

LETTER TO STOCKHOLDERS

Dear stockholders,

The Year 2017 has brought the Company a train of milestone events, thrilling triumphs and production achievements. In June three energy systems, OAO IDGC of Urals is made of, celebrated 75th anniversaries of incorporation. During the Great Patriotic War of 1941-1945 the Urals energy sector hosted 600+ evacuated industrial enterprises which deployment helped form the "Motherland's stronghold" and create a strong military and industrial base in the rear. Power engineers came face to face with nationwide challenges and successfully coped with them. In July the Company commemorated 10th anniversary of OAO IDGC of Urals' brand.

Summing up the results of the jubilee year, analyzing production and financial performance of the Company's and its personnel, I want to note, in all honesty, that Urals power engineers of the PAO Rosseti Group of Companies again demonstrate many-sided performance achievements and continue traditions based on fundamental philosophy of reliability, immense responsibility and high efficiency.

The industrial complex of the Urals and Kama regions is one of the country's most heavy-duty ones. This is a territory with high growth rates of regional economies, sustainable production infrastructure and high population density. Therefore, evolution of the grid complex and its reliability is the Company's objective of strategic importance. The grid complex cannot evolve, and reliable and no-break supply of residents and industrial consumers cannot be secured, without financial stability of the Company. Again, as of the year-end, the Company showed its outstanding financial and economic performance, proving that the Urals subsidiary of PAO Rosseti has chosen the right vector of development. FY2017 revenues of the Company exceeded RUB 71 billion, net income exceeding RUB 4.5 billion.

OAO IDGC of Urals' team has secured stable operations of the grid networks and achieved positive performance dynamics in key production indicators. A consummate professionalism of the Company's personnel enabled reduction of per-unit incident rate, completion of large-scale repair and investment programs and discharge of liabilities related to connection of new consumers to the networks in 2017. It should also be mentioned that by the year-end OAO IDGC of Urals has entered TOP 100 Russian Companies by market capitalization for the first time ever. As the federal rating states, the Company demonstrated a hike in the market value, reaching USD 318 million by the year-end. Market value YoY growth totaled 34.9%, share value boosted 322% on FY2014.

This outstanding picture is a result of efficient management of the Company, execution of KPIs, solid financial and economic performance, demonstrated by the Company from year to year, and enhanced efficiency and cost-cutting programs. Besides, in December 2017 Moody's Investor Service has upgraded the corporate family rating (CFR) and probability of default rating (PDR) of IDGC of Urals to Ba1 from Ba2 and to Ba1-PD from Ba2-PD, respectively (Stable Outlook), underlining robust liquidity and strong credit profile. The facts allow to state with complete certainty that the chosen growth areas and set priorities of the Company are right. Managerial solutions and executed work has laid the basis for successful performance next year that will bring new challenges, interesting and high-priority objectives for the grid complex. The Board of Directors and C-level executives aspire to retain economic stability, solid performance and social responsibility of the Company for the benefit of stockholders and customers.



A handwritten signature in black ink, appearing to read 'A. Fadeev', written in a cursive style.

Kind regards,
the Chair of the Board of Directors
of OAO IDGC of Urals
A.N. Fadeev