



**Dear shareholders,  
partners and colleagues,**

2018 has been a successful and effective for IDGC of the South: we were able not only to maintain a strong upwards trend across all core business areas, but also form a strong basis for further growth.

By the end of 2018, the Company's profit totalled RUB 1.12 bn with a 3.39% increase of capitalisation up to RUB 3.7 bn. Apart from higher profit, the Company managed to significantly cut loan service costs: the average weighted interest rate of the loan portfolio decreased from 8.91 to 8.2% per annum. Thus, RUB 252 mn were saved.

Starting from the end of 2017, the prices of shares have been persistently growing: in September 2018 the share value maxed at RUB 0.08.

It should be noted that according to the Moscow Exchange, the growth in the share value by the end of Q1 2019 exceeded 50% as compared to the reporting period. The maximum value of over RUB 0.09 per one share was recorded in March 2019.

Considering the assessment results of the corporate governance activities in 2018, the Russian Institute of Directors confirmed NRCG 6++ rating (Good Corporate Governance Practice) of IDGC

of the South as per the National Rating of Corporate Governance.

Sustainable performance generates a predictable interest among Investment Banking professionals. Analysts from major investment companies — Uralsib Management Company, RUSS-INVEST Investment Company and Sova Capital Ltd. visited IDGC of the South in November 2018. The experts reviewed the Investment Programme progress results, the Innovation Development and Power Grid Facility Renovation Plans, strategies for transition to construction of digital substations and digital active-adaptive grids.

Based on 2018 performance, the Company also significantly improved its key operating results. Thus, the average duration of process upsets across all IDGC of the South's branches decreased by 14.6% year-on-year to less than two hours. Number of faults went down by 4.6%.

Last year, the Company launched the digital transformation of the regional energy systems. This will provide the customers with improved power supply and additional services, and the shareholders — with a higher earnings on the Company's shares.

In 2018, significant work has traditionally been implemented in terms of ensuring high quality of working conditions, care for the health and well-being of employees. IDGC of the South provides insurance and housing support for personnel, implements motivational projects to attract and retain personnel, conducts fitness and health recreational activities, develops mass sports, providing access to sports infrastructure.

High professionalism of employees, focus on development, commitment to achieving maximum results are the basis for the progressive growth and sustainability of the Company, which

is responsible for the comfortable life of millions of people in the regions of the Southern Federal District.

I express my sincere gratitude to shareholders and partners for their support and trust. The Company has ambitious goals that we together can achieve with maximum efficiency.

**O. Sergeeva**

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