergo branch)	20	9.60	9.60
Research of the principles of the construction and development of the microprocessing device for diagnosing the system of automatic direct current (Tekhnokomlekt, CJSC, North-Ossetia branch)	9.5	6.08	6.08
Development and creation on the basis of the web-architecture of the corporate distributed information and educational environment of IDGC of Northern Caucasus, OJSC, meant for the use of electronic learning technologies" (TMK-Center, LLC, Stavropolenergo branch)	4.19	1.82	1.82

Development of the method and device of remote identification of damaged isolators of the 6-35 KV aerial power transmission lines (R&D Institute of Energy Technologies, LLC, Kabardino-Balkar branch)	6.3	2.73	0.91
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The actual funding of the R&D sphere in the accounting period was 18.4 million rubles, which amounts to 91% of the annual plan.

In accordance with the standardized Methodical Guide for the Establishment of the Monitoring System for the Innovation Program Implementation of IDGC of Northern Caucasus, OJSC, information related to the progress of the program implementation is provided, broken down by intermediate efficiency indicators.

Efficiency indicators

Name of the efficiency indicator	Measurement units	2013
Costs of R&D works implemented by third-party organizations, including by contractors (higher education establishments, research institutions, innovative companies of small- and middle-sized business)	thousand rubles	18,410
from these, for the projects implemented within the framework of		
technological platforms	thousand rubles	-
higher education establishments	thousand rubles	-
scientific organizations	thousand rubles	910
Costs of the advanced training and professional re-training of the personnel of higher education establishments per employee	rubles/person	15.11

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Collaboration agreements are concluded with the following education establishments:

- Grozny State Oil Technical University n.a. M.D. Millionshchikov, FSBEI HPE
- South Russian State University (Novocherkassk Polytechnical Institute), FSBEI HPE;
- Dagestan State Technical University, FSBEI HPE;
- Pyatigorsk State Linguistic University, FSBEI HPE;
- North Caucasian Mining and Smelting Institute (State Technological University), FSBEI HPE;
- Mountain State Agriculture University, FSBEI HPE;
- Energy College, ANCO, Kaspiisk;
- Ardon Agriculture and Technological Training College, SBEI SPE;
- Professional Lyceum No. 6, SBEI SPE;
- "Integral" George Regional College, SBEI SPE;
- Nevinnomyssk Energy Training College, SBEI SPE;
- Chechen Technological Training College, SBEI SPE;
- Lermontov Regional Multidisciplinary College, SBEI SPE;
- Regional Multidisciplinary College, SBEI SPE;
- Elkhotovo Agriculture College, SBEI SPE;
- Kabardino-Balkarian Agricultural and Industrial Professional College n.a. B.G. Khamdokhov, SPI;
- Karachev-Cherkessk Energy Training College, SBEI SPE.

148 employees of IDGC of Northern Caucasus, OJSC, receive distance higher education, 14 employees receive secondary higher education, while 21 employees go to secondary professional education institutions.

The acquisition of new knowledge and the increase of employees' qualifications is also contributed to by the collaboration with specialized education establishments of supplemental professional education, including the Saint-Petersburg Energy Institute of Advanced Training, FSBEI FVE (Saint Petersburg); the International Institute of Western-Eastern Collaboration, NSEI (Moscow); KONTs EES, NP (Moscow); the Moscow Institute of Modern Business, NSEI (Moscow), etc.

Information concerning the advanced training and re-training of employees

Name of the higher education establishment	Higher education establishment TIN	Number of company employees attending advanced training courses in higher education establishments (people)	Funding amount for the advanced training of company employees implemented by higher education establishments (thousand rubles)	Number of company employees attending re-training courses in higher education establishments (people)	Funding amount for the re-training of the company employees implemented by higher education establishments (thousand rubles)
Saint Petersburg State Transport University, FSBEI HPE	7812009592	5	118.78	0	0
Saint Petersburg Law Academy, NSEI HPE	7825379294	1	30.68	0	0
Russian Academy of National Economy and State Service by the President of the Russian Federation, FSBEI HPE	7729050901	5	251.5	0	0
National Research University "MEI", FSBEI HPE	7722019652	0	0	1	30.0
Interregional Institute of Economics and Law by the EurAsEC Interparliamentary Assembly, ANCOI HPE	7802290699	1	27.73	0	0

In 2013, within the framework of the requirements of the technical policy, the replacement of oil break switches of 110 KV with SF6 and vacuum break switches of 10 KV was implemented. During 2014-2016, it is planned to construct the 100 KV station "Beshtau" at the IDGC of Northern Caucasus, OJSC, branch – Stavropolenergo. This project (within the framework of the unified technical policy) provides for the construction of a double-transformer (2x16 MVA) covered station, including the installation of standard distribution SF6 devices of 110 KV (3 pcs.), a compensating device, a standard manageable compensating device for 4,950 kVAr, and arc suspension coils of 485 KVA.

On September 8, 2012, at the APEC summit in Vladivostok, FSK EES, OJSC, Toshiba Corporation and Energostroi-M.N., OJSC, signed an agreement for the implementation of the project aimed at creating a highly efficient energy infrastructure in the territory of Northern Caucasus Federal District. The coordinator and driving force of the project is represented by IDGC of Northern Caucasus, OJSC.

Development of the composition (composite) materials technology

Judging by the forecast of the social and economic development of the Russian Federation for 2014 and the 2015-2016 plan period, we expect a two-fold growth of the global market of composition

materials that will gradually substitute for traditional construction materials (steel, glass, plastic). The fastest substitution rates are forecast in the high-technology sectors of the economy (aviation, electronics, energy supply, automobile and ship building).

In this direction we are collaborating with the Ministry of Industry and Energetics of the Chechen Republic. According to the concluded agreement, we are implementing the agreement for the construction of the plant that will produce quickly erected supports on composite stands in the Chechen Republic, conducting informational and methodical assistance and providing the main selling market of the plant products. In case of the successful implementation of the project, IDGC of Northern Caucasus, OJSC will become a customer for the composition materials produced by the constructed plant.

The roadmap stipulates a production start in 2016.

Within the framework of the agreements concluded between IDGC of Northern Caucasus, OJSC and the Industrial Energy Construction Company, LLC contractor, engineering and exploration works related to the construction of four pilot aerial power transmission lines of 0.4-110 KV are being conducted.

The construction of the pilot power transmission lines and launch of production will make it possible:

- to analyze the technological and economic efficiency of the use of composite supports;
- to satisfy the needs of IDGC of Northern Caucasus, OJSC for supports within the investment and repair programs;
- to create additional jobs, contributing to the development of the economy and industry of the Chechen Republic.

Perspective development

On June 19, 2013, the Ministry of Energy of the Russian Federation approved the Scheme and Program of the Development of the Unified Energy System of Russia for 2013-2019 by Order No. 309.

In 2013, the Schemes and Programs of the Development of the Electrical Energy Industry for 2014-2018 were elaborated and approved in Stavropol Krai and the Republic of North Ossetia. The development of the electrical energy industry of the Kabardino-Balkarian, Karachayev-Cherkessk, Chechen and Ingush Republics is implemented in accordance with the Schemes and Programs developed in the previous years.

In order to increase the operational and investment efficiency of IDGC of Northern Caucasus, OJSC, the Comprehensive Programs of the Development of Power Grids of the Subjects of the Northern Caucasus Federal District have been developed for 2013-2018.

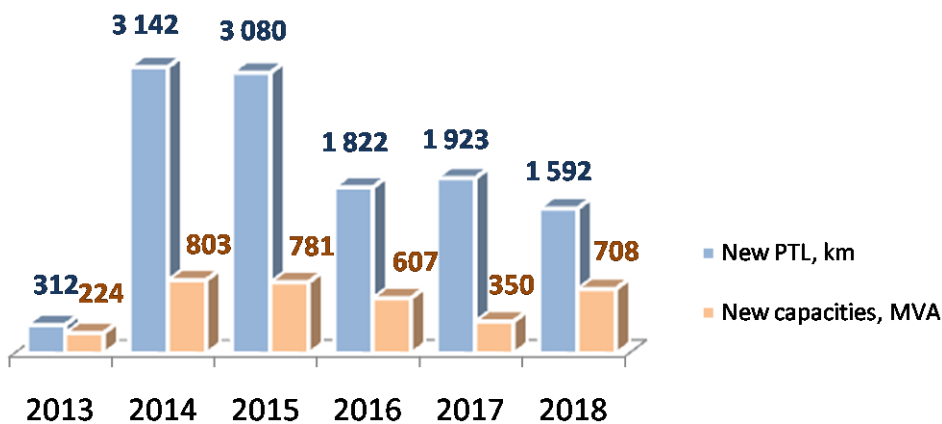
Main indicators of the Programs of Power Grid Development

Russian federal subject	Physical characteristics		Total cost, million rubles, VAT included	Deployment plan, VAT included						
	Commissioning			2013	2014	2015	2016	2017	2018	Total
	km	MVA		million rubles	million rubles	million rubles	million rubles	million rubles	million rubles	million rubles

Northern Caucasus Federal District	Total	12,101	3,589	60,490	4,311	12,055	12,198	9,357	7,934	8,555	54,411
	including the Investment Program	2,638	904	20,904	3,187	2,163	2,174	2,441	2,739	3,073	15,777
Chechen Republic	Total	1,391	389	6,871	750	1,907	1,890	1,262	595	467	6,871
	including the Investment Program	0	0	0	0	0	0	0	0	0	0
Republic of Dagestan	Total	3,822	1,371	16,223	1,387	4,415	3,595	1,267	1,074	2,199	13,936
	including the Investment Program	197	183	4,354	1,304	106	200	200	200	300	2,310
Republic of Ingushetia	Total	392	298	3,692	401	606	858	629	145	152	2,791
	including the Investment Program	147	132	1,995	401	126	132	138	145	152	1,094
Republic of North Ossetia – Alania	Total	911	292	6,498	154	1,049	1,299	1,469	1,081	500	5,552
	including the Investment Program	384	60	2,483	145	169	255	369	395	440	1,774
Kabardino- Balkarian Republic	Total	440	149	4,541	393	305	496	659	1,046	880	3,779
	including the Investment Program	347	107	3,029	393	175	273	379	435	419	2,074
Karachay- Cherkess Republic	Total	698	377	7,105	612	772	1,061	1,070	994	1,358	5,868
	including the Investment Program	217	130	2,833	330	331	352	368	403	475	2,259
Stavropol krai	Total	4,447	712	15,561	614	3,000	3,000	3,000	3,000	3,000	15,614
	including the Investment Program	1,347	292	6,211	614	1,256	962	987	1,160	1,287	6,265

The implementation of the Programs of Power Grid Development is aimed at the increase of the reliability of the power grid complex functioning, the performance of measures related to the preparation for work in the autumn/winter periods, and the provision of an option for priority development of the power grid complex within the framework of the social and economic development of the Northern Caucasus Federal District. The Programs of Power Grid Development provide for new construction, reconstruction and modernization of power transmission lines and stations for the purpose of increasing the power grid capability, elimination of "closed" feeding centers, provision of technological connection of new consumers and generating capacities.

Trend of the commissioning of power transmission lines and stations in 2013-2018



In accordance with the Program of Power Grid Development, the general commissioning volume in 2013-2018 will make up 12.1 thousand km of power transmission lines and 3,589 MVA of transformer capacity.

The most significant projects of the Programs of Power Grid Development of the North Caucasus Federal district:

- ✓ Chechen Republic: construction of the 110 KV stations – Achkhoy Martan, Gudermes-City, Kurchaloi, Chernorechye-110, restoration of the 110 KV OHL Station Plievo – Station Goretz;
- ✓ Republic of Ingushetia: construction of the 110 KV station – Plievo Novaya, reconstruction of the 110 KV station Achaluki, restoration of the 110 KV OHL Station Plievo – Station Voznesenskaya-2;
- ✓ Kabardino-Balkarian Republic: reconstruction of the 110 KV stations – Vodozabor, Germenchik, Nalchik-110, Adyl-Su, the 35 KV station Cheget;
- ✓ Karachay-Cherkess Republic: reconstruction of the 110 KV stations – Pregradnaya, Severnaya, Karachaevsk, Tsementnaya, Yuzhnaya, construction of the 110 KV OHL Station Karachaevsk – Station Gonachkhir, OHL of the 35 KV Station Gonachkhir – Station Dombai;
- ✓ Stavropol Krai: construction of the 110 KV station – Beshtau, Mikhailovsk, Achikulak, extension of the 110 KV station Yuzhnaya, reconstruction of the 110 KV OHL Station Levokumskaya – Station Neftekumsk;
- ✓ Republic of North Ossetia – Alania: construction of the 110 KV station – Novaya, Matsuta, Parkovaya, construction of the 110 KV OHL Station Chikola – Elkhotovo;
- ✓ Republic of Dagestan: construction of the 110 KV station – Andiiskaya, Teplichny Kombinat, Progrodnaya, Derbent-Vostochnaya, Kizlyar-3, Akhty-Khnov.

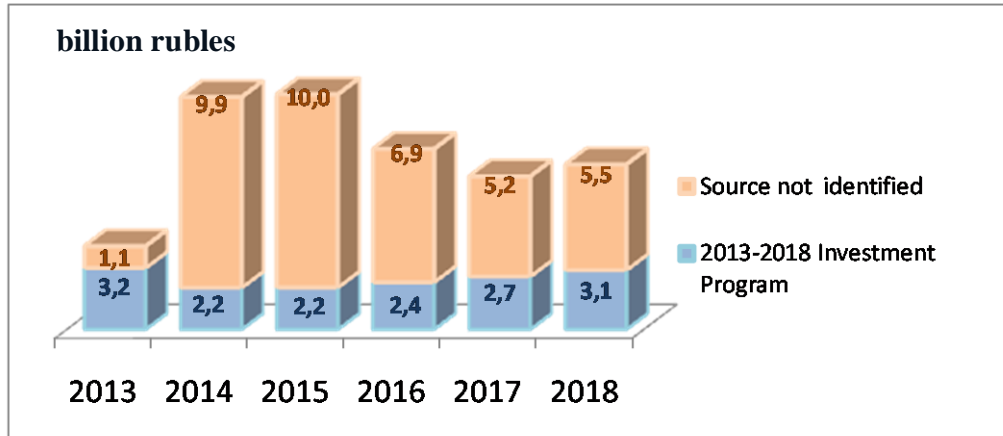
In order to improve the production and repair provision and material and technical equipping, for the recruitment of qualified personnel, enhancement of the readiness for emergency recovery and implementation of preventive measures related to the elimination of security threats, the Programs of Power Grid Development provide for funding in the amount of 3 billion rubles, including the provision of corporate housing for the power grid complex employees in the amount of 526 million rubles.

Implementation of the Programs of Power Grid Development will make it possible to achieve the following results:

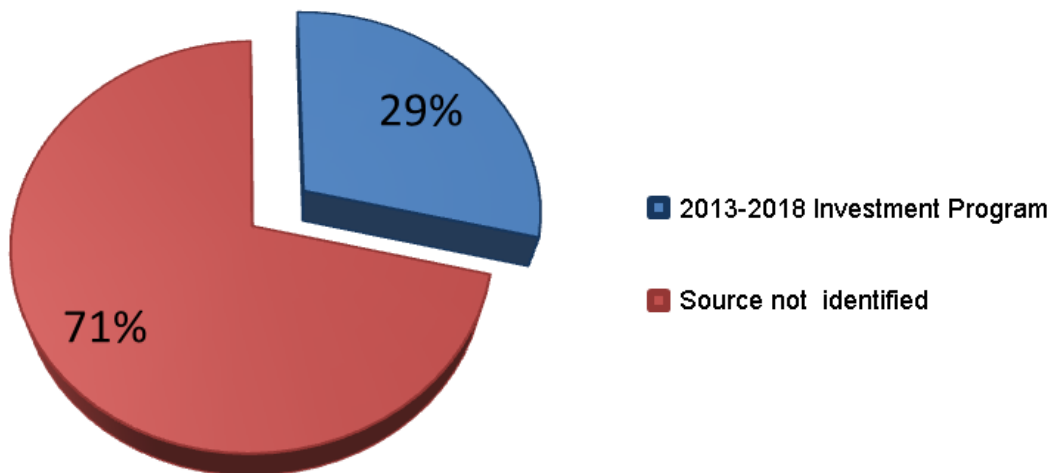
- implementation of the requirements of SO EES, OJSC, related to ensuring the reliability of the distribution grids in the autumn/winter periods;

- reduction of the wear factor of the power grid equipment from 72.2% to 67.1%;
- provision of 682 "closed" feeding centers for technological connection;
- reduction of losses in the power distribution grid from 22.55% to 18.58%;
- reduction of the accident rate from 0.39 to 0.2 accidents/1000 c.u.;
- reduction of the grid under-output from 0.77 to 0.41 thousand MWh;
- provision of the technological connection of 390.8 MW to distribution grids in accordance with 33.4 thousand of the concluded agreements.

Funding need for the implementation of the Programs of Power Grid Development for 2013-2018



Structure of the funding need of the Programs of Power Grid Development for 2013-2018



It is planned to attract non-tariff sources, including funds of the federal, republic and local budgets, federal programs, private investors and state development funds.

The Comprehensive Program of Power Grid Development of the Chechen Republic for 2013-2014 was approved by Rosseti, OJSC, on June 20, 2013. The programs of other subjects of the Northern Caucasus Federal District are being approved by the authorized executive bodies of the Russian federal subjects, Grid Operator.

Development of automated technological management systems

The branches and subsidiaries of IDGC of Northern Caucasus, OJSC implemented the measures providing for modernization of the subsystem of telemetric data collection and transfer (STDCT) in 2013 within the framework of the modernization of the automated technological management systems (ATMS). The work in the branches and subsidiaries is implemented to the following extent.

Karachay-Cherkess branch

The assembly, start-up and commissioning of the telemetering and communication equipment in the Grid Management Center (GMC) and at the 110 KV stations – Severnaya, PRP, Yuzhnaya, Ilyichevskaya, Zelenchukskaya, Pregradnaya, and Kurdzhinovovo – are completed. The work related to arrangement of communication channels between GMC of the Karachaev-Cherkessk branch and specified stations is completed. The communication channels with the dispatching center of the Northern Caucasus Regional Dispatching Office (RDO) are completed. The comprehensive tests at the specified STDCT objects during the acceptance of the telemetering (TM) and communication equipment into operation have been conducted.

Under the second stage in 2013, the modernization of 10 110 KV stations is planned: Erken Shakhar, Ust-Djeguta, Karachaevsk, Beregovaya, Kavkazskaya, Uchkeken, Akademicheskaya, Khabez, Kosh-Khabl, Storozhevaya. The tender for determination of the contractor determination has been conducted. The agreement has been concluded. The contracting organization has not started the corresponding works as of the accounting date. The payment under the agreement has been suspended due to the lack of any significant reduction of the funding sources of the investment program. In this respect the contractor agreement was terminated upon mutual consent. In November 2013, new trading procedures in respect of the decreased volume were performed. In December 2013, the telemetering equipment for the 110 KV station Erken-Shakhar was purchased, construction and assembly works and works related to start-up and commissioning of the telemetering equipment were implemented under the concluded agreement.

Kabardino-Balkar branch

The assembly, start-up and commissioning of the telemetering and communication equipment in GMC and at the 110 KV stations – Telemekhanika, Nalchik, PTF, Dubki, Kashkhatau – are completed. For each of the specified stations, a digital communication channel with GMC and the dispatching center of the Northern Caucasus RDO is arranged. Once the comprehensive tests at the specified facilities are completed, STDCT is put into industrial operation. The whole set of works under the first stage of modernization in accordance with the contractor agreement was completed during 2011.

The second stage provides for modernization of the telemetering equipment at 16 stations and the arrangement of 24 communication channels (12 HF, 12 fiber optic communication lines (FOCL)). Work is completed at stations Baksan, Nalchik, Dolinsk, SKEP, Iskoz, Malka, Nartkala, Kakhun, Kyzburun, Zalukokoazhe, Zavoskaya, as well as the following communication channels (FOCL) were constructed: Kakhun – Zavodskaya, Nalchik – Chegem-2, Chegem-2 – Kyzburun, Kyzburun – Malka, Malka – Zalukokoazhe, Nartkala – PTF, Kakhun – Zavodskaya.

North Ossetia branch

The assembly, start-up and commissioning of the telemetering and communication equipment in GMC and at the 110 KV stations – Ardon, Elkhotovo, Zmeiskaya, Terek, Mozdok – are completed. For each of the specified stations, a digital communication channel with GMC and the dispatching center of the Northern Caucasus RDO is arranged. Once the comprehensive tests at the specified facilities are completed, STDCT is put into test operation. The whole set of works under the first stage of modernization in accordance with the contractor agreement was completed during 2011.

Based on the year's results, the telemetering works are implemented at the 110 KV stations V-1, RP-110, Vostochnaya, Severo-Vostochnaya, Zaramag, Dzuarikau, Levoberezhnaya, Alagir, Nuzal, Unal, Ugo-Zapadnaya, Yantar. FOCLs between stations V-1, RP-110, Vostochnaya, Severo-Vostochnaya, Levoberezhnaya, Ugo-Zapadnaya, Yantar and CDO of the North Ossetia branch are arranged. The start-up and commissioning works are planned to be implemented in the 1st quarter of 2014.

Stavropolenergo branch

The assembly, start-up and commissioning of the telemetering and communication equipment in GMC and at the 110 KV stations – Tsentralnaya, Zatrechnaya, Soldato-Alexandrovskaya, Karyer, Zelenokumskaya, Levokumskaya, Neftekumsk, Kolodeznaya, Progress, Kirovskaya, Troitskaya, Vostok, Solomenskaya, Rostovanovskaya, Novopavlovskaya-2, Novoulyanovskaya, Polimer, Armaturnaya, Georgievskaya, Podkumok, MinVody-2 – are completed. Once the comprehensive tests at the specified facilities are completed, STDCT is put into test operation. For each of the specified stations, a digital communication channel with GMC and the dispatching center of the Northern Caucasus RDO is arranged. The construction and assembly work on the telemetering and communication equipment at the 110 KV stations – Promkomplex, Severnaya, Lesnaya, Yuzhnaya, Zelenogorskaya, Yasnaya Polyana-2, Parkovaya, Skachki-2, Essentuki-2 – is completed. The start-up and commissioning works are planned to be completed in the 1st quarter of 2014.

Dagenergo branch

The assembly of the telemetering and communication equipment in GMC and at the 110 KV stations – Gergebil, Khunzakh, Gunib, Aktash, Yaryk-Su – is completed.

In 2013 it was planned to perform works at 5 110 KV stations: Buinaksk-1, Buinaksk-2, GPP, Novaya, TsPP. The contracting organization has not started the corresponding work as of the accounting date (contractor – RVS, LLC). The agreement is terminated as of the current date.

Based on the results of the new tender, the contractor for the execution of work at the stations Buinaksk-1 and Buinaksk-2 has been determined. The agreement has been concluded. The equipment has been purchased. The construction and assembly work has been completed.

Due to the reduction of the investment program, the STDCT funding volume is considerably decreased. The stations are identified with consideration for the need to implement reserve technologies providing for the operational and technological management of the Southern ODO.

Ingush branch

Work at the stations Yugo-Zapadnaya and Nazran is completed. The communication channels of Station Yugo-Zapadnaya – Station Plievo, Station Nazran – Station Plievo are constructed. Work related to the FOCL arrangement between Station Voznesenovskaya-2 – Station Achaluki and Station Plievo Novaya – Station Achaluki has been performed. An agreement with Vympelkom, OJSC, has been concluded for the arrangement of the reserve communication channel with RDO. The reserve

communication channel equipment has been purchased and assembled. The start-up and commissioning works are planned for the 1st quarter of 2014.

In 2014, within the framework of the measures related to the ASTM, it is planned to continue works related to the STDCT modernization. The volume of work related to the STDCT modernization, included in the investment program of IDGC of Northern Caucasus, OJSC for 2014, is reduced by 70% as compared with 2013 for the branches of IDGC of Northern Caucasus, OJSC. STDCT modernization is implemented within the framework of the target STDCT Modernization Program for 2013-2018. Based on the results of 2013, a Program schedule delay was noted, so considering the 2014 plan decrease it is planned to adjust the Program implementation terms in the 2nd quarter of 2014 and align it with the Grid Operator branch – Northern Caucasus RDO.

In 2013 funds in the amount of 169 million rubles were planned for the implementation of the STDCT modernization activities. The actual implementation costs were 338.2 million rubles.

Implementation of measures in the sphere of innovation technologies deployment in 2013

Name of measure	Costs, million rubles, VAT included	
	2013 plan	2013 data
MEASURES IN THE SPHERE OF INNOVATION TECHNOLOGIES DEPLOYMENT	169.00	338.22
Modernization of the system of teleinformation collection and transfer, Stavporolenergo branch	23.86	21.24
Modernization of the system of teleinformation collection and transfer, Dagenergo branch	28.62	34.77
Modernization of the system of teleinformation collection and transfer, Kabardino-Balkar branch	27.85	112.09
Modernization of the system of teleinformation collection and transfer, Karachev-Cherkessk branch	24.44	3.00
Modernization of the system of teleinformation collection and transfer, North-Ossetia branch	49.23	139.32
Modernization of the system of teleinformation collection and transfer, Ingush branch	15.00	27.80

The volumes of telemetering information transmitted as of the end of the year correspond to the volumes reflected in the approved Programs of STDCT modernization of the branches of IDGC of Northern Caucasus, OJSC.

In 2013 the measures related to modernization of the automated systems of technological management of Dagenergoset, OJSC, were not planned and implemented, as Dagenergoset, OJSC, rents power grid objects of the IDGC of Northern Caucasus, OJSC, branch – Dagenergo and is not their owner. These works were stipulated in the investment program of the IDGC of Northern Caucasus, OJSC, branch – Dagenergo. ASTM modernization was implemented within the framework of the STDCT modernization.

Information Technologies and Telecommunication

ITT activity

At the current stage of the IDGC of Northern Caucasus, OJSC development, one of the priority directions is the improvement of the information technologies used. Information technologies are regarded as the key to a possibility of operational interaction of services, both within the company executive body and in its branches, as well as a necessary condition of consistency and quality of the provided services.

Main local regulatory documents of IDGC of Northern Caucasus, OJSC in the ITT sphere

According to Order of IDGC of Northern Caucasus, OJSC No. 98 of May 26, 2011, "On Development of the Strategy in the Sphere of Information Technologies, Automation and Telecommunication," the Strategy of IDGC of Northern Caucasus, OJSC in the sphere of information technologies, automation and telecommunication for the period until 2016 (hereinafter referred to as the Strategy) was developed jointly with the Aksenchel pls company and approved by the Board of Directors in 2012. The Strategy is the vision of the target state of information technologies, automation and telecommunication of IDGC of Northern Caucasus, OJSC, expressed by the target models and a sequence of actions for their achievement based on the principles of economic efficiency and final productivity.

The Strategy was the evolution of the System Automation Project of IDGC of Northern Caucasus, OJSC (approved by the Board of Directors of IDGC of Northern Caucasus, OJSC (Minutes No. 40 of April 20, 2009) that is regarded as the main plan of ITT development for 2010-2015.

Under the Strategy, the basic platform for IT systems development is represented by the 1C system.

Within the framework of the Strategy creation, the following key tasks are implemented:

- the vision of the target state of ITT of IDGC of Northern Caucasus, OJSC, is determined based on the requirements of the most efficient support of strategic objectives, business development tasks and existing restrictions;
- the most economically efficient and reasonable way of achieving the ITT target state is determined.

In order to achieve the set tasks for Strategy development, the following volume of works is implemented:

- establishment of the priority areas, objectives and tasks for ITT development based on the strategic business aims and tasks specified in the Development Strategy of Holding IDGC, OJSC, until 2015 and for the perspective until 2020 (hereinafter referred to as the Business strategy);
- analysis of the current ITT software of IDGC of Northern Caucasus, OJSC, broken down by the main components;
- development of the target strategic model and roadmap for its achievement, justification of its qualitative and cost characteristics.

Provided corporate services

Under the Strategy, IDGC of Northern Caucasus, OJSC continued the development of corporate telecommunication services. Therefore, in 2013 the corporate multi-service network of data transmission between IDGC of Northern Caucasus, OJSC, branches and subsidiaries was developed, based on CISCO equipment. The video conference service with Rosseti, OJSC, IDGC of Northern Caucasus, OJSC, branches and subsidiaries is actively used with the Polycom equipment.

The exchange of data flows with branches and subsidiaries was expanded: electronic documentation flow on the basis of the Automated System of Management Documentation Flow; replication of databases of the corporate 1C-based information systems, information services (e-mail, ftp).

Currently, local and remote users are granted access to the corporate e-mail service and corporate resources by means of such standard solutions as Microsoft TMG and Microsoft Exchange. The software installation and updating as well as monitoring of users' software and hardware is implemented with the help of Microsoft System Center Configuration Manager.

The procedure of providing IT services and servers in accordance with local regulatory documents and the Strategy is restricted, the catalogue of ITT services is developed.

Results of the introduction of ITT projects

In accordance with the Action Plan of IDGC of Northern Caucasus, OJSC, for 2013 in respect of the implementation of the Strategy of IDGC of Northern Caucasus, OJSC, 20 projects are to be performed in the area of information technologies, automation and telecommunication by 2016. Based on the 2013 results, the following projects were implemented within the set terms:

- an agreement with the authorized organization for technical support of regulatory and reference information in the sphere of technical maintenance and repair was concluded. This initiative is aimed at improving the process of the IDGC of Northern Caucasus, OJSC, power grid assets management. The agreement includes the following services:
- support of the Automated System of Power Grid Equipment Profiling Management on the Basis of 1C:Energetics (hereinafter referred to as the System);
- analysis of data related to the technical maintenance and repair of the equipment provided in the IDGC of Northern Caucasus, OJSC System in order to reveal a possibility of using these data for further calculation of the State Index and Consequences of Failure of the used power grid equipment;
- support of the standardized reference books including regulatory and reference data in the sphere of technical equipping and repair.

The implementation of the specified measures will make it possible to ensure continuous updating of databases of the power grid equipment profiling and ensure consistency of the specified service for the System users in both the executive body and company branches.

In the sphere of the development of metering systems and systems integrated into the 1C software complex, the following measures have been implemented:

- the project for initial profiling of the power grid equipment has been successfully completed, and an agreement for its further support has been concluded;
- the Budgeting System has been economically developed and is in the stage of test and industrial operation;
- the System of Power Transmission Management has been put into test and industrial operation;
- according to an agreement with ENPI Consult, CJSC, the automated accounting system was created under the International Financial Accounting Standards on the 1C:Enterprise basis for all accounting blocks;
- the block related to actionable debt has been economically put into industrial operation within the framework of the 1C:Enterprise software complex;
- methods have been developed, economic elaboration of the application collection system for material and technical provision has begun, and purchasing activity has been arranged;

Additionally, within the framework of the activity in the sphere of information technologies, automation and telecommunication, the ITT resources are centralized in the Data Processing Center of IDGC of Northern Caucasus, OJSC in Pyatigorsk, which makes it possible to efficiently increase the availability of the ITT services of IDGC of Northern Caucasus, OJSC, minimizing the downtime. The engineering infrastructure of the Data Processing Center increases the reliability of the server and infrastructure service provision in a qualitative manner.

The federal project Automated System of Documentation Flow Management has been developed. In 2013 the module Mobile Place of the Manager (iPad) was introduced. The Agreements module was put into industrial operation, integration with the company accounting system was implemented. The system's continuous operation was provided (the level of service availability was 98%). The system is being distributed in the branches.

In accordance with Order No. 532 of August 27, 2013, of Rosseti, OJSC, "On the Approval of the Program for Creating the Unified Information Space of Automated Systems of Documentation Flow Management of Rosseti, OJSC, and Rosseti Group of Companies," the project of the migration of the Automated Systems of Documentation Flow Management to the modern EMC Documentation Ver. 6.7 platform was launched.

Within the framework of the ITT strategy implementation in 2013, the centralized system of accident rate accounting was introduced, making it possible to obtain reports in the automated mode as well as to initiate investigations and compose statements related to incidents on the main production equipment in the activity zone of IDGC of Northern Caucasus, OJSC, including the provision of outage logs of Rosseti, OJSC every 2 hours.

In order to increase the availability and trustworthiness of management information, and based on Order No. 498 of September 30, 2013, of IDGC of Northern Caucasus, OJSC, the internal corporate information portal of IDGC of Northern Caucasus, OJSC was developed and introduced on the Sharepoint platform, including the mobile application for installing instructions on tablets (iPad), which makes it possible to arrange an efficient system for collecting operation accounting data on the main areas of company activity.

In accordance with Order No. 319 of July 19, 2013, of IDGC of Northern Caucasus, OJSC, adjustment of the information system was provided for management of the most important investment projects for the purpose of controlling all of the capital construction projects included in the IDGC of Northern Caucasus, OJSC, investment program. Also, areas of further development of the system are specified.

Licensing

Under the copyright legislation of the Russian Federation, as well as for the purpose of fulfilling the main provisions of the Technical Policy in the sphere of information technologies, the company is implementing measures for licensing and authorization of the used software.

In connection with this, the Microsoft software is licensed, including the Premier Support technical support (agreement Microsoft Enterprise Agreement Subscription). In 2013 the Microsoft licenses were provided at 100%.

According to the requirements of the Technical Policy in the IT sphere, measures related to licensing and authorization of the used applied software were performed.

In order to ensure information security in 2013, all necessary procedures for extending licenses for an anti-virus software complex for 2014-2015 were performed.

Equipping with ITT infrastructure and information means

In 2013 the Department of Information Technologies conducted an array of measures and implemented projects aimed at increasing the reliability of the ITT infrastructure operation and quality of the provided services, the most significant of which include the following:

- the project for examination of the ITT infrastructure condition of the company executive body and branches. The purpose of the examination was the detailed study of the state of such components as catalogue service, mail system, monitoring and management system, and virtualization infrastructure. Based on the collected information, suggestions for modernization of the existing system were made with the purpose of transitioning to the centralized scheme of infrastructure establishment. The implementation of this scheme will make it possible to decrease the expenses on equipment purchase and training of personnel in the branches, and it will also make it possible to considerably increase the quality of the provided services, shorten the time required for eliminating accident consequences, and provide for prompt collection of data on the infrastructure state. The examination was conducted by the leading specialists of the Microsoft corporation, which ensured the highest quality of the expert conclusions and use of innovative technologies;
- introduction of the monitoring system of the executive body's ITT infrastructure. The centralized collection of data related to the equipment and information system operation allows for a prompt response to any operational changes, the prevention of failures, and the use of resources in a rational way.

Based on the audit results, a set of measures aimed at improving the state of information security was implemented, including the preparation of the local regulatory act restricting the activity in the sphere of information security.

The concept of the establishment and modernization of the executive body server capacities is developed and approved. Implementation of the strategy will make it possible to considerably decrease the amount of equipment used and the number of accidents, and increase the deployment speed of new corporate information systems.

In order to increase reliability and continuity of the provided services, the engineering systems of the Data Processing Center of the Karachay-Cherkessk branch of IDGC of Northern Caucasus, OJSC have been re-equipped.

Since 2006 outdated IT resources have been centrally replaced with standardized solutions, corresponding to all the requirements to the Technical Policy in the sphere of information technologies and providing for the needs of functional IT users. By the end of 2013, the average ITT equipping in IDGC of Northern Caucasus, OJSC and its subsidiaries achieved 100%, of which more than 85% correspond to the requirements of the Technical Policy in the sphere of information technologies. The qualitative functioning of the information distribution tools required the replacement of the peripheral and network equipment as well as modernization of the computer capacities of the company.

Telecommunication development is a priority area of company activity. By the end of 2013, data transmission channels were arranged with the branches, subsidiaries and their structural subdivisions. Currently, the existing channels are being actively replaced by FOCL.

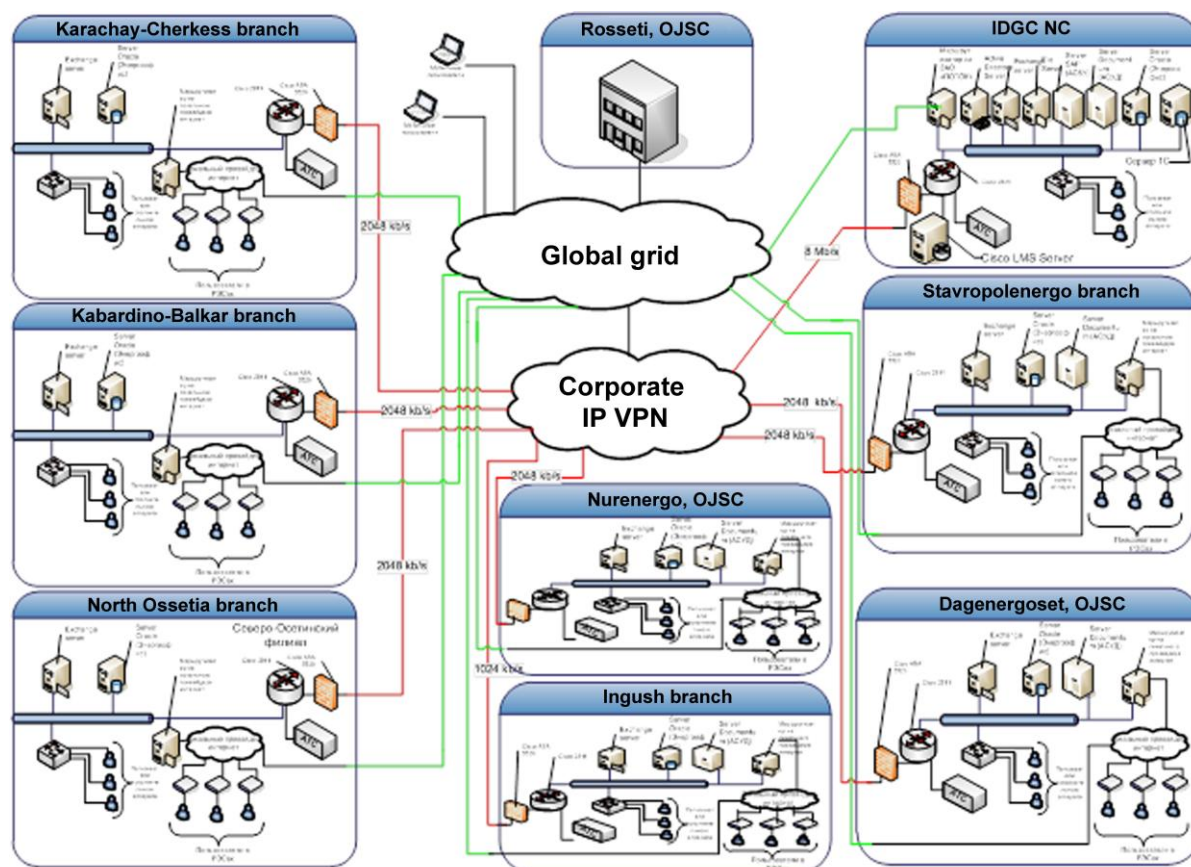
As part of the move of the IDGC of Northern Caucasus, OJSC executive body to a new office building, measures were taken for a seamless transfer of infrastructure and services. The automated phone station was modernized, a modern digital station was installed – the most recent Siemens Hipath 4000.

Additionally, in 2012-2013 the grid infrastructure of the executive body of IDGC of Northern Caucasus, OJSC was modernized to high productive active grid equipment – Cisco Systems, which considerably increased the reliability level of the grid infrastructure.

The 2013 communication service optimization resulted in the following measures:

- coverage of the IDGC of Northern Caucasus, OJSC personnel with mobile communication means is considerably increased, without any increase in communication service expenses;
- engineering work for the transfer to the VoIP-telephony with the executive bodies of the IDGC of Northern Caucasus, OJSC branches was performed in order to reduce the intercity communication expenses;
- GSM-gateways in the executive body of IDGC of Northern Caucasus, OJSC were introduced in order to reduce the zone intercity communication expenses;
- the transfer to its own fiber optic communication channels of the corporate data transmission network with the Stavropolenergo branch and Karachay-Cherkessk branch was implemented in order to decrease the communication channel rental expenses.

Scheme of the arrangement of the existing corporate data transmission network



A system of mass text message distribution related to the operational situation in IDGC of Northern Caucasus, OJSC was introduced.

Internet technologies in IDGC of Northern Caucasus, OJSC

The company's Internet portal (www.mrsk-sk.ru) is an efficient and available tool of interaction with customers and those interested. Also, information concerning the company activity is posted on it.

Our plans

The priority activity areas in 2014 include the following: creation of a unified information space of IDGC of Northern Caucasus, OJSC, further modernization of the ITT infrastructure, creation and modernization of the interregional corporate data transmission network, and commissioning of information systems based on the IC-Energetics complex.

It is also planned to extend the range of the provided ITT services for local and remote users (access to corporate e-mail and corporate resources by means of the standard solutions of Microsoft TMG and MicrosoftExchange, installation, updating of software, and the expansion of users' hardware and software monitoring with the help of Microsoft System Center Configuration Manager).

Procurement activity

The procurement activity is restricted:

- By Regulation on the Procedure of the Restricted Purchase of Products, Works, Services for the needs of IDGC of Northern Caucasus, OJSC;
- By Regulation of IDGC of Northern Caucasus, OJSC No. 113-pr of March 25, 2013, "On the Establishment of Purchase Commission";
- By Regulation of IDGC of Northern Caucasus, OJSC No. 251 of June 26, 2013, "On the Organization of Purchase Activity."

The procedural restrictions of purchases are applied for the purpose of providing the target and efficient spending of funds as well as obtaining economically justified costs (product market prices) and preventing possible abuse by the purchasing employees.

The Annual Comprehensive Purchase Program (ACPP) is formed on the basis of IDGC of Northern Caucasus, OJSC, programs:

- ✓ production;
- ✓ repair;
- ✓ investment.

Report on the purchase activity of IDGC of Northern Caucasus, OJSC for 2013

	Plan, thousand rubles, VAT included	Actual, thousand rubles, VAT included	Actual (agreement cost), thousand rubles, VAT included	Average share, %
Total amount of the restricted purchases of products, works, services, including:	5,649,940.52	-	-	-
Tender purchases, of which:	5,649,940.52	5,352,284.62	5,352,284.62	100%
Open tender	2 550 082,14	2,454,789.74	2,454,789.74	45,87%
Close tender	-	-	-	
Non-tender purchases, of which:	-	-	-	
Open price request	359,284.43	230,230.92	230,230.92	4,30%
Open offer request	712,142.89	644,658.02	644,658.02	12,04%
Open competitive negotiations	221,714.02	296,674.17	296,674.17	5,54%

Closed price request	-	-	-	
Closed offer request	-	-	-	
Purchases from a single source	29,387.79	525,931.77	525,931.77	9,83%
Open auction	1,200,000.00	1 200 000,00	1 200 000,00	22.42
Purchases, total:	5,649,940.52	5,352,284.62	5,352,284.62	100%

In 2013 we performed 682 purchases in the total amount of 5,352, 284.6 thousand rubles, VAT included, providing:

✓ by purchase method:

- 127 purchases by open tenders;
- 189 purchases by open price requests;
- 211 purchases by open offer requests;
- 10 purchases by open competitive negotiations;
- 96 purchases from a single source;
- 48 purchases following open competitive negotiations;
- 1 purchase by an open auction.

✓ by type of activity:

- new construction and expansion of the existing power grid facilities – 49 purchases in the amount of 627,057.8 thousand rubles, VAT included;
- reconstruction and technical re-equipping of the existing power grid facilities – 192 purchases in the amount of 1,712,605.6 thousand rubles, VAT included;
- power repair production – 327 purchases in the amount of 1,332,471.8 thousand rubles, VAT included;
- IT purchases – 37 purchases in the amount of 220,865.2 thousand rubles, VAT included;
- other purchases – 76 purchases in the amount of 1,459,196.3 thousand rubles, VAT included.

The amount of purchases with the use of electronic commerce funds made up 654 purchases in the amount of 5,311,833.1 thousand rubles, VAT included (97.75% of the total number of competitive procedures, 99.77% of the total amount of competitive procedures).

The economic effect of the purchase procedures implemented by IDGC of Northern Caucasus, OJSC in 2013 made up 356,264.7 thousand rubles, VAT included (or 7.01%).

The share of purchases from the small and mid-size business in the general annual volume of customers' purchases makes up 72.9% (including the first level subcontractor agreements).

According to the Purchase Plan of IDGC of Northern Caucasus, OJSC, for 2014, 337 purchases are planned for the total amount calculated in accordance with the method of the 10% price reduction from the 2010 price level and equal to 1,602,834.1 thousand rubles, VAT included.

✓ By purchase method:

- 54 purchases by open tenders in the amount of 827,461.8 thousand rubles, VAT excluded;
- 93 purchases by open offer requests in the amount of 165,569.3 thousand rubles, VAT excluded;
- 116 purchases by open price requests in the amount of 144,759.6 thousand rubles, VAT excluded;
- 22 purchases by open competitive negotiations in the amount of 141,302.9 thousand rubles, VAT excluded;
- 10 ordinary purchases in the amount of 7,316.4 thousand rubles, VAT excluded;
- 7 minor purchases in the amount of 296.6 thousand rubles, VAT excluded;
- 35 purchases from a single source in the amount of 71,627.6 thousand rubles, VAT excluded.

✓ Types of activity:

- new construction and expansion of the existing power grid facilities -1 purchase in the amount of 200 thousand rubles, VAT excluded;
- reconstruction and technical re-equipping of the existing power grid facilities – 14 purchases in the amount of 88,608.9 thousand rubles, VAT excluded;
- power repair production – 156 purchases in the amount of 978,203.2 thousand rubles, VAT excluded;
- IT purchases – 33 purchases in the amount of 79,463.4 thousand rubles, VAT excluded;
- 133 other purchases in the amount of 211,858.4 thousand rubles, VAT excluded.

The amount of purchases with the use of electronic commerce funds made up 272 purchases in the amount of 1,274,622.3 thousand rubles, VAT excluded (90.1% of the total number of competitive procedures, 99.1% of the total amount of competitive procedures).

Also, according to the Purchase Plan, the semi-fixed purchases are planned in the amount of 3,398,686.6 thousand rubles, VAT excluded, as equal to 11 pieces. Long-term purchases are represented in the amount of 781,466.6 thous. rubles, VAT excluded, as equal to 22 pieces.

5. Value creation of stakeholders. Personnel

Interaction of the Board of Directors and employees

The members of the Board of Directors of IDGC of Northern Caucasus, OJSC, are entitled to hold meetings with the General Director, members of the Management Board and company employees. The members of the Board of Directors should reasonably apply this right, not abuse it, and clearly recognized a need to hold meetings, its objectives and tasks. Such meetings should not prevent employees from implementing their functional duties.

Development of the human potential

We consider the development of the human potential as one of the foundations of our long-term and sustainable development. In order to determine ways and means of provision of the long-term, sustainable growth of the well-being of the IDGC of Northern Caucasus, OJSC, employees and an increase of their social protection status, the Board of Directors approved the Program of Support and Development of the IDGC of Northern Caucasus, OJSC, Human Potential. The improvement and enhancement of the corporate culture is aimed at creating a feeling in each worker of involvement in the implementation of the IDGC of Northern Caucasus, OJSC, mission and strategic tasks set before them.

IDGC of Northern Caucasus, OJSC, arranges regular events related to personnel assessment and development, including the activity assessment, testing of professional knowledge, internal and outside training, holding of internal workshops, participation of employees in international conferences and round tables, etc.

We pay constant attention to the issues of employees' health protection and the safety of their labor conditions. Upon entry into employment, there is no possibility of discrimination based on race, gender, or political, religious and national discrimination.

The main principles of the corporate social responsibility of IDGC of Northern Caucasus, OJSC:

- ✓ system approach – presence of the priority areas of the implementation of social programs, emphasis on long-term programs;
- ✓ significance – the implemented social programs are timely and in-demand, and they cover all Company personnel;
- ✓ transparency – makes it possible to hold a dialogue with the programs' beneficiaries and consider their desires;
- ✓ optimal combination of the employer's and employees' interests.

Our objectives of corporate social responsibility include

- ✓ creation of a solid, socially protected and economically motivated team;
- ✓ improvement of labor and leisure conditions, increase of the employees' labor safety;
- ✓ creation and maintenance of high-quality life conditions of employees;
- ✓ achievement and maintenance of the status of a modern, highly efficient and socially responsible company.

The created system of social partnership makes it possible to support the balance of interests of the employees and employer, preserving social stability without decreasing the achieved level of the company employees' material protection.

HR policy

The HR policy of IDGC of Northern Caucasus, OJSC, determines the main areas of work with the personnel and addresses the development of economic incentives and social protections providing the convergence of the interests of the company and its employees in order to achieve a high level of labor efficiency, increase production efficiency, and receive the highest economic results.

The main objectives and tasks of the HR policy encompass the following:

- ✓ establishment of the optimal organizational structure judging by the company's production and economic tasks;
- ✓ provision of the required professional education level of the personnel by means of continuous advanced training of employees, professional training, re-training and acquiring secondary qualifications;
- ✓ provision of motivation for personnel toward highly efficient, productive labor by means of the implementation of the terms of the Bargaining Agreement of IDGC of Northern Caucasus, OJSC for 2013-2015 and social programs, as well as the Program of Support and Development of Human Potential;
- ✓ implementation of works related to the cultivation of young specialists, arrangement of mentoring, promotion of labor dynasties, provision of generation ties and the transfer of knowledge about company history and traditions to the youth;

In order to achieve the objectives and perform the tasks set by the Program of Support and Development of Human Potential, the following priority areas are provided:

1. Improvement of the system of training, re-training and advanced training of employees in the sphere of the broad use of the opportunities in regional educational centers and the introduction of flexible learning technologies.
2. Enhancement of cooperation with the leading Russian education establishments of higher and secondary professional education, including in the sphere of the target training of young specialists.
3. Improvement of the motivation system.
4. Strengthening of involvement with personnel reserve.
5. Strengthening of the work related to psychological and physiological provision of the safety of operational personnel's labor activity.

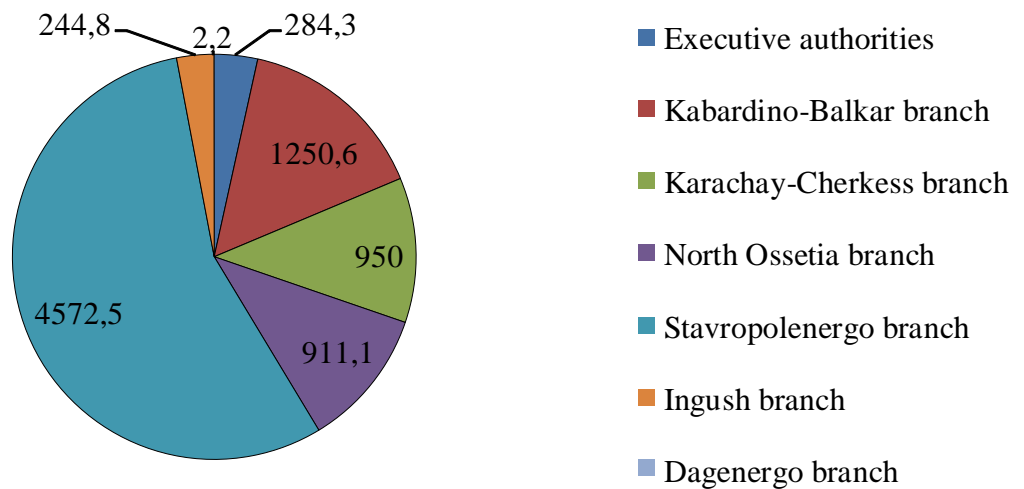
For the purpose of implementing the HR policy, we pursue the following regulations in the sphere of HR management:

- ✓ The Branch Tariff Agreement in the electric power industry;
- ✓ The Bargaining Agreement of IDGC of Northern Caucasus, OJSC for 2013-2015;
- ✓ local regulatory acts of IDGC of Northern Caucasus, OJSC.

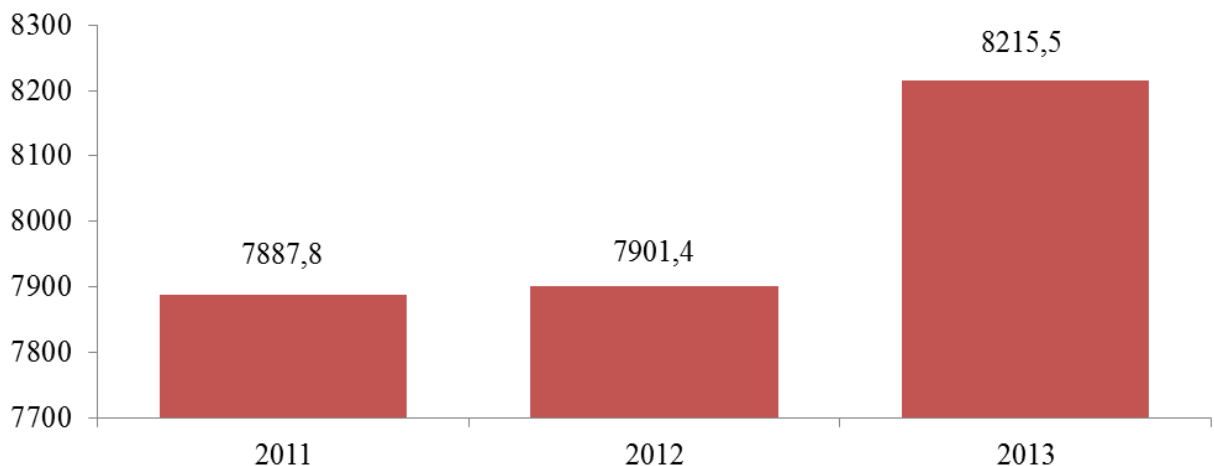
Personnel quantity and structure

The average number of IDGC of Northern Caucasus, OJSC personnel in 2013 was 8,215.5, which exceeds the analogous indicator of 2012 by 314.1. The increase is determined by the start of the operational activity of the Ingush branch, the staff number of which is 393 people.

Average personnel number of IDGC of Northern Caucasus, OJSC in the trend for 2011-2013

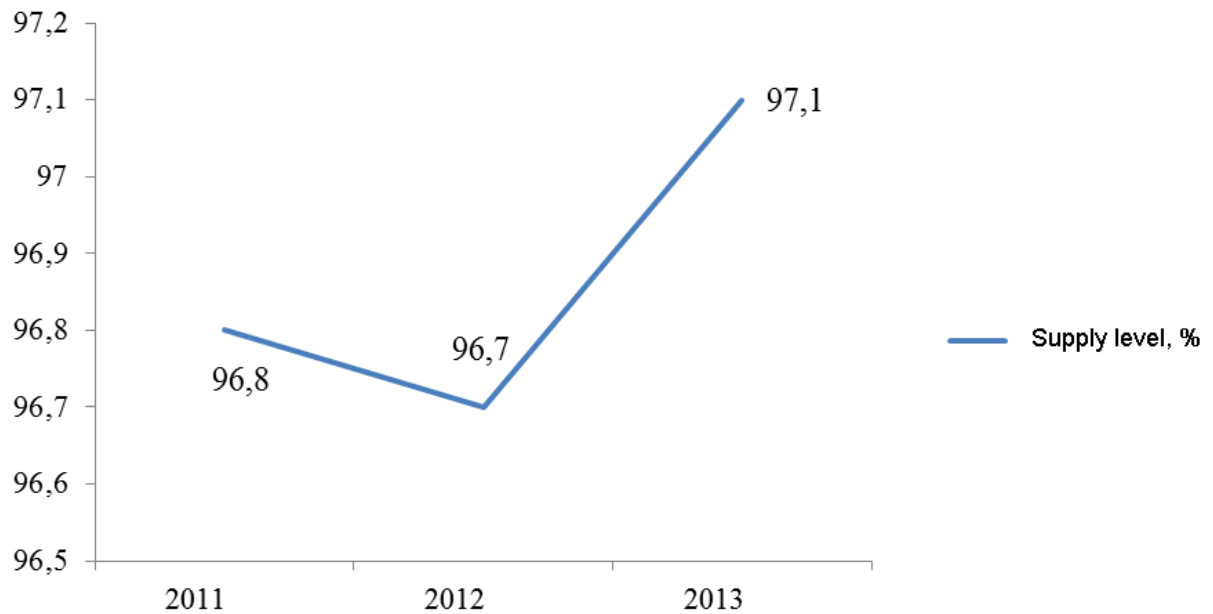


Distribution of the personnel number in 2013



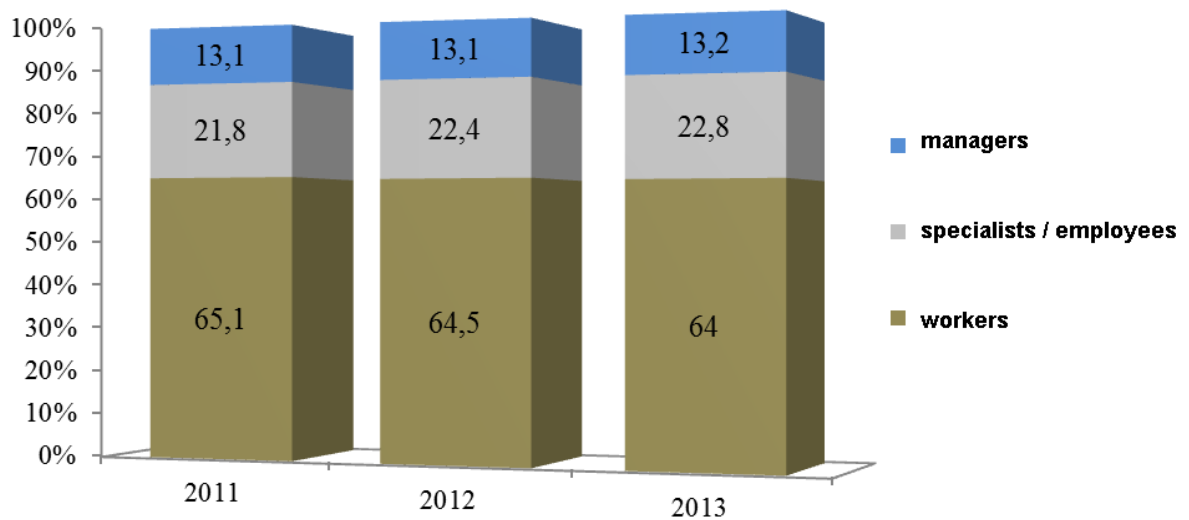
The level of the personnel provision as of December 31, 2013, was 97.1%, which exceeds the 2012 indicator by 0.4%. There are 187.5 vacancies. Most vacancies are made up of the positions of production employees.

Level of personnel provision, %



The human potential is based on workers. Their share in the total amount of the personnel is 64%. On the whole, the personnel structure by category for 2011-2013 remained practically the same.

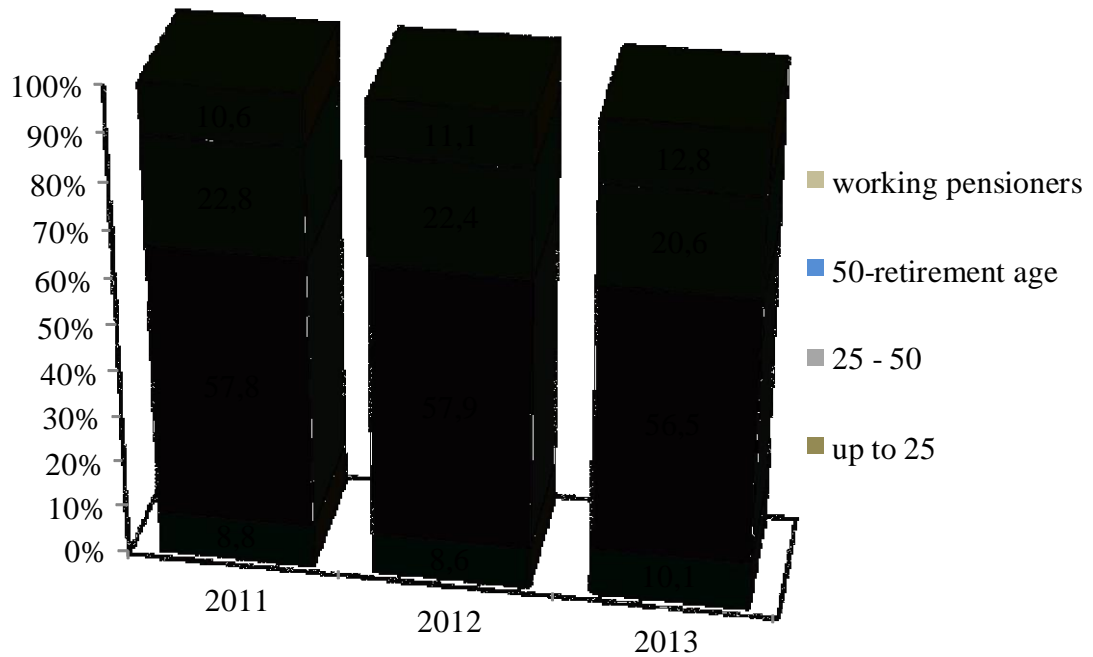
Structure of the personnel by category in the trend for 2011-2013



The personnel structure by age is characterized by homogeneity, with a dominance of employees of 25-50 years. As of December 31, 2013, the portion of employees of the specified category made up 56.6%.

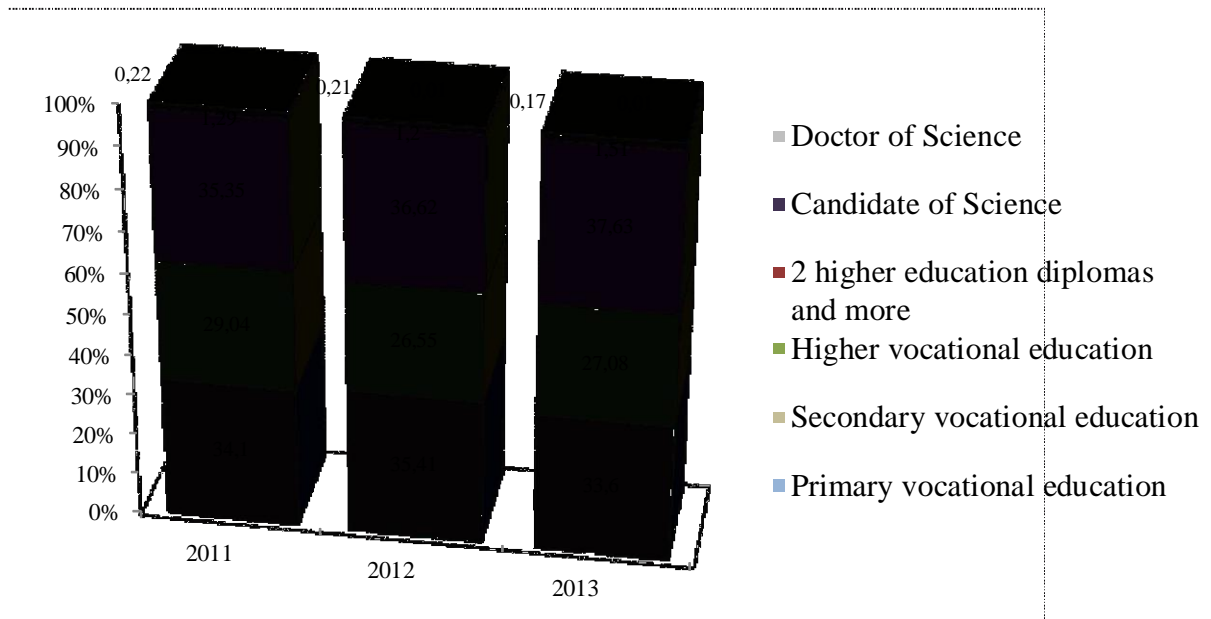
It is noteworthy that in 2013 the portion of employees under 25 years increased by 1.5% in comparison with the 2012 accounting date, which testifies to the company personnel youthification. The portion of the most experienced employees of over 50 remained at the 2012 level and made up 33.4%.

Structure of the personnel by age in the trend for 2011-2013



An analysis of the qualitative characteristics of the personnel demonstrated that IDGC of Northern Caucasus, OJSC is characterized by a considerably high qualification level of personnel: 37.63% of employees possess a higher education degree, 27.08% – a secondary professional diploma. Due to the implemented HR policy, in 2013 growth is observed of the above-mentioned indicators by 1.01% and 0.53%, respectively. In this case the portion of employees with primary professional education decreased by 1.81% and made up 33.6% as of the end of 2013.

Structure of the personnel by education in the trend for 2011-2013



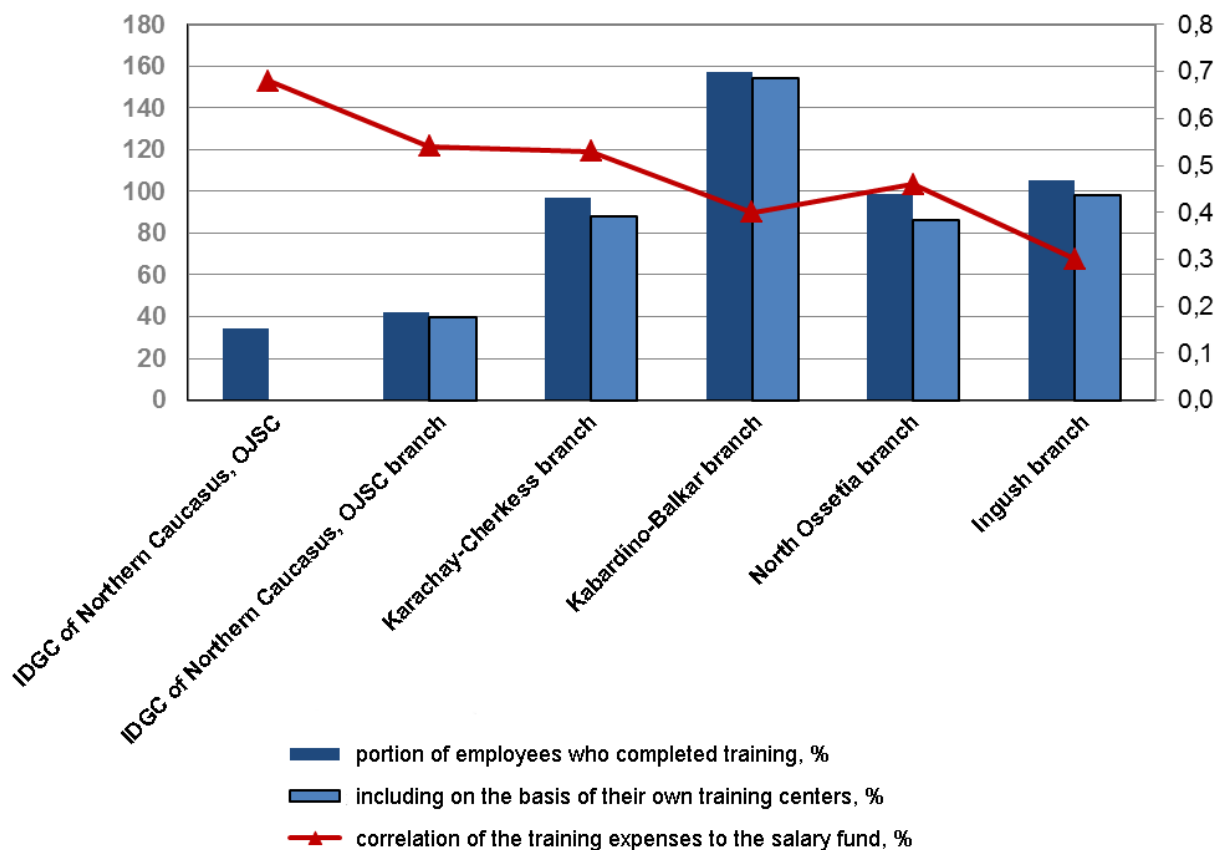
Personnel training and human development

We implemented measures in the sphere of professional training, re-training and advanced training of the personnel in accordance with Order of the Ministry of Fuel and Energy of the Russian Federation No. 49 of February 19, 2000, "On Approval of the Rules of Personnel Interaction in the Power Grid Organizations of the Russian Federation."

The process of professional training, re-training and advanced training is continuous due to the need for regular updating of theoretical and practical skills and an increase in the level of professional knowledge with the planning of personnel career progress.

In 2013 6,427 company employees were trained in specialized education establishments of Russia as well as in its own education establishments, which exceeds the amount of trained personnel in 2012 by 31.5%. The training expenses in 2013 made up 15,347,540 rubles, which exceeds the 2012 indicator by 16.7%.

Portion of employees involved in the training events, and the ratio of expenses for personnel preparation to the salary fund within the accounting year, %

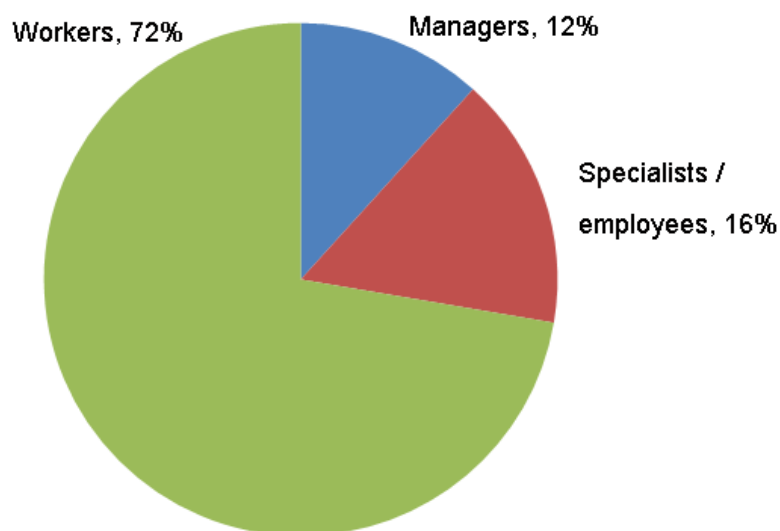


5, 556 people (86% of the total number of trained personnel) were trained at Uchebny Kombinat, NSEI, Essentuki, and training classes of the IDGC of Northern Caucasus, OJSC, branches. The ratio of training expenses to the salary fund for the company as a whole made up 0.5% within the accounting period.

Every year we pay special attention to the training of employees included in the category of "workers". In 2013 4,646 employees of the category of "workers" were trained, which is 72.3% of the total number of trained personnel.

In connection with the start of operational activity of the Ingush branch of IDGC of Northern Caucasus, OJSC, in comparison with 2012, the portion of the trained personnel increased by 10% in 2013.

Distribution of trained employees by category



Since 2008, IDGC of Northern Caucasus, OJSC, has been the founder of Uchebny Kombinat, NSOE (Essentuki), the largest education establishment located in the territory of the Northern Caucasus Federal District.

Uchebny Kombinat, NSOE, possesses a developed training and production base, with qualified personnel providing a high level of teaching and and production training that is extremely close to the labor conditions at power grid facilities, which makes it possible to train employees of all personnel categories in the Northern Caucasus power grid.

The amount of training spaces – 256, the capacity: with discontinuation of work – up to 2,000 people per year, without discontinuation of work – not limited (the examination preparation of workers and engineering manpower within the framework of the jobs provided by the Federal Service of Environmental, Technological and Nuclear Supervision).

2,043 employees of IDGC of Northern Caucasus, OJSC (31.8 % of the total number of trained personnel) were trained at Uchebny Kombinat, NSEI within the accounting period.

Additionally, the employees of the Kabardino-Balkar and North Ossetia branches of IDGC of Northern Caucasus, OJSC are being trained in training branch-based classes equipped with methodological materials, technical library, personal computers, video projectors, video recorders and educational posters, as well as the Mentor Automated System of Personnel Training and the Gosha training robot meant for emergency critical care provision. Also, there are laboratory works, with the help of which the methods of technical operation and diagnosing of power transformers of the 6-110 KB power equipment and the skills of metering device operation are taught. In the North Ossetia branch, there is a model of the 10KV OHL, where the personnel learn the methods of isolator and cable replacement, a check of the condition of iron/concrete and wooden supports, as well as methods of discovering short circuits to ground.

The training classes have learning and training grounds available, where workers and specialists are trained.

Training centers of IDGC of Northern Caucasus, OJSC



For the purpose of maintaining and developing the human potential, in 2012-2013 we concluded agreements for collaboration with the leading education establishments located in the territory of the Northern Caucasus Federal District:

- Pyatigorsk State Linguistic University, FSBEI HPE, Pyatigorsk;
- Grozny State Oil Technical University n.a. M.D. Millionshchikov, FSBEI HPE, Grozny;
- Dagestan State Technical University, FSBEI HPE, Makhachkala;
- North Caucasian Mining and Smelting Institute (State Technological University), FSBEI HPE, Vladikavkaz;
- Mountain State Agriculture University, FSBEI HPE, Vladikavkaz;
- South Russian State University (Novocherkassk Polytechnical Institute), FSBEI HPE, Novocherkassk;
- Ardon Agriculture and Technological Training College, SBEI SPE, Republic of North Ossetia – Alania, Ardon;
- Elkhotovo Agriculture and Technological Training College, SBEI SPE, Republic of North Ossetia – Alania, Elkhotovo;
- Professional Lyceum No. 6, SBEI SPE, Karachay-Cherkessk Republic, Zelenchukskaya station;

- Karachay-Cherkessk Energy Training College, SBEI SPE, Cherkessk;
- "Integral" George Regional College, SBEI SPE, Stavropol Krai, Georgievsk;
- Nevinnomyssk Energy Training College, SBEI SPE, Stavropol Krai, Nevinnomyssk;
- Lermontov Regional Multidisciplinary College, SBEI SPE, Stavropol Krai, Lermontov;
- Regional Multidisciplinary College, SBEI SPE, Stavropol;
- Kabardino-Balkarian Agricultural and Industrial Professional College n.a. B.G. Khamdokhov, Kabardino-Balkarian Republic, Sary Cherek;
- Chechen Technological Training College, SBEI SPE, Chechen Republic, Grozny;
- Energy College, ANCO, the Republic of Dagestan, Kaspiisk.

Students of higher and secondary education establishments are provided with an opportunity to do their introduction, production, and pre-graduation practicum at IDGC of Northern Caucasus, OJSC. Graduates who have successfully passed their practicum are accepted to work at IDGC of Northern Caucasus, OJSC, if there are any vacancies of the required qualification, and will be provided with all social benefits and protections and the possibility of professional growth.

Within the framework of the agreements concluded in 2013, 148 employees of IDGC of Northern Caucasus, OJSC, entered higher education establishments to go into their first higher part-time education, 14 employees went into their secondary higher education, and 21 employees entered secondary professional education establishments.

Due to the need to regularly assess the level of the personnel professional qualification, the increase of operational quality and security in maintaining the power facilities equipment, as well as the exchange of the best practices in the sphere of operational management and repair work performance, IDGC of Northern Caucasus, OJSC, annually arranges mastership contests. In August 2013 the executive body employees arranged and held regional contests for operational maintenance mastership teams serving the 35-110 KV stations of the IDGC of Northern Caucasus, OJSC branches. The winner of the regional contest was the team of the IDGC of Northern Caucasus, OJSC branch – Stavropolenergo.

Work with personnel reserve

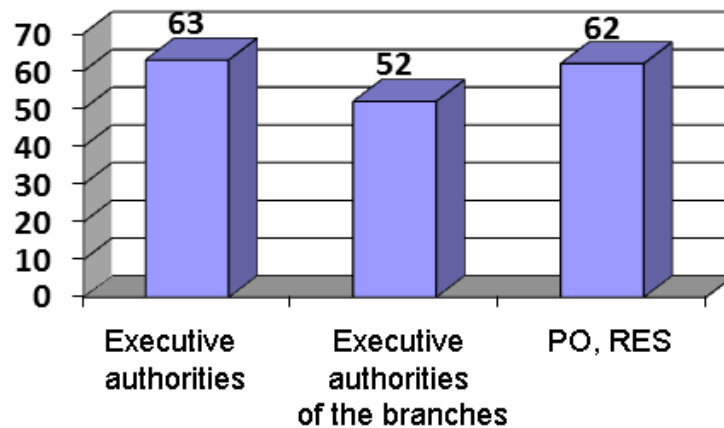
The establishment and preparation of the personnel reserve is one of the main tasks in the sphere of HR management in IDGC of Northern Caucasus, OJSC.

In order to substitute the positions by qualified personnel in a timely manner, we established the management human reserve.

For the purpose of creating possibilities of professional development and career growth of young specialists, assisting with the improvement of the professional and management qualification, providing highly qualified and efficient specialists and managers, and staffing the structural subdivisions in a timely and quality manner, the work with the personnel reserve of young specialists was continued.

In order to ensure the social and economic stability of the company and reduce the risk of the qualified personnel outflow, in 2013 we formed the personnel reserve for those positions regarded as the key ones for IDGC of Northern Caucasus, OJSC. The personnel reserve was established for the key positions requiring long training and occupied by employees of pre-retirement and retirement age.

Provision of the management positions with the personnel reserve as of the end of the accounting period



■ % of the management positions provided by the personnel reserve

The management personnel reserve includes the mid-level management personnel reserve (from the level of the head of the structural subdivision) and the personnel reserve of the district power grid managers.

The low level of the personnel reserve provision is related to the lack of a personnel reserve in the Ingush branch, which is due to the start of the branch operational activity in May 2013, as well as by the lack of a personnel reserve for the positions of counselors, heads of the executive body services, deputy heads of the structural subdivisions of the branch management bodies, deputy chief engineers, and deputy heads of the district power grids.

In order to ensure the professional growth of the personnel reserve members, 103 employees were trained in 2013, 12 of which were involved in educational programs for the positions of the district power grid heads that were arranged in 2013 at Uchebny Kombinat, NSEI.

For the purpose of mastering professional skills for the position to be substituted and developing the management personnel reserve, in 2012 we used the method of temporary performance of obligations of the corresponding manager's position during a period of his/her absence, as well as participation in the formation and adoption of management decisions, preparation of regulatory and administrative documents at the level of the position to be substituted, and involvement in the arrangement and implementation of measures.

In 2013 we continued work with the youth personnel reserve in accordance with the individual plans of personnel reserve development, amended in 2013. The members of the youth personnel reserve were involved in educational programs, training sessions and workshops, and they continued independent study of the methodological and reference literature and became familiar with the best practices, including foreign ones. They practiced the acquired theoretical

knowledge in the process of performing tasks managed by mentors. According to the individual plans, 29 members of the youth personnel reserve were sent for advanced training in 2013.

The work done with the personnel reserve members contributed to the appointment of 18 members of the youth personnel reserve to superior positions, 10 of whom were appointed to target positions in 2013.

Appointments to superior positions out of the reservists

Type of personnel reserve	Number of reservists appointed to superior positions, people	
	to target positions	others
Management personnel reserve:	16	12
including the personnel reserve for the position of the head of the district power grids	4	2
Youth personnel reserve:	10	8
Personnel reserve for the key positions	3	4

In order to substitute the positions with qualified personnel in a timely manner, as well as to provide employees with possibilities of obtaining new experience and maintaining their interest and professional motivation, we plan to implement work related to staffing of the management personnel reserve as well as to form a new youth personnel reserve on a competitive basis in 2014.

Social programs and measures

The social policy of IDGC of Northern Caucasus, OJSC, is aimed at creating a favorable working environment, providing a sufficient level of employees' life after retirement, assisting with the development of physical training and sport in the group, and improving the climate of the staff.

One of the main legal acts governing the social and labor relations in the branches and ensuring the preservation of the existing level of social benefits and guarantees of employees is the Bargaining Agreement for 2013-2015. This agreement covers only the employees of the IDGC of Northern Caucasus, OJSC branches, while the executive body activity is managed by the Provision on the Employees' Remuneration.

According to the concluded Bargaining Agreement, an employee is provided with the following social benefits:

- allocation of funds for children's New Year gifts;
- partial compensation of the expenses on children's preschool establishments attended by children of certain categories of employees, on the purchase of trip tickets with funds of the executive bodies of the federal subjects of the Russian Federation;
- rewarding of employees with a jubilee in connection with professional and state holidays, any anniversary of IDGC of Northern Caucasus, OJSC;
- allocation of funds for celebrating state holidays, rewarding of employees in this respect and provision of material assistance to unemployed retirees;

- rewarding of employees in the amount of their salary (tariff rate) for their anniversary upon the Trade Union proposal;
- material aid to employees due to their family circumstances, for purchase of medicines, funerals, marriage registration, the birth of a child, a severe disease requiring long-term treatment or surgery, an employee's dismissal due to his obligation to do compulsory military service in the Russian Army, etc.;
- lumpsum allowances (payments, remunerations) upon retirement, lumpsum allowances for dismissed employees;
- insurance payments (premiums) paid by the organization under the agreements of personal, property and other voluntary insurance in favor of employees (besides the compulsory state insurance of employees);

In order to increase the social protection level of employees, the voluntary medical insurance of employees is implemented in accordance with the agreements concluded with the SOGAZ insurance company. The voluntary medical insurance agreement provides for outpatient care. Every employee of the company can turn to specialists for medical consultation, have laboratory tests done, obtain treatment and diagnosing procedures. In case of emergency, the energy sector employees can be provided with inpatient treatment at medical establishments.

Additionally, IDGC of Northern Caucasus, OJSC, its branches and SOGAZ insurance group have concluded illness and accident insurance agreements.

In June 2013 a standard medical examination of 200 employees of the executive body was performed.

For the purpose of providing a decent standard of living for retired employees and creating conditions for the efficient solution of personnel issues related to recruitment, retention and motivation, we approve the annual Program of Non-State Pension Provision of Employees.

For the purpose of the health improvement of employees' children, we provide partial compensation of the expenses on the purchase of trips to children countryside camps using funds of the executive bodies of the federal subjects of the Russian Federation.

We provide targeted material aid to unemployed retirees, combatants and war workers of the Second World War on an annual basis. Unemployed retirees and veterans granted with any official awards within the period of their work, marks of distinction and honorary degrees receive a supplementary pension.

In May 2013, the IDGC of Northern Caucasus, OJSC team participated in the ascent of the Beshtau Mountain (Pyatigorsk), devoted to the Victory Day celebration.

The ceremonial event devoted to the Victory Day celebration, with the participation of veterans, combatants and pupils of the subordinate orphanages, was arranged and held on May 8, 2013.

In 2013 employees were actively involved in sport events:

- on March 16-17, in the competitions related to the celebration of the 10th anniversary of the establishment of Monitor Electric, CJSC, where the top places were taken by the team in the chess, volleyball, and table tennis competitions;

- on April 2-6, in the winter Spartakiada Games of the power grid complex employees on the site of the Rosa Khutor mountain ski resort (Sochi);
- on September 14-15, in the competitions arranged by the FSK EES, OJSC, branch – Southern MES, where the top places were taken in the mini-football, volleyball, and cheerleading competitions;
- on June 15, in the sporting mini-football tournament "Energetics Cup-2013" for the power grid branch companies arranged by Korporativny Club, LLC, where the team took the 3rd place;
- on October 31 in the Spartakiada Games among the employees of the IDGC of Northern Caucasus, OJSC branches and subsidiaries, including over 100 employees;
- on November 1, in the 3rd open chess tournament of the power sector employees n.a. M.M. Botvinnik, arranged by FSK EES, STC OJSC;
- on November 16-17, in the FEC Volleyball Cup, Moscow, where the team took second place.

We are sure the social and cultural events that we arranged considerably contributed to the development of the IDGC of Northern Caucasus, OJSC corporate culture.

In December 2013, a festive event devoted to the celebration of the Power Engineers' Day was arranged jointly with FSK EES, OJSC, branch – Southern MES as well as the guaranteeing suppliers of the Northern Caucasus and the Republic of Kalmykia, within the framework of which the awarding of official and corporate prizes, a festive concert, and the Unified Tournament of the Club of the Funny and Inventive took place among the subsidiaries of Rosseti, OJSC, in the Northern Caucasus Federal District, on the following topic: "From the Lightbulb of Ilich to Nanotechnologies," where the IDGC of Northern Caucasus, OJSC team took the first place.

During the year, we conduct regular Community Clean-up Days and sporting and health improvement events in the subordinate orphanages.

The Comprehensive Programs of Power Grid Development of the Republic of Ingushetia and Chechen Republic for 2013-2018 include the expenses on acquisition of corporate housing for employees. The acquisition of 200 flats is planned.

Labor and health protection

Trend of lethal traumas for 2011-2013

Name of the branch / subsidiary	Total number of injured, people			Total death toll, people		
	2011	2012	2013	2011	2012	2013
Stavropolenergo branch	1	1	1	0	0	0
Kabardino-Balkar branch	0	1	0	0	1	0
North Ossetia branch	1	2	0	0	1	0
Karachay-Cherkess branch	0	3	1	0	2	1
Ingush branch	1	1	0	1	0	0
Dagenergoset, OJSC	0	0	1	0	0	0
IDGC of Northern Caucasus, OJSC	3	8	3	1	4	1

The total number of those injured within the accounting period reduced in comparison with 2012.

In order to avoid production injuries of the personnel, we implemented the following measures:

- the system of internal technical control, instructions for labor protection, job descriptions, technological charts and provisions of the structural subdivisions are revised for their compliance with the modern safety requirements and introduction of the obligations of the responsible persons;
- the schemes of switch gears and local instructions for switch gear operation are checked;
- an analysis is conducted for compliance of the operating, accepted and newly commissioned switch gears with the standard requirements;
- the programs of production training of workers and engineering and technical staff are developed and approved with the Federal Service of Environmental, Technological and Nuclear Supervision.

Organizations that conducted certification of working places according to the labor conditions in IDGC of Northern Caucasus, OJSC:

IDGC of Northern Caucasus, OJSC branch – Stavropolenergo: Stavropol branch of HSA Attestation, LLC (3,579.75 thousand rubles);

- IDGC of Northern Caucasus, OJSC, executive body: IL Trud, LLC (cost of services – 426.8 thousand rubles).

Medical examination of the personnel in 2013

Name of the branch / subsidiary	Measurement unit	Amount	Sum, thousand rubles
Stavropolenergo branch	people	3,276	6,758.3
North Ossetia branch	people	456	1,656.0
Kabardino-Balkar branch	people	495	560.0
Karachay-Cherkess branch	people	214	650.0
Dagenergoset, OJSC	people	900	413.7
Total		5,341	10,038.1

In 2013 the expenses on the measures related to labor protection and the provision of employees with personal protection equipment made up 46,809.93 thousand rubles.

No absolutely new personal protective equipment (by operational principle. construction peculiarities, applied materials) not applied earlier or applied in a restricted amount was acquired in 2013.

Within the accounting period, we conducted work related to the implementation of measures aimed at the improvement of the state of labor protection:

- professional mastership competitions among the teams of operational maintenance of the 35-110 KV stations (competitions among the personnel of the IDGC of Northern Caucasus, OJSC, branches and Dagenergoset, OJSC, as well as regional competitions under the auspices of IDGC of Northern Caucasus, OJSC);

- review competitions of the state of labor protection and fire safety;
- monthly Labor Protection Days, Days of Traffic Security and Fire Safety;
- comprehensive and topical audits of the state of labor protection, equipment operation, fire safety, cooperation with personnel in the power grids;
- check of the implementation of the measures of the Injury Risk Reduction Program of IDGC of Northern Caucasus, OJSC;
- implementation of the requirements concerning the inclusion of sections related to interaction and mutual responsibility for compliance with norms and rules of labor protection into the concluded contractor agreements ;
- input control of the received personal protective equipment for the purpose of eliminating acquisition and use of poor quality products by the personnel;
- annual training of the personnel in the sphere of first aid provision to injured people with the use of the training dummy;
- training workshops held by the employees of the labor protection department of the IDGC of Northern Caucasus, OJSC executive body, with participation of the representatives of the personal protective equipment manufacturers, for the employees of the labor protection department of the IDGC of Northern Caucasus, OJSC branches and Dagenergoset. OJSC;
- education with the production personnel without any release days (learning of safe operational skills, providing compliance with the requirements of the labor protection rules and norms, in the specialized classes);
- measures related to work with the personnel in accordance with the approved plans and schedules;
- projected checks of regular working places and teams by the members of the production and technical counsels of the system of internal technical control of branches and subsidiaries;
- check of the state and compliance with the scheme of dispatching names on the power installation equipment;
- unscheduled checks of teams and work places by authorized inspectors;
- purchase of personal protective equipment and power protection tools for working in power installations at the employer's expense.

Contact information

Full company name

Открытое акционерное общество «Межрегиональная распределительная сетевая компания Северного Кавказа» (рус.)

Interregional Distribution Grid Company of Northern Caucasus, Joint-Stock Company (Eng.)

Abbreviated company name

ОАО «МРСК Северного Кавказа» (рус.)

IDGC of Northern Caucasus, OJSC (Eng.)

Location (registered address)

18 Podstantsionnaya Street, Energetik Settlement, Pyatigorsk, Stavropol Krai, Russia, 357506.

Postal address

18 Podstantsionnaya Street, Energetik Settlement, Pyatigorsk, Stavropol Krai, Russia, 357506.

Corporate website

<http://www.mrsk-sk.ru>

Primary state registration number

1062632029778

INN[Taxpayer Identification Number]/KPP [Tax Registration Reason Code]

2632082033/263250001

Bank Details

Northern Caucasus Bank, Sberbank of Russia, OJSC, Stavropol

current account 40702810560090002817

correspondent account 30101810600000000660

BIC 040702660

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Acting General Director

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Buba Mukhamedovich Tlyabichev, Head of the Logistics Department

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http://www.mnsk-sk.ru/customer/internet-reception/ask_specialist/

Registrar

STATUS, CJSC

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Website: <http://www.rostatus.ru>

E-mail: office@rostatus.ru

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License No. 10-000-1-00304 of March 12, 2004 (unlimited) issued by the Federal Securities Market Commission of the Russian Federation

Branches and representative offices

Dagenergo branch

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Stavropolenergo branch

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Karachay-Cherkess branch

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Kabardino-Balkar branch

Director – Yury Mashtaevich Gubzhokov
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Fax: +7 (8662) 77-11-30

North Ossetia branch

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Ingush branch

Director – Magomed Akhmetovich Mogushkov
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Fax: (8732)22-18-06

Representative Office

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In accordance with the Charter of IDGC of Northern Caucasus, OJSC, there is a Moscow Representative Office. As of the date of the report, the representative office is not operating.

Disclosures

This Annual Report of IDGC of Northern Caucasus, OJSC for 2013 (hereinafter, the Annual Report) is for informational purposes only and does not present itself as advice or a convincing reason for carrying out transactions with shares of IDGC of Northern Caucasus, OJSC. The Annual Report was prepared on the basis of the information available to IDGC of Northern Caucasus, OJSC at the time it was compiled.

The Annual Report contains information on the results of the activity of IDGC of Northern Caucasus, OJSC for 2013 (in a number of cases for a longer period), assessments and predictions by authorized management bodies of IDGC of Northern Caucasus, OJSC concerning future events, development prospects for the Company and the industry that the Company is most involved in, as well as the likelihood of certain events or completion of certain actions.

Information in this Annual Report on physical entities is disclosed in accordance with personal information legislation of the Russian Federation. IDGC of Northern Caucasus, OJSC has received authorization from physical entities whose personal information is included in this Annual Report to disclose this information.

All statements of a forecast nature which are in this Annual Report, as well as all subsequent oral and written forecasts that IDGC of Northern Caucasus, OJSC, or any person working on behalf of the Company, may be responsible for are categorically limited by the reservations set out below. Forecast statements may include statements 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 the IDGC of Northern Caucasus, OJSC activities, as well as the industry and market in which IDGC of Northern Caucasus, OJSC operates. All claims included in this Annual Report, other than statements containing historical facts, may be statements 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 statement.

Any opinions or forecasts presented in this Annual Report are the views of IDGC of Northern Caucasus, OJSC, its governing bodies, management, and staff at the time of publication of this report. If the date of this report is not current, then the opinions and forecasts contained in it may not reflect the current views of the management or the governing bodies of IDGC of Northern Caucasus, OJSC. Therefore, the information contained in this report may not be considered complete, exhaustive, and justified.

Forecast statements are not a guarantee of future indicators, as real results of the IDGC of Northern Caucasus, OJSC activity in the future may differ from forecast results for a number of reasons. The indicated reasons concern a number of well-known and unknown risks, uncertainty, and other factors. IDGC of Northern Caucasus, OJSC gives no guarantee (apart from situations provided for in law) that real results, scales or indicators of its activities or of the industry in which it operates shall correspond to results, scales or indicators of its activities, clearly expressed or suggested in any statement of a forecast nature contained in this Annual Report. IDGC of Northern Caucasus, OJSC does not undertake obligations for distributing or publishing any updates or changes to statements of a forecast nature which reflect changes in expectations or new information, as well as subsequent events, conditions or circumstances. The acquisition of IDGC of Northern Caucasus, OJSC shares is related to risks described in this Annual Report. Neither IDGC of Northern Caucasus, OJSC, nor its governing bodies, nor staff shall bear responsibility for any losses arising as a result of using this report or its contents or arising from any connection with this report.

Appendices

Appendix 1. Financial Statements as per IFRS for 2013(available at - http://www.mrsk-sk.ru/shareholders_and_investors/raskrytie_informatsii/bukhgalterskaya_otchetnost)

Appendix 2. Local regulatory documents

Appendix 3. Information on transactions

Appendix 4. Information on compliance with the Code of Corporate Conduct

Appendix 5. Share in other organizations

Appendix 6. Table of the compliance of the annual report with the standard accounting elements and efficiency indicators GRI 3.0.