

“Kubanenergo” JSC
Auditing Committee

Approved by
auditing Committee
(minutes No.11 dated 14.05.2014)

Report of Auditing Committee
Of Open joint stock company of power industry and electrification of Kuban

14 May 2014

Moscow

I. Introductory Clause

Information on the Auditing Committee

Members of the Auditing Committee were elected at general meeting of shareholders	Minutes of general meeting of “Kubanenergo” JSC shareholders No.34 dated 18.06.2013
Chairperson, Secretary of the Auditing Committee were appointed by the Auditing Committee	Minutes of meeting of the Auditing Committee of “Kubanenergo” JSC No.1 dated 01.07.2013
Chairperson of the Auditing Committee	Shmakov Igor Vladimirovich
Secretary of the Auditing Committee	Kirillov Artyom Nikolayevich
Members of the Auditing Committee	Adler Yuriy Veniaminovich Pronin Nikolay Nikolayevich Bogashyov Alexandr Evgenievich

Timing of the audit: In accordance with Federal Law “On joint stock companies”, Charter of “Kubanenergo” JSC (hereafter – the Company) and Regulations on the Company’s Auditing Committee, during the period from 19.03.2014 to 14.05.2014 the Auditing Committee evaluated the fairness of data contained in annual report and accounting (financial) report for 2013.

Reason for the audit: Minutes of meeting of the Auditing Committee of “Kubanenergo” JSC No.9 dated 14.03.2014.

Audit objective: independent evaluation of fairness of data contained in annual report and accounting (financial) report for 2013 (hereafter – the Report). Fairness in all its meanings is the level of accuracy of data in Report, which allows the shareholders to make right conclusions on the results of business activity, financial and property status of the Company and make decisions on the basis of the conclusions.

The audited period: 01.10.2013 – 31.12.2013

Audited documents: annual accounting (financial) report, annual report, accounting register, source accounting documents and other documents related to Company’s business activity.

The audit was performed in accordance with:

- Federal law “On accounting” No.402-FZ dd. 06.12.2011
- Order of RF Ministry of Finances “On approval of regulation on accounting report in Russian Federation” No.34H dated 29.07.1998
- Regulations on accounting
- Order of RF Ministry of Finances “On forms of accounting reports of organizations” No.66 H dated 02.07.2010
- Regulations on disclosure of information by the issuer of securities, approved by order of Federal financial market service (hereafter - FFMS) No.11-46/ПЗ-Н dated 04.10.2011
- Other legal and internal documents

Information on the Company:

Full name	Open joint company of power industry and electrification of Kuban
Location (legal address)	2 Stavropolskaya street, Krasnodar, Russia, 350033
State registration (ORGN, date)	1022301427268 dated 17.09.2002
Tax reference number (INN)	2309001660
Branches and standalone subdivisions with independent	Krasnodar Power Grids, Sochi Power Grids, Armavir Power Grids, Adygeya Power Grids, Timashevsk Power Grids, Tikhoretsk Power Grids, Leningradskiye Power Grids, Slavyansk Power Grids, SouthWestern Power Grids, Labinsk Power Grids, Ust-Labinsk Power Grids
Sole executive body	Sultanov Georgiy Akhmedovich from 01.12.2010 to 18.03.2013 – director general of “Kubanenergo” JSC; Gavrilov Alexandr Ilyich: from 19.03.2013 to 03.06.2013 – acting director general; from 04.06.2013 – present director general of “Kubanenergo” JSC
Chief accountant (name, entering office date)	Loskutova Lyudmila Vladimirovna from 30.12.2010 to 17.05.2013 Skiba Inna Viktorovna from 20.05.2013 till present

Information of the Auditor

Full company name	“KMPG” CJSC
Meeting of general meeting of shareholders, when a decision to approve the auditor was made	Minutes of meeting of Annual general meeting of “Kubanenergo” JSC shareholders dated 18.06.2013 #34
Auditor’s report	“Auditor’s report on accounting statements of Open joint company of power industry and electrification of Kuban for 2014 dated 18.04.2014”

II. Analytical part

The audit was planned and carried out the way to get reasonable certainty that the Report for 2013 does not contain material misstatements.

Audit (inspection) was planned and carried out on a test basis and included examination, based on tests, confirmations, which prove value and disclosure of information on business activity of the Company, evaluation of principles and methods of accounting, rules of preparing reports, definition of accounting estimates. During the audit (inspection) we defined materiality level (the level of available mistake in indicators). Under materiality we mean the ability of information disclosed in report to influence decisions of those who read the report. The level of available mistake is a criterion in a part of proving the reliability of report of the Company.

When carrying out audit we checked whether the Company complies with the laws of Russian Federation and local regulations of the Company. We checked the compliance of several business tractions carried out by the Company to legislation

only in order to get reasonable and sufficient assurance that the report does not contain material misstatements.

During the audit (inspection) the Auditing Committee also took into consideration the report of Company's auditor "KMPG" CJSC dated 18.04.2014.

By the results of Company's activity in the reporting year there is a loss in amount of 2 480.1 million rubles.

The cost of net assets as of 31.12.2013 was 33 264.9 million rubles with authorized capital amounting to 28 286.8 million rubles.

The balance cost of Company's assets as of 31.12.2013 was 64 537.2 million rubles.

Non-current assets take 68.2% of the capital structure, their amount as of 31.12.2013 was 44 012.9 million rubles.

As of 31.12.2013 the total sum of accounts receivable was 5 123.5 million rubles.

Equity capital of the Company as of 31.12.2013 was 33 253.4 million rubles or 51.5% from total volume of liabilities side of the balance-sheet.

Sum of accounts payable as of 31.12.2013 was 11 651.8 million rubles.

The Auditing Committee of "Kubanenergo" JSC did not indicate dynamics of financial condition of the Company in 2012-2013 due to the fact that according to decision of "Kubanenergo" JSC the revaluation of homogenous groups of fixed assets was not carried out of 31.12.2012, this fact was the reason why the Auditor gave a qualified opinion. In order to fulfill recommendations of the Auditor and Accounting Policy of "Kubanenergo" JSC, the Company carried out revaluation of homogenous groups of fixed assets in 2013.

Methods of keeping accounts from Accounting Policy approved by Company's order No.165 on 29.12.2012 "On Accounting Policy of "Kubanenergo" JSC in 2013" corresponded the legislation of Russian Federation on accounting and federal standards.

The report was prepared in accordance with legislative and legal acts of Russian Federation (Russian Accounting Standards) and legal documents of the Company.

The Annual Report of the Company, which is submitted for consideration of Annual General Meeting of Shareholders, contains information stipulated by Regulations on disclosure of information by the issuer, approved by Order of FFMS of Russia No.11-46/ПЗ-Н dated 04.11.2011.

The reports approved by Company's Auditing Committee:

#	Type of report	Date of signing report by the management	Amount of pages in the document
1.	Accounting balance-sheet as of 31.12.2013	16.04.2014	2
2.	Financial statements for 12 months of 2013	16.04.2014	1

3.	Report on changes in equity in 2013	16.04.2014	4
4.	Report on cash flow for 12 months of 2013	16.04.2014	2
5.	Explanations to accounting report for 2013 (annexes)	16.04.2014	90
6.	Annual report by the results of "Kubanenergo" JSC activity in 2013 prepared for Annual General Meeting of Shareholders (without Annex 3 "Report of Auditing Committee by the results of audit of "Kubanenergo" JSC business activity in 2013")	14.05.2014	278

III. Final Clause

By the results of audit (check) of Company's business activity in 2013:

1. The Auditing Committee expresses its opinion on reliability of data contained in annual report and annual accounting (financial) report of the Company in all material respects.
2. The Auditing Committee did not find facts of violation procedure for accounting and procedure for provision the accounting report, set by the legal acts of RF, as well as rules of RF for fulfillment of business activity that may significantly influence the reliability of information presented in Company's report.

The report of the Auditing Committee should be taken into consideration together with all confirmable forms of accounting (financial) report and Explanations to accounting balance and financial statements of "Kubanenergo" JSC for 2013 with annexes, which are integral part of Annual Report of the Company for 2013.

Chairperson of the Auditing Committee _____ Shmakov I.V.

Members of the Auditing Committee _____ Adler Yu.V.
 _____ Pronin N.N.
 _____ Kirillov A.N.

Read and Understood:

Director general
 of "Kubanenergo" JSC _____ Gavrilov A.I.

Chief accountant
 of "Kubanenergo" JSC _____ Skiba I.V.