

The Company conducts its core activities under the conditions of natural monopoly with government regulation of electricity transmission tariffs and grid connection rates, as well as the provision of consumers with non-discriminatory access to power grids.

Annual KPIs

Considering the time limits and procedure for preparing reports and statements used to calculate the KPIs, actual KPI values for Q3 and Q4 2018 and Y2018 have not been drawn up and approved by the Company's Board of Directors at the time the Annual Report was prepared (KPIs for Q1 and Q2 of the reporting year were achieved).

For 2018 KPIs vs 2017 KPIs refer to the tables.

The Company tied up the KPIs with the amount of variable remuneration paid to managers: each indicator was assigned a relative share of the remuneration paid. Quarter and annual bonuses are paid out only if the relevant KPIs have been achieved.

THE INITIATIVES TO REDUCE TARIFFS

THE MOST RELEVANT ISSUES REGARDING HIGH TARIFFS IN ROSTOV REGION. HIGH TARIFF FOR INDUSTRIAL CONSUMERS IS THE DIRECT CONSEQUENCE OF RESTRAINING THE GROWTH RATE FOR THE POPULATION WITHIN SEVERAL YEARS. TO BALANCE THESE TARIFFS, THE REGIONAL TARIFF SERVICE WILL HAVE TO DETERMINE THE DECREASE OF CROSS-SUBSIDIZATION AND THE ANNUAL PHASED REDISTRIBUTION RATES DUE TO THE HIGHER GROWTH WITHIN THE MEDIUM AND LOW VOLTAGE LEVELS. ANOTHER RESOURCE FOR

POSITIVE CHANGING AND INCREASING THE COMPETITIVENESS OF REGIONAL PRODUCTS IS THE AUDIT OF A LARGE NUMBER OF TERRITORIAL GRID COMPANIES. TODAY IN THE ROSTOV REGION THERE ARE 40 TGCS (TERRITORIAL GRID COMPANIES), AND THE PROPORTION OF THEIR EXPENDITURES EXCEEDS SIGNIFICANTLY THE PERFORMANCE OF THE ROSTOV BRANCH IDGC OF SOUTH. WITHIN THE STRUCTURE OF THE FINAL TARIFF FOR CONSUMERS, THE SHARE OF IDGC OF SOUTH IS SET AS 14 % TO 17% ONLY REGARDING DIFFERENT VOLTAGE LEVELS.