

**PJSC «Rosseti Kuban»**  
**Interim Condensed Consolidated**  
**Financial Statements (unaudited)**  
**for the three months**  
**ended March 31, 2021**

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**Interim Condensed Consolidated Statement of Profit and Loss and Other Comprehensive Income**  
(in thousands of Russian Rubles, if not otherwise mentioned)

		<b>Three months ended on March 31 (unaudited data)</b>	
	<b>Note</b>	<b>2021</b>	<b>2020</b>
Revenue	6	13,663,263	12,725,989
Operating expenses	9	(13,064,782)	(12,358,703)
(Charge) / recovery of provision for expected credit losses		(12,646)	201,914
Other income	7	216,256	84,479
Other expenses	8	(35,181)	(481)
<b>Operating profit</b>		<b>766,910</b>	<b>653,198</b>
Finance income	10	19,014	32,747
Finance expenses	10	(463,758)	(545,118)
<b>Total finance expenses</b>		<b>(444,744)</b>	<b>(512,371)</b>
<b>Profit/(loss) before tax</b>		<b>322,166</b>	<b>140,827</b>
Expense on income tax	11	(183,828)	(181,761)
<b>Profit/(loss) for the period</b>		<b>138,338</b>	<b>(40,934)</b>
<b>Other comprehensive income/(loss)</b>			
<i>Items that cannot be reclassified subsequently to profit or loss</i>			
Revaluation of obligations for the programmes with fixed payments		42,577	24,650
Income tax	11	(8,515)	(4,930)
<b>Total items that cannot be reclassified subsequently to profit</b>		<b>34,062</b>	<b>19,720</b>
<b>Other comprehensive income for the period, except income tax</b>		<b>34,062</b>	<b>19,720</b>
<b>Total comprehensive income/(loss) for the period</b>		<b>172,400</b>	<b>(21,214)</b>
<b>Profit/(loss) is attributable to:</b>			
Company owners		138,338	(40,934)
<b>Total comprehensive income/(loss) is attributable to:</b>			
Company owners		172,400	(21,214)
<b>Earnings per share</b>			
Basic and diluted earnings per share (RUB)	19	0.41	(0.12)

The present Consolidated Interim Condensed Financial Statements (unaudited) are approved by Company Management on May 21, 2021 and signed on behalf of Company Management by the following persons:

Deputy General Director for Economics and Finance  
(per procuration of 04.12.2020  
in register No. 23/256-н/23-2020-9-899)

O.V. Ocheredko

Chief Accountant – Head of  
Accounting and Tax Accounting Department

I.V. Skiba



The appended notes constitute an integral part of the present Interim Condensed Consolidated Financial Statements.

**Interim Condensed Consolidated Statement of Financial Position**  
(in thousands Russian rubles, if not otherwise mentioned)

	Note	March 31, 2021 (unaudited data)	December 31, 2020 (unaudited data)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Fixed assets	12	58,336,210	58,164,002
Intangible assets	13	275,632	304,618
Right-of-use assets	14	5,004,194	5,642,257
Trade and other accounts receivable	15	12,624	13,139
Assets associated with employee benefits obligations		319,952	319,337
Other non-current financial assets		1	1
Deferred tax assets		30,843	116,371
Advances issued and other non-current assets	16	3,664	3,942
<b>Total non-current assets</b>		<b>63,983,120</b>	<b>64,563,667</b>
Assets classified as held for sale – non-current		–	–
<b>Total non-current assets</b>		<b>63,983,120</b>	<b>64,563,667</b>
<b>Current assets</b>			
Inventory		2,198,449	2,014,723
Prepayment of income tax		204,788	302,622
Trade and other accounts receivable	15	7,649,299	8,115,500
Cash and cash equivalents	17	849,678	752,545
Advances issued and other current assets	16	139,643	139,484
<b>Total current assets</b>		<b>11,041,857</b>	<b>11,324,874</b>
Assets classified as held for sale		22,314	22,314
<b>Total current assets</b>		<b>11,064,171</b>	<b>11,347,188</b>
<b>Total assets</b>		<b>75,047,291</b>	<b>75,910,855</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Charter capital	18	33,465,784	33,465,784
Share premium		6,481,916	6,481,916
Reserve for capital stock issues		–	–
Other reserves		(365,315)	(399,377)
Retained earnings		(6,600,891)	(6,739,229)
<b>Total equity which is payable to Company owners</b>		<b>32,981,494</b>	<b>32,809,094</b>
<b>Non-current liabilities</b>			
Non-current borrowings	20	21,642,901	22,778,403
Non-current trade and other accounts payable	21	103,204	104,439
Non-current advances received	23	586,707	1,179,235
Liabilities for employee benefits		519,859	561,821
Government subsidies		–	404
Deferred tax liabilities		3,512	845
<b>Total non-current liabilities</b>		<b>22,856,183</b>	<b>24,625,147</b>
<b>Current liabilities</b>			
Current borrowings and current portion of non-current borrowings	20	6,811,238	6,755,657
Trade and other accounts payable	21	7,385,046	7,592,834
Government subsidies		9,214	11,878
Advances received	23	2,900,015	2,252,510
Taxes payable except income tax	22	1,235,195	938,301
Estimated liabilities	24	868,906	921,992
Current income tax payable		–	3,442
<b>Total current liabilities</b>		<b>19,209,614</b>	<b>18,476,614</b>
<b>Total liabilities</b>		<b>42,065,797</b>	<b>43,101,761</b>
<b>Total equity and liabilities</b>		<b>75,047,291</b>	<b>75,910,855</b>

The appended notes constitute an integral part of the present Interim Condensed Consolidated Financial Statements.

**Interim Condensed Consolidated Statement of Cash Flows**  
**(in thousands Russian rubles, if not otherwise mentioned)**

	Note	Three months ended March 31	
		2021 (unaudited data)	2020 (unaudited data)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Profit/(loss) for the period		138,338	(40,934)
<i>Adjustments:</i>			
Depreciation of fixed assets, right-of-use assets and amortization of intangible assets	9	1,435,278	1,450,115
Finance expenses	10	463,758	545,118
Finance income	10	(19,014)	(32,747)
Loss from fixed assets sale	8	496	99
Recovery of provision for expected credit losses		12,646	(201,914)
Recovery of provision for impairment of inventory		(35)	–
Write-off of accounts payable	7	(1,986)	(1,983)
Write-off of bad debts		621	272
Charge of estimated liabilities	9	44,467	42,160
Change of government subsidies		(3,068)	(3,068)
Other non-cash transactions		(210,993)	(170,576)
Expense on income tax	11	183,828	181,761
<b>Total adjustments impact</b>		<b>1,905,998</b>	<b>1,809,237</b>
Change of assets associated with employee benefits obligations		(615)	(16,706)
Change of employee benefits obligations		(7,732)	(1,919)
Change in long-term trade and other accounts receivable		827	(1,865)
Change in long-term advances issued and other non-current assets		278	831
Change in long-term trade and other accounts payable		(7,167)	164
Change in long-term advances received		(592,689)	174,935
<b>Cash flow from operating activities before changes in working capital and estimated liabilities</b>		<b>1,437,238</b>	<b>1,923,743</b>
<i>Changes in operating assets and liabilities:</i>			
Change in trade and other accounts receivable		465,880	(1,383,940)
Change in advances issued and other assets		438	369
Change in inventories		(169,639)	(172,530)
Change in trade and other accounts payable		394,707	1,852,789
Change in advances received		648,474	24,669
Usage of estimated liabilities		(101,617)	(28,285)
<b>Cash flow from operating activities before payment of income tax and interests</b>		<b>2,675,481</b>	<b>2,216,815</b>
Income tax paid		(9,756)	(215,040)
Interest paid under the lease agreements		(98,379)	(79,311)
Interest paid		(274,819)	(453,118)
<b>Net cash from operating activities</b>		<b>2,292,527</b>	<b>1,469,346</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Fixed assets and intangible assets acquisition		(1,325,879)	(797,979)
Interests received		4,562	7,355
<b>Net cash used in investing activities</b>		<b>(1,321,317)</b>	<b>(790,624)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Borrowed funds		9,200,204	17,695,112
Repayment of borrowings		(9,649,730)	(19,344,357)
Dividends which are payable to Company owners		(2)	–
Changes in lease liabilities		154	–
Payments for lease liabilities		(424,703)	(39,774)
<b>Net cash from (used in) financing activities</b>		<b>(874,077)</b>	<b>(1,689,019)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>97,133</b>	<b>(1,010,297)</b>
<b>Cash and cash equivalents as of the beginning of the reporting period</b>	17	<b>752,545</b>	<b>1,716,085</b>
<b>Cash and cash equivalents at the end of the reporting period</b>	17	<b>849,678</b>	<b>705,788</b>

The appended notes constitute an integral part of the present Interim Condensed Consolidated Financial Statements.

Interim Condensed Consolidated Statement of Changes in Equity  
(in thousands Russian rubles, if not otherwise mentioned)

	Equity, attributable to Company owners					
	Charter capital	Share premium	Reserve for capital stock issues	Reserves	Retained earnings	Total equity
<b>Balance as at January 1, 2021</b>	<b>33,465,784</b>	<b>6,481,916</b>	–	(399,377)	(6,739,229)	<b>32,809,094</b>
Profit for the reporting period	–	–	–	–	138,338	138,338
<i>Other comprehensive income/(expense):</i>						
Revaluation of net obligations (assets) pension liabilities	–	–	–	42,577	–	42,577
Income tax in respect of other comprehensive expense (Note 11)	–	–	–	(8,515)	–	(8,515)
<b>Total comprehensive income for the period</b>	–	–	–	<b>34,062</b>	–	<b>34,062</b>
<b>Balance as at March 1, 2020 (unaudited data)</b>	<b>33,465,784</b>	<b>6,481,916</b>	–	(365,315)	(6,600,891)	<b>32,981,494</b>
<b>Balance as at January 1, 2020</b>	<b>30,379,335</b>	<b>6,481,916</b>	<b>3,086,449</b>	(422,429)	(4,862,354)	<b>34,662,917</b>
Loss for the reporting period	–	–	–	–	(40,934)	(40,934)
<i>Other comprehensive income/(expense):</i>						
Revaluation of net obligations (assets) pension liabilities	–	–	–	24,650	–	24,650
Income tax in respect of other comprehensive expense (Note 11)	–	–	–	(4,930)	–	(4,930)
<b>Total comprehensive income for the period</b>	–	–	–	<b>19,720</b>	–	<b>19,720</b>
<b>Balance as at March 1, 2021 (unaudited data)</b>	<b>30,379,335</b>	<b>6,481,916</b>	<b>3,086,449</b>	(402,709)	(4,903,287)	<b>34,641,704</b>

The appended notes constitute an integral part of the present Interim Condensed Consolidated Financial Statements.

## **1 General information**

### **(a) The Group and its activities**

The core activities of PJSC «Rosseti Kuban» (hereinafter referred to as «Company») and its subsidiaries (hereinafter referred to as the «Group» or «Corporate Group «Rosseti Kuban»») are providing services for distribution and transmission of energy that is transferred out of the electrical system and services for technological connection of consumers to electric networks.

The location (legal address) of the Company: 350033, Russia, Krasnodar Region, Krasnodar, 2A Stavropolskaya Street.

The parent company PJSC «Rosseti» owns 93.44% of outstanding ordinary shares of the Company.

The company was founded in 1993 and is registered on the territory of the Russian Federation. The Company is a public joint-stock company in accordance with the legislation of the Russian Federation.

The Company Group «Rosseti Kuban» consists of PJSC «Rosseti Kuban» and its non-core subsidiaries with 100% participation in their authorized capital: JSC «Energetik Holiday Facility» and JSC Kuban «Energoservis».

### **(b) Relations with the Government**

The Government of the Russian Federation represented by the Federal Agency for State Property Management is the ultimate controlling party of the parent company PJSC «Rosseti». The Government policy of the Russian Federation in economic, social and other spheres has a significant impact on the activities of the Group.

As of March 31, 2021 the Russian Federation owned 88.04 % of the shares in the charter capital of the ultimate parent company PJSC «Rosseti», including 88.89 % of the ordinary voting shares, 7.01% of the preference shares (as of December 31, 2020 – 88.04 %, including 88.89 % of the ordinary voting shares, 7.01% of the preference shares).

The State has an impact on the activities of the Group by the agency of representatives of the Board of Directors of the ultimate parent company PJSC «Rosseti», rate regulation in the electric power industry, approval and supervision of investment program implementation.

### **(c) The economic environment where the Group carries out its activities**

The Group carries out its activities in the Russian Federation and thus is exposed to the risks arising from the economic situation and state of financial markets of the Russian Federation.

The economy of the Russian Federation shows some characteristics of emerging markets. The economy of the country is particularly sensitive to oil and gas prices. The legal, tax and normative systems are continuing to develop and are often subject to amendments and there is the possibility for various interpretations. The ongoing political tensions as well as international sanctions with regard to some Russian companies and citizens continue to affect the Russian economy negatively.

In 2020, the global economy was negatively affected by the coronavirus pandemic (COVID-19). The impact of the pandemic on the economies of individual countries and on the global economy as a whole has no historical analogues with other periods when governments adopted sets of measures to protect the economy. Social distancing and isolation measures, aimed at COVID-19 containment in various countries, led to the significant reduction in consumer spending and business activity of the companies in the sphere of retail trade, transport, travelling and tourism, public catering, and many other directions.

In 2021 the situation is gradually aligning, and the population is being vaccinated. However, the economic recovery is closely linked to the continuing restrictive measures, the level of economic activity remains low, and the recovery is uneven.

The Group does not expect the coronavirus pandemic (COVID-19) to have a material adverse impact on its financial position, results of operations and economic prospects. The Group continues to control and evaluate the development of the situation as well as reacting adequately, as follows:

- work in coordination with the government authorities at federal and regional levels in order to prevent the spread of the coronavirus as well as taking reasonable measures to ensure the safety, protecting life and health of its employees and contractors;

- implement the actions on maintaining the reliability of electric power supply and implement investment projects;
- control forecasting and factual information on the impact of pandemic on the economy of the Russian Federation, and activities of the Group and main contractors of the Group;
- adapt the Group's activities to new market opportunities, take measures to neutralize the possible negative impact of the pandemic, and ensure the financial stability of the Group.

These condensed consolidated financial statements reflect management's assessment of the impact of the Russian business environment on the Group's operations and financial position. The actual impact of future business conditions may differ from current estimates.

## **2 Basis of preparation of consolidated financial statement**

### ***(a) Declaration of conformity of IFRS***

These interim condensed consolidated financial statements for the three months ended March 31, 2021 have been prepared in accordance with IAS 34 «Interim Financial Reporting». Specific selected notes are included to explain events and transactions that are material to the understanding of changes in the Group's financial position and operations since the date of the last annual consolidated financial statements.

These interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2020, which have been prepared in accordance with International Financial Reporting Standards («IFRS»).

### ***(b) The usage of accounting estimates and professional judgements***

The key judgments made by management in the preparation of these interim condensed consolidated financial statements with respect to the Group's accounting policies and significant sources of estimation uncertainty are consistent with those made in the preparation of the consolidated financial statements for the year ended 31 December 2020 and as at that date

### ***(c) New standards, clarification on amendments to existing standards***

A number of new standards and interpretations have been published that are mandatory for annual periods beginning on or after 1 January 2022 and that the Group has not applied ahead of schedule. The Group intends to adopt the applicable standards and interpretations for use after the effective date, and no material impact on the Group's consolidated financial statements is expected.

- IFRS 17 «Insurance contracts»
- Amendments to IAS 1 «Classification of liabilities as short-term or long-term»
- Amendments to IAS 37 «Onerous contracts - contract performance costs»
- Amendments to IAS 16 «Property, plant and equipment: proceeds before intended use»
- Amendments to IFRS 3 «References to the conceptual framework»
- Amendment to IFRS 9 «Financial instruments» - commission fee for the «10% test» in the event of derecognition of financial liabilities
- Amendment to IFRS 1 «First-time adoption of international financial reporting standards» – subsidiary applying International Financial Reporting Standards for the first time
- Amendment to IAS 41 «Agriculture» - taxation at fair value measurement
- Amendments to IAS 1 «Presentation of Financial Statements»
- Amendments to IAS 8 «Accounting Policies, Changes in Accounting Estimates and Errors».

## **3 Significant accounting policies**

The principal accounting policies and calculation methods used by the Group are consistent with presented in the audited consolidated financial statements for the year ended 31 December 2020.

## **4 Fair value measurements**

Specific accounting policies of the Group and a number of disclosures require the fair value measurement for both financial and non-financial assets and liabilities.



When measuring fair value of an asset or liability, the Group uses observable market data as much as possible. Fair value measurement is categorized into different levels of the 'fair value hierarchy' depending on the inputs used in the relevant assessment methods:

Level 1: inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs are inputs other than quoted market prices included within Level 1 that are observable either directly (i.e. such as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for assets and liabilities that are not based on observable market data (unobservable inputs).

If the inputs used to measure fair value of an asset or a liability are categorized into different levels of the fair value hierarchy, the fair value measurement is categorized in its entirety in the level of the lowest level input that is significant to the entire measurement.

The Group discloses the transfers between levels of the fair value hierarchy in the reporting period during which the change has occurred.

The time when the transfers to the defined levels and the transfers from the defined levels are recognized is considered to be the occurrence date or change of circumstances contributed to the transfer.

## **5 Segment information**

The Management of PJSC «Rosseti Kuban» is the supreme body that makes decisions regarding the operating activities.

The core activities of the Group are providing services for distribution and transmission of energy that is transferred out of the electrical system and services for technological connection of consumers to electric networks in regions of the Russian Federation: Krasnodar Region and the Republic of Adygeya.

The internal management reporting system is based on segments formed according to the territorial principle, related to the transmission and distribution of electricity, technological connection to the power grid.

To reflect the results of each reporting segment EBITDA is used: profit or loss before interest expense, taxation, depreciation, amortization and net accrual/ (recovery) of an impairment loss on property, plant and equipment and right-of-use assets (taking into account current accounting and reporting standards in the Russian Federation). Management believes that the EBITDA calculated in this way is the most relevant for evaluating the performance of the Group's operating segments.

In accordance with the requirements of IFRS 8 – Operating Segments on the basis of data on segment revenues, EBITDA and total amount of assets submitted to the Management, the Group has identified one reportable segment, which is the Strategic Business Unit of the Group. Strategic Business Unit provides electric power transmission services, including services for technological connection in geographic regions of the Russian Federation (Krasnodar Region and the Republic of Adygeya) and is managed as a whole. The segment «Other» combines some operating segments, the core activities of which are providing repair services, lease services and recreation services.

Indicators of segments are based on business information that is prepared on the basis of RAS data and may differ from the similar ones presented in the financial statements made in accordance with IFRS.

Reconciliation of the indicators in assessment, submitted to the Management with similar indicators in these Interim Condensed Consolidated Financial Statements includes those reclassifications and adjustments that are necessary for presentation of reporting in accordance with IFRS.

The reportable segment information is disclosed below:

**(a) Information on reportable segments**

**Three months ended March 31, 2021:**

	Rosseti Kuban	Other segments	Total
Revenue from external buyers	13,626,144	37,119	13,663,263
Sales revenue between segments	877	260,131	261,008
<b>Segment revenues</b>	<b>13,627,021</b>	<b>297,250</b>	<b>13,924,271</b>
Including			
<i>Electric power transmission</i>	13,348,519	-	13,348,519
<i>Services for technological connection to electric networks</i>	135,065	-	135,065
<i>Other revenue</i>	143,437	297,250	440,687
Finance income	4,699	552	5,251
Finance expenses	(350,320)	-	(350,320)
Depreciation and amortization	(1,171,172)	(2,194)	(1,173,366)
Segment profit before tax	265,828	41	265,869
<b>EBITDA</b>	<b>1,787,320</b>	<b>2,235</b>	<b>1,789,555</b>

**Three months ended March 31, 2020:**

	Rosseti Kuban	Other segments	Total
Revenue from external buyers	12,703,089	23,951	12,727,040
Sales revenue between segments	749	63,180	63,929
<b>Segment revenues</b>	<b>12,703,838</b>	<b>87,131</b>	<b>12,790,969</b>
Including			
<i>Electric power transmission</i>	12,490,216	-	12,490,216
<i>Services for technological connection to electric networks</i>	69,528	-	69,528
<i>Other revenue</i>	144,094	87,131	231,225
Finance income	7,285	148	7,433
Finance expenses	(411,161)	-	(411,161)
Depreciation and amortization	(1,172,684)	(176)	(1,172,860)
Segment profit before tax	100,311	(1,148)	99,163
<b>EBITDA</b>	<b>1,684,156</b>	<b>(972)</b>	<b>1,683,184</b>

Explanatory notes to the Interim Condensed Consolidated Financial Statements  
for the three months ended March 31, 2021 (unaudited) (in thousands Russian rubles, if not mentioned otherwise)

As at March 31, 2021:

	Rosseti Kuban	Other segments	Total
<b>Assets of segments</b>	<b>76,940,365</b>	<b>572,680</b>	<b>77,513,045</b>
Including Fixed assets and construction in progress	63,763,582	62,911	63,826,493
Capital investment	1,119,607	7,247	1,126,854
<b>Liabilities of segments</b>	<b>39,014,637</b>	<b>450,696</b>	<b>39,465,333</b>

As at December 31, 2020:

<b>Assets of segments</b>	<b>77,380,244</b>	<b>434,941</b>	<b>77,815,185</b>
Including Fixed assets and construction in progress	63,827,345	58,828	63,886,173
Capital investment	5,052,934	30,923	5,083,857
<b>Liabilities of segments</b>	<b>39,551,046</b>	<b>312,955</b>	<b>39,864,001</b>

(b) Reconciliation of reportable segments by EBITDA is described below:

Reconciliation of segment revenues

	Three months ended March 31	
	2021	2020
<b>Segments revenues</b>	<b>13,924,271</b>	<b>12,790,969</b>
Exclusion of sales revenues between segments	(261,008)	(63,929)
Sales revenue adjustment (external)	—	(1,051)
<b>Revenue in Consolidated Statement of Profit or Loss and other Comprehensive Income</b>	<b>13,663,263</b>	<b>12,725,989</b>

	Three months ended March 31	
	2021	2020
<b>EBITDA of reportable segments under RAS</b>	<b>1,789,555</b>	<b>1,683,184</b>
Adjustment of intangible asset value	29,754	20,235
Discounting of accounts payable	375	776
Adjustment of accounts payable	39,836	4,231
Discounting of accounts receivable	836	1,448
Adjustment of disputed accounts receivable	526	29,744
Lease adjustment	355,201	399,305
Additional accrual of estimated liabilities	6,869	—
Acknowledgment of pension and other non-current liabilities to employees	8,347	18,625
Adjustment of accrued provisions for unused vacation days and bonuses	12,197	(19,732)
Adjustment of fixed assets value	1,457	(1,211)
Adjustment of taxes	(54)	(8)
Adjustment for intra-group transactions	(6,077)	—
Adjustment of revenue from electric power transmission	—	(1,051)
Other adjustments	(17,620)	514
<b>EBITDA of reportable segments under IFRS</b>	<b>2,221,202</b>	<b>2,136,060</b>
Depreciation of fixed assets, right-of-use assets and amortization of intangible assets	(1,435,278)	(1,450,115)
Interest expenses for financial liabilities, accounted at amortized cost	(356,546)	(411,681)
Interest expenses for lease liabilities	(107,212)	(133,437)
Income tax expense	(195,658)	(181,761)
<b>Consolidated profit/(loss) for the period in Consolidated Statement of Profit or Loss and Other Comprehensive Income</b>	<b>138,338</b>	<b>(40,934)</b>

*Explanatory notes to the Interim Condensed Consolidated Financial Statements  
for the three months ended March 31, 2021 (unaudited) (in thousands Russian rubles, if not mentioned otherwise)*

Reconciliation of the total sum of assets of reportable segments:

	Three months ended March 31, 2021	A Year Ended December 31, 2020
<b>Total sum of assets of segments</b>	<b>77,513,045</b>	<b>77,815,185</b>
Recognition of right-of-use assets on lease within the scope of IFRS 16	5,004,194	5,642,257
Recognition of assets, associated with employee benefits obligations	319,952	319,337
Adjustment of deferred tax assets	(1,040,082)	(932,816)
Adjustment of financial investments	14,109	14,109
Adjustment of provision for expected credit losses	(17,247)	(17,773)
Decrease in accounts receivables of advances for VAT amount from advances issued	(728,617)	(721,071)
Calculations between segments	(354,594)	(295,841)
Discounting of accounts receivable	(6,488)	(6,800)
Reclassification of accounts receivable on lease to lease obligations	(5,410)	(12,784)
Write-off of accounts receivable	(25,619)	(25,619)
Intragroup financial assets	(45,687)	(45,687)
Adjustment of intangible assets value	(102,145)	(108,058)
Decrease in VAT recoverable amount for VAT amount from advances received	(27,692)	(17,687)
Adjustment of fixed assets value	(5,483,048)	(5,570,362)
Excluding current RE from capital expenditures	(110,926)	(106,368)
Write-off of current assets	(39,360)	(21,740)
Adjustment of accounts payable for construction in progress	180,363	-
Other adjustments	2,543	2,573
<b>Total sum of assets in Consolidated Statement of Financial Position</b>	<b>75,047,291</b>	<b>75,910,855</b>

Reconciliation of the total sum of liabilities of reportable segments:

	Three months ended March 31, 2021	A Year Ended December 31, 2020
<b>Total sum of liabilities of segments</b>	<b>39,465,333</b>	<b>39,864,001</b>
Acknowledgment of lease liabilities within the scope of IFRS 16	5,386,201	6,097,272
Reclassification of accounts payable to lease IFRS 16	(144,514)	(298,281)
Acknowledgment of pension and other non-current liabilities to employees	519,859	561,821
Adjustment of accrued provisions for unused vacation days and bonuses	175,984	188,181
Discounting of accounts payable	(425)	(308)
Subsidy adjustment	-	(3,971)
Decrease in other accounts payable for VAT amount from advances received	(728,617)	(721,071)
Calculations between segments	(354,594)	(295,841)
Write-off of deferred income	(187,408)	(147,572)
Adjustment of deferred tax liabilities	(2,216,191)	(2,133,121)
Decrease in accounts payable for advances received for VAT amount from advances received	(27,692)	(17,687)
Adjustment of accounts payable for construction in progress	176,392	-
Other adjustments	1,469	8,338
<b>Total liabilities in the consolidated statement of financial position</b>	<b>42,065,797</b>	<b>43,101,761</b>

**(c) The significant buyer**

The Group operates its activities in the territory of the Russian Federation. The Group does not receive proceeds from foreign consumers and does not hold non-current assets abroad.

For the three months ended March 31, 2021 and March 31, 2020 the Group had two contractors, who individually owned more than 10 percent of the consolidated revenue of the Group. The revenue from the above-mentioned contractors are recorded in the financial statement of the Group.

The total revenue from the first contractor for three months ended March 31, 2021 amounts to 6,555,494 thousand rubles or 47.98% of total revenues of the Group (for three months ended March 31, 2020 – 6,209,164 thousand rubles or 48.79%).

The total revenue from the second contractor for three months ended March 31, 2021 amounts to 4,427,987 thousand rubles or 32.41% of total revenues of the Group (for three months ended March 31, 2020 – 4,112,277 thousand rubles or 32.31%).

## 6 Revenue

	Three months ended March 31	
	2021	2020
Electric power transmission	13,348,414	12,488,937
Technological connection to electric networks	135,065	69,528
Other revenue	143,290	141,639
<b>Total of the revenue from contracts with customers</b>	<b>13,626,769</b>	<b>12,700,104</b>
Revenue from lease agreements	36,494	25,885
	<b>13,663,263</b>	<b>12,725,989</b>

Other revenue includes mainly revenue from the sale of additional (non-tariff) services provided by the company and not related to the main activities: electric power transmission, technological connection of power receiving devices to the company's electric networks and operational and technological management of electric grid facilities.

## 7 Other income

	Three months ended March 31	
	2021	2020
Income from discovered electric power consumption without agreements	11,142	10,105
Profit from the sale of fixed assets	753	-
Income in the form of penalties, fines and forfeits in economic contracts	64,471	44,697
Income from compensation for losses due to disposal/liquidation of electric grid property	17,902	480
Income from donated fixed assets and inventories	47,994	10,955
Insurance payout	72,008	16,259
Write-off of accounts payable	1,986	1,983
	<b>216,256</b>	<b>84,479</b>

## 8 Other expenses

	Three months ended March 31	
	2021	2020
Loss/(profit) from fixed assets sale	496	181
Other expenses	34,685	300
	<b>35,181</b>	<b>481</b>

**9 Operating expenses**

	Three months ended March 31	
	2021	2020
Expenses for employee benefits	1,971,668	1,761,892
Depreciation of fixed assets, right-of-use assets and amortization of intangible assets	1,435,278	1,450,115
<b>Material expenses, including</b>		
Electric energy for compensation of process losses	2,717,226	2,536,550
Purchasing electrical energy and heat for own requirements	53,313	50,595
Other material expenses	410,147	288,951
<b>Works and services of production nature, including</b>		
Services for electric power transmission	5,332,314	5,072,901
Repair services and technical maintenance	121,567	136,828
Other works and services of production nature	61,491	63,903
Taxes and dues except income tax	173,414	177,191
Short-term lease	5,592	1,834
Insurance	34,756	22,163
<b>Other services of third parties, including:</b>		
Communication services	20,049	16,854
Security	55,844	58,759
Consulting, legal and auditing services	15,481	6,361
Expenses for software and maintenance	41,150	15,595
Transport services	492	1,544
<b>Other services, including</b>		
Expenses for energy service agreements	246,751	281,571
Other services of third parties	140,905	58,177
<b>Other expenses, including</b>		
Change in estimated liabilities	44,467	42,160
Business expenses	17,860	17,097
Expenses related to the maintenance of the property	48,809	11,729
Expenses for services for implementation, operation and development of UPS	–	27,264
Expenses recognized in the form of penalties, fines and forfeits for breach of contract	9,115	11,637
Profit and loss for prior periods	107,455	231,125
Other operational services	(362)	15,907
	<b>13,064,782</b>	<b>12,358,703</b>

**10 Finance Income and Expenses**

	Three months ended March 31	
	2021	2020
<b>Finance income</b>		
Interest income on loans issued, bank deposits and bills and bank account balance	4,555	7,433
Interest income on assets associated with liabilities for employee benefits	12,552	22,820
The effect from initial discounting of financial liabilities	375	776
Amortization of discount of financial assets	836	1,448
Other financial income	696	270
	<b>19,014</b>	<b>32,747</b>
<b>Finance expenses</b>		
Interest expenses for financial liabilities measured at amortized cost	347,417	399,879
Interest expenses for lease liabilities	107,212	133,437
Interest expenses for long-term liabilities for employee benefits	8,347	11,392
The effect from initial discounting of financial assets	524	65
Amortization of discount of financial liabilities	258	345
	<b>463,758</b>	<b>545,118</b>

## 11 Income tax

	Three months ended March 31	
	2021	2020
<b>Current income tax</b>		
Accrued of current tax	(104,148)	(9,778)
Tax adjustment for the prior periods	-	164
<b>Total current income tax</b>	<b>(104,148)</b>	<b>(9,614)</b>
Deferred income tax	(79,680)	(172,147)
<b>Current income tax expense</b>	<b>(183,828)</b>	<b>(181,761)</b>

Income tax, included in the structure of other comprehensive income:

	Three months ended March 31, 2021			Three months ended March 31, 2020		
	Before tax	Income tax	After tax	Before tax	Income tax	After tax
Revaluation of pension liabilities for the programmes with fixed payments	42,577	(8,515)	34,062	24,650	(4,930)	19,720
	<b>42,577</b>	<b>(8,515)</b>	<b>34,062</b>	<b>24,650</b>	<b>(4,930)</b>	<b>19,720</b>

The official income tax rate set by Russian law in 2021 and 2020 is 20%.

Income tax expense is recognized based on management's best estimate at the reporting date of the weighted average expected income tax rate for the full fiscal year.

Profit (loss) before tax associated with income tax expense, as follows:

	Three months ended March 31	
	2021	2020
<b>Profit/(loss) before tax</b>	<b>322,166</b>	<b>140,827</b>
Theoretic cost amount of income tax at 20% rate	(64,433)	(28,165)
Tax effects from sections, untaxed and non -deductible for tax purposes	(119,395)	(153,760)
Corrections on previous years	-	164
	<b>(183,828)</b>	<b>(181,761)</b>

## 12 Fixed assets

	Real estate and buildings	Transmission networks	Electric power transmission equipment	Other	Construction in progress	Total
Initial /deemed cost						
<b>As at January 1, 2020</b>	9,857,128	45,731,587	21,500,947	8,942,530	3,702,815	89,735,007
Reclassification between groups	–	838	–	(838)	–	–
Receipts	45	5,407	2,278	3,351	684,638	695,719
Entry into operation	124,268	266,499	96,546	80,585	(567,898)	–
Disposal	(60)	(1,103)	(5,657)	(24)	(6,426)	(13,270)
<b>As at March 31, 2020</b>	9,981,381	46,003,228	21,594,114	9,025,604	3,813,129	90,417,456
<i>Accumulated depreciation and impairment</i>						
<b>As at January 1, 2020</b>	(3,207,102)	(14,098,992)	(8,986,012)	(5,964,288)	(71,282)	(32,327,676)
Reclassification between groups	–	(151)	–	151	–	–
Accumulated depreciation	(86,450)	(548,610)	(289,881)	(159,256)	–	(1,084,197)
Reclassification of impairment losses on the introduction of property, plant and equipment	(875)	(100)	(310)	(395)	1,680	–
Disposal	59	360	5,250	21	41	5,731
<b>As at March 31, 2020</b>	(3,294,368)	(14,647,493)	(9,270,953)	(6,123,767)	(69,561)	(33,406,142)
<i>Carrying amount</i>						
<b>As at January 1, 2020</b>	6,650,026	31,632,595	12,514,935	2,978,242	3,631,533	57,407,331
<b>As at March 31, 2020</b>	6,687,013	31,355,735	12,323,161	2,901,837	3,743,568	57,011,314
Initial /deemed cost						
<b>As at January 1, 2021</b>	10,310,767	47,916,296	22,774,160	9,488,067	4,203,866	94,693,156
Reclassification between groups	(86)	86	3,089	(3,089)	–	–
Receipts	–	36,630	6,890	618	1,226,563	1,270,701
Entry into operation	1,335	718,046	143,241	128,719	(991,341)	–
Disposal	(61)	(2,598)	(649)	(1,814)	(13,278)	(18,400)
<b>As at March 31, 2021</b>	10,311,955	48,668,460	22,926,731	9,612,501	4,425,810	95,945,457
<i>Accumulated depreciation and impairment</i>						
<b>As at January 1, 2021</b>	(3,554,562)	(16,186,964)	(10,132,972)	(6,586,411)	(68,245)	(36,529,154)
Reclassification of depreciation and impairment losses	79	(79)	(752)	752	–	–
Introduction into fixed asset structure (loss carryforward due to impairment)	–	(26)	(33)	–	59	–
Accumulated depreciation	(94,770)	(530,075)	(300,346)	(158,452)	–	(1,083,643)
Disposal	37	1,073	642	1,774	24	3,550
<b>As at March 31, 2021</b>	(3,649,216)	(16,716,071)	(10,433,461)	(6,742,337)	(68,162)	(37,609,247)
<i>Carrying amount</i>						
<b>As at January 1, 2021</b>	6,756,205	31,729,332	12,641,188	2,901,656	4,135,621	58,164,002
<b>As at March 31, 2021</b>	6,662,739	31,952,389	12,493,270	2,870,164	4,357,648	58,336,210



For the three months ended March 31, 2021 capitalized interests amounted to 14,100 thousand rubles, including capitalized interest on leases regulated by IFRS 16 «Leases» 45 thousand rubles (for the three months ended March 31, 2020 amounted to 12,742 thousand rubles), capitalization rate amounted to 6.20% (for the three months ended March 31, 2020 amounted to 7.46%).

For the three months ended March 31, 2021 depreciation was capitalized into the value of the facilities of investment building amounting to 379 thousand rubles, including capitalized interest on leases regulated by IFRS 16 «Leases» 8 thousand rubles (for the three months ended March 31, 2020 amounted to 1,251 thousand rubles).

As at March 31, 2021 the initial cost of fully amortized property, plant and equipment was 7,243,821 thousand rubles (as of December 31, 2020: 6,673,675 thousand rubles).

### 13 Intangible assets

	Software	Certificates, licenses and patents	R&D	Other	Total
<i>Initial cost</i>					
As at January 1, 2020	652,801	7,171	14,500	78,195	752,667
Receipts	1,853	1,503	–	–	3,356
Disposal	–	–	–	–	–
As at March 31, 2020	654,654	8,674	14,500	78,195	756,023
<i>Accumulated amortization and impairment</i>					
As at January 1, 2020	(403,576)	(5,895)	–	(17,319)	(426,790)
Accumulated amortization	(22,629)	(495)	–	(5,817)	(28,941)
Disposal	–	–	–	–	–
As at March 31, 2020	(426,205)	(6,390)	–	(23,136)	(455,731)
<i>Carrying amount</i>					
As at January 1, 2020	249,225	1,276	14,500	60,876	325,877
As at March 31, 2020	228,449	2,284	14,500	55,059	300,292
<i>Initial cost</i>					
As at January 1, 2021	752,536	9,079	14,500	78,195	854,310
Receipts	7,461	1,518	–	–	8,979
Disposal	–	–	–	–	–
As at March 31, 2021	759,997	10,597	14,500	78,195	863,289
<i>Accumulated amortization and impairment</i>					
As at January 1, 2021	(501,931)	(8,453)	–	(39,308)	(549,692)
Accumulated amortization	(32,196)	(411)	–	(5,358)	(37,965)
Disposal	–	–	–	–	–
As at March 31, 2021	(534,127)	(8,864)	–	(44,666)	(587,657)
<i>Carrying amount</i>					
As at January 1, 2021	250,605	626	14,500	38,887	304,618
As at March 31, 2021	225,870	1,733	14,500	33,529	275,632

For the three months ended March 31, 2021 the sum of amortization of intangible assets is included in operating expenses in the consolidated statement of profit or loss and other comprehensive income is amounted to 37,593 thousand rubles (for the three months ended March 31, 2020: 28,941 thousand rubles).

For the three months ended March 31, 2021 the amount of capitalized amortization of intangible assets is amounted to 372 thousand rubles (for the three months ended March 31, 2020: 53 thousand rubles).

Other intangible assets include electrical circuits, programs for calculating the protection of overhead lines and substations from lightning surges, damage to power line elements by lightning, and the results of development work in the amount of 78,193 thousand rubles., as of March 31, 2021 (in the amount of 57,275 thousand rubles as of March 31, 2020).

Intangible assets are amortized on a straight-line basis.

The amount of research and development costs recognized as part of operating expenses for the three months ended March 31, 2021 was 1,900 thousand rubles (for the three months ended March 31, 2020: 2,255 thousand rubles).

## 14 Right-of-use assets

	Land and buildings	Transmission networks	Electric power transmission equipment	Other	Total
<i>Initial cost</i>					
As at January 1, 2020	581,969	14,704	558,753	7,789	1,163,215
Receipts	1,679,696	2,761,891	1,031,416	365,923	5,838,926
Modification of terms under lease agreements	75,534	47	92	–	75,673
Disposal or termination of lease agreements	(9,353)	–	–	(288)	(9,641)
<b>As at March 31, 2020</b>	<b>2,327,846</b>	<b>2,776,642</b>	<b>1,590,261</b>	<b>373,424</b>	<b>7,068,173</b>
<i>Accumulated depreciation and impairment</i>					
As at January 1, 2020	(32,455)	(3,804)	(133,505)	(1,587)	(171,351)
Accumulated depreciation	(97,725)	(138,802)	(85,105)	(18,641)	(340,273)
Modification of terms under lease agreements	1,505	–	–	–	1,505
Disposal or termination of lease agreements	1,379	–	–	15	1,394
<b>As at March 31, 2020</b>	<b>(127,296)</b>	<b>(142,606)</b>	<b>(218,610)</b>	<b>(20,213)</b>	<b>(508,725)</b>
<i>Carrying amount</i>					
As at January 1, 2020	549,514	10,900	425,248	6,202	991,864
<b>As at March 31, 2020</b>	<b>2,200,550</b>	<b>2,634,036</b>	<b>1,371,651</b>	<b>353,211</b>	<b>6,559,448</b>
<i>Initial cost</i>					
As at January 1, 2021	2,463,669	2,782,544	1,446,353	386,427	7,078,993
Receipts	3,520	1,254	2,820	82	7,676
Modification of terms under lease agreements	(153,536)	231	454	2	(152,849)
Disposal or termination of lease agreements	(78)	–	(371,942)	(573)	(372,593)
<b>As at March 31, 2021</b>	<b>2,313,575</b>	<b>2,784,029</b>	<b>1,077,685</b>	<b>385,938</b>	<b>6,561,227</b>
<i>Accumulated depreciation and impairment</i>					
As at January 1, 2021	(406,643)	(558,974)	(394,826)	(76,293)	(1,436,736)
Accumulated depreciation	(96,189)	(139,017)	(60,928)	(18,922)	(315,056)
Modification of terms under lease agreements	8,471	–	–	–	8,471
Disposal or termination of lease agreements	47	(1)	185,956	286	186,288
<b>As at March 31, 2021</b>	<b>(494,314)</b>	<b>(697,992)</b>	<b>(269,798)</b>	<b>(94,929)</b>	<b>(1,557,033)</b>
<i>Carrying amount</i>					
As at January 1, 2021	2,057,026	2,223,570	1,051,527	310,134	5,642,257
<b>As at March 31, 2021</b>	<b>1,819,261</b>	<b>2,086,037</b>	<b>807,887</b>	<b>291,009</b>	<b>5,004,194</b>

## 15 Trade and other account receivable

	March 31, 2021	December 31, 2020
<b>Trade and other accounts receivable long-term</b>		
Trade accounts receivable	1,588	445
Other accounts receivable	11,036	12,694
	<b>12,624</b>	<b>13,139</b>
<b>Trade and other accounts receivable short-term</b>		
Trade accounts receivable	8,320,960	8,858,237
Provision for expected credit losses on trade accounts receivable	(1,263,374)	(1,253,116)
Other accounts receivable	1,345,732	1,263,664
Provision for expected credit losses on other accounts receivable	(754,019)	(753,285)
	<b>7,649,299</b>	<b>8,115,500</b>

## 16 Advances issued and other assets

	March 31, 2021	December 31, 2020
<b>Non-current</b>		
Advances issued	3,257	3,257
VAT for advances received	407	685
	<b>3,664</b>	<b>3,942</b>
<b>Current</b>		
Advances issued	27,978	36,700
Provision for impairment of advances issued	(5,280)	(5,877)
VAT recoverable	35,769	22,597
VAT for advances received, and VAT for advances, issued for fixed asset acquisition	26,064	15,366
Prepaid taxes, except income tax	55,112	70,698
	<b>139,643</b>	<b>139,484</b>

## 17 Cash and cash equivalents

	March 31, 2021	December 31, 2020
Cash at bank and in hand	849,678	752,545
	<b>849,678</b>	<b>752,545</b>

As at March 31, 2021 and March 31, 2020 all cash balance and cash equivalents are in rubles.

## 18 Charter capital

### (a) Charter capital

<i>In thousands of units</i>	Ordinary shares	
	March 31, 2021	December 31, 2020
Nominal value per share	100 RUR	100 RUR
In circulation as at January 1	334,658	334,658
In circulation at the end of reporting period and fully paid	<b>334,658</b>	<b>334,658</b>

### (b) Ordinary shares

In accordance with the Articles of Association as at January 1, 2021 and March 31, 2021 the Charter capital of the Company amounted to 33,465,783,700 rubles and it is divided in 334,657,837 units of ordinary registered uncertified shares at nominal value of 100 rubles per share.

### (c) Dividends

The basis for distribution of the Company's profit to shareholders is defined by Russian legislation as net profit according to the data of accounting statements prepared in accordance with Russian Accounting Standards and preparation of reporting in the Russian Federation.

### (d) Additional issue of the securities

On February 24, 2021 (Protocol No. 44 of 26.02.2021) Extraordinary General Meeting of Shareholders PJSC «Rosseti Kuban» decided to increase the authorized capital of the Company by placing additional ordinary shares in the amount of 69,583,132 with a par value of 100 rubles each, for a total amount of 6,958,313,200 rubles at a par value.

On March 17, 2021 the Board of Directors of PJSC «Rosseti Kuban» approved a securities prospectus containing the terms and conditions for the placement of additional shares.

On April 1, 2021 the Bank of Russia carried out the state registration of this additional issue and the registration of the securities prospectus of PJSC «Rosseti Kuban». The additional issue of securities was assigned the state registration number 1-02-00063-A.

Additional shares will be placed within a year from the date of state registration of the additional issue, that is until April 1, 2022.

For the period from April 1, 2021 to the date of signing of the consolidated financial statements prepared in accordance with international Financial Reporting standards, PJSC «Rosseti Kuban» received cash in payment for outstanding shares in the amount of 95,116 thousand rubles. No additional shares were transferred to the first owners during this period.

## 19 Earning per share

Calculation of earnings per share for the three months ended on March 31, 2021 and March 31, 2020 is based on earnings that are payable to the ordinary shareowners and weighted average number of common shares outstanding.

The Company does not have the dilutive finance instruments.

	Three months ended March 31	
	2021	2020
<i>In thousands of shares</i>		
<b>Ordinary shares as at January 1</b>	334,658	331,995
The effect of stock floatation	–	22,703
<b>Weighted average number of shares for the period ended on March 31</b>	<b>334,658</b>	<b>334,658</b>

  

	Three months ended March 31	
	2021	2020
Weighted average number of shares outstanding for the period ended on March 31 (in thousands of units)	334,658	334,658
Profit/(loss) for period which is payable to Company owners	138,338	(40,934)
<b>Profit/(loss) per share – basic and diluted (in Russian rubles)</b>	<b>0.41</b>	<b>(0.12)</b>

## 20 Borrowings

	March 31, 2021	December 31, 2020
<b>Long-term liabilities</b>		
Unsecured loans and borrowings	17,433,396	17,882,922
Unsecured bonds	–	–
Lease liabilities	5,386,201	6,097,272
By deducting: current portion of long-term lease liabilities	(1,176,696)	(1,201,791)
	<b>21,642,901</b>	<b>22,778,403</b>
<b>Short-term liabilities</b>		
Unsecured loans and borrowings	5,634,542	5,553,866
Current portion of long-term lease liabilities	1,176,696	1,201,791
	<b>6,811,238</b>	<b>6,755,657</b>
<b>Including:</b>		
Interest payable on loans and borrowings	234,542	153,866
	<b>234,542</b>	<b>153,866</b>

Long-term and short-term liabilities for loans and borrowings and bond loans as at March 31, 2021 and December 31, 2020 amounted to 23,067,938 thousand rubles and 23,436,788 thousand rubles, respectively (excluding long-term and short-term lease liabilities).

Long-term and short-term lease liabilities as at March 31, 2021 and December 31, 2020 amounted to 5,386,201 thousand rubles and 6,097,272 thousand rubles, respectively.

As at March 31, 2021 and March 31, 2020, all loans and borrowings balances are denominated in rubles.

For the three months ended March 31, 2021 the Group obtained the following bank loans and borrowings:

	Effective interest rates	Repayment periods	Nominal value
Unsecured bank loans	KC+0.8% - KC+2.20%	2022-2025	9,200,204
			<b>9,200,204</b>

For the three months ended March 31, 2021 the Group repaid the following bank loans and borrowings:

	Nominal value
Bank loans	9,532,772
Other loans and borrowings	116,958
	<u>9,649,730</u>

As at March 31, 2021 the sum of available limit on line, but untapped credits of the Group amounted to 36,862,104 thousand rubles (as at March 31, 2020 amounted to 37,112,578 thousand rubles).

The Group has an opportunity to involve the additional financing within the relevant credit lines, including as for carrying out short-term obligations.

The Group does not use hedging instruments to manage interest rate risk.

Information on exposure of the Group to interest rate risk is disclosed in Note 27.

## 21 Trade and other accounts payable

	March 31, 2021	December 31, 2020
<b>Long-term debt</b>		
Trade accounts payable	94,662	95,472
Other accounts payable	8,542	8,967
	<u>103,204</u>	<u>104,439</u>
<b>Short-term debt</b>		
Trade accounts payable	5,715,963	5,864,793
Other accounts payable and accrued costs	538,802	597,154
Payables to employees	1,129,804	1,130,408
Dividends payable	477	479
	<u>7,385,046</u>	<u>7,592,834</u>

## 22 Taxes payable except income tax

	March 31, 2021	December 31, 2020
VAT	699,145	570,035
Property tax	328,138	162,485
Social security contribution	147,626	138,979
Other taxes payable	60,286	66,802
	<u>1,235,195</u>	<u>938,301</u>

## 23 Advances received

	March 31, 2021	December 31, 2020
<b>Long-term</b>		
Advances for services of technological connection to electric networks	586,707	1,179,235
	<u>586,707</u>	<u>1,179,235</u>
<b>Short-term</b>		
Advances for services of technological connection to electric networks	2,736,815	2,083,710
Other advances received	163,200	168,800
	<u>2,900,015</u>	<u>2,252,510</u>

## 24 Estimated liabilities

	2021	2020
<b>Balance as at January 1</b>	<u>921,992</u>	<u>726,472</u>
Accrual for the period	57,086	596,284
Decrease due to provision recovery	(12,619)	(64,391)
Release of provisions	(101,617)	(361,753)
Capitalized	4,064	25,380
<b>Balance as at March 31</b>	<u>868,906</u>	<u>921,992</u>

Estimated liabilities are mainly relates to legal lawsuits and claims that are made against the Group regarding the core activities.

## 25 Financial risk and capital management

In the course of its business activity the Group is exposed to a variety of financial risks, including but not limited to: market risk (currency risk, interest rate risks and price risk), credit risk and liquidity risk.

The Group's financial risk and capital management objectives and policies, as well as the fair value determination process, are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2020.

The Group's management takes operational measures to ensure that the cash (liquidity) received from operating activities is sufficient to finance the investment program and to service the short-term and long-term borrowings available at the reporting date. The Group's management implements measures aimed at optimizing the structure of borrowed capital, ensuring the availability of available credit limits, liquidity reserves in the form of bank account balances and short-term financial investments, and monitoring the quality of accepted financial collateral (bank guarantees).

### (a) Credit risk

The carrying value of accounts receivable less the provision for expected credit losses is the maximum amount that is subject to credit risk. Although economic and other factors effect on payment of receivables, the Group considers that the significant risk of loss that exceeds the created reserve is absent.

As at reporting date the maximum value of credit risk amounted to:

	Carrying value	
	March 31, 2021	December 31, 2020
Trade and other accounts receivable (less the provision for expected credit losses)	7,661,923	8,128,639
Cash and cash equivalents	849,678	752,545
	<b>8,511,601</b>	<b>8,881,184</b>

As at reporting date the maximum value of credit risk as a part of trade accounts receivable for the groups of buyers amounted to:

	March 31, 2021		December 31, 2020	
	Total nominal value	Reserve for expected credit loss	Total nominal value	Reserve for expected credit loss
Buyers of services for electric power transmission	7,948,852	(1,140,782)	8,515,965	(1,129,735)
Buyers of services for technological connection to electric networks	35,976	(26,921)	37,783	(27,652)
Other Buyers	337,720	(95,671)	304,934	(95,729)
	<b>8,322,548</b>	<b>(1,263,374)</b>	<b>8,858,682</b>	<b>(1,253,116)</b>

Classification of trade and other accounts receivable according to the terms of limitation is outlined below:

	March 31, 2021		December 31, 2020	
	Total nominal value	Reserve for expected credit loss	Total nominal value	Reserve for expected credit loss
Undue debts	6,048,785	(55,753)	5,865,076	(36)
Overdue by less than 3 months	812,817	(3,934)	1,369,296	(10,236)
Overdue by more than 3 months and less than 6 months	122,064	(14,017)	111,160	(51,208)
Overdue by more than 6 months and less than a year	124,904	(78,347)	534,371	(205,454)
Overdue for a certain period more than a year	2,570,746	(1,865,342)	2,255,137	(1,739,467)
	<b>9,679,316</b>	<b>(2,017,393)</b>	<b>10,135,040</b>	<b>(2,006,401)</b>

The dynamics of reserves for expected credit losses of trade and other accounts receivable are outlined below:

	2021	2020
<b>Ending on January 1</b>	<b>2,006,401</b>	<b>1,774,590</b>
Increase in reserve for a period	35,725	12,029
Recovery of reserve amounts for the period	(22,482)	(213,937)
Amounts of trade and other accounts receivable written-off out of the previous accrued reserve	(2,251)	(16,085)
<b>Balance as at March 31</b>	<b>2,017,393</b>	<b>1,556,597</b>

As at March 31, 2021, the amount of the free limit on the Group's open but unused credit lines was 36,862,104 thousand rubles (as at 31 December 2020: 37,112,578 thousand rubles).

The Group has the opportunity to attract additional financing within the appropriate limits, including to ensure the fulfillment of its short-term obligations.

**(b) Liquidity risk**

Liquidity risk is a risk when the Group is unable to fulfil its financial liabilities at maturity date of liabilities redemption.

Management of liquidity risk involves maintaining sufficient cash and the availability of financial resources by attracting credit lines. The Group adheres to a balanced model of financing working capital by using both short-term and long-term sources. Temporary free funds are invested in the short-term financial instruments such as bank deposits.

The Group's approach to managing liquidity is to ensure, that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Group's image. This approach is used to analyze payment dates associated with financial assets, and also to forecast cash flows from operating activities.

Information concerning the contract periods of repayments of financial liabilities taking into account the expectable interest payments and without taking into account the effect of set-offs is outlined below. By reference to the cash flows included in the time analysis of payment, it is not to be expected that they may arise in advance earlier in time or in significantly different amounts:

	Carrying value	Cash flows under the contract					From 1 to 2 years		From 2 to 3 years		From 3 to 4 years		From 4 to 5 years		Over 5 years	
		Prior to 1 year	From 1 to 2 years	From 2 to 3 years	From 3 to 4 years	From 4 to 5 years	Over 5 years									
<b>March 31, 2021</b>																
<b>Non-derivative financial liabilities</b>																
Credit and loans	23,067,938	26,164,548	6,892,266	4,652,247	13,115,089	98,980	1,405,966	–								
Lease liabilities	5,386,201	7,570,528	1,658,223	1,507,445	1,498,329	1,147,801	81,937	1,676,793								
Trade and other account payable	7,497,464	7,685,297	7,582,093	8,395	7,022	3,645	3,791	80,351								
	<b>35,951,603</b>	<b>41,420,373</b>	<b>16,132,582</b>	<b>6,168,087</b>	<b>14,620,440</b>	<b>1,250,426</b>	<b>1,491,694</b>	<b>1,757,144</b>								
<b>December 31, 2020</b>																
<b>Non-derivative financial liabilities</b>																
Credit and loans	23,436,788	26,854,818	6,861,988	2,184,128	16,279,350	98,980	1,430,372	–								
Bonds issued	6,097,272	8,372,398	1,891,139	1,587,416	1,514,815	1,493,315	98,106	1,787,607								
Lease liabilities	7,709,555	7,857,435	7,752,306	10,554	5,912	3,610	3,755	81,298								
Trade and other account payable	<b>37,243,615</b>	<b>43,084,651</b>	<b>16,505,433</b>	<b>3,782,098</b>	<b>17,800,077</b>	<b>1,595,905</b>	<b>1,532,233</b>	<b>1,868,905</b>								



### (c) Fair and carrying value

The carrying amount of the Group's financial instruments corresponds to their fair value, respectively. Additional disclosure is not provided for them.

Interest rate used to discount the expected future cash flows for long-term and short-term loans for the purpose of determining the disclosed fair value as at March 31, 2021 amounting to 5.05% – 6.45% (as at December 31, 2020 amounted to 5.68 – 7.40%).

Interest rate that is used for discounting of expectable future cash flows on long-term accounts receivable for the purpose of determination of disclosed fair value as at March 31, 2021 amounted to 6.78% – 6.98% (as at December 31, 2020 amounted to 6.97 – 9.01%).

Interest rate that is used for discounting of expectable future cash flows on long-term accounts payable for the purpose of determination of disclosed fair value as at March 31, 2021 amounted to 6.78% – 6.98% (as at December 31, 2020 amounted to 6.97 – 9.01%).

For three months ended March 31, 2021 and three months ended March 31, 2020 there were no transfers between fair value hierarchy levels.

The reconciliation of the carrying amounts of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income at the beginning and end of the reporting period is presented in the table below:

	<b>Financial assets at fair value through other comprehensive income</b>
<b>As at January 1, 2021</b>	<b>1</b>
Acquisition	–
Sale	–
Change in fair value recognized in other comprehensive income	–
Change in fair value recognized in profit or loss	–
<b>As at March 31, 2021</b>	<b>1</b>

## 26 Capital contractual obligations

As at March 31, 2021 the Group has outstanding commitments under contracts for purchase and construction of property, plant and equipment items for 893,194 thousand rubles, including VAT (as at December 31, 2020: 1,386,140 thousand rubles, including VAT).

## 27 Contingent liabilities

### (a) Insurance

The Group has unified requirements in respect of the volume of insurance coverage, reliability of insurance companies and procedures of organization of insurance protection. The Group maintains insurance of assets, civil liability and other insurable risks. The main business assets of the Group have insurance coverage, including coverage in case of damage or loss of assets. However, there are risks of negative impact on the operations and the financial position of the Group in case of damage caused to third parties, and also as a result of damage or loss of assets, insurance protection of which is non-existent or not fully implemented.

### (b) Contingent tax liability

Russian tax legislation is subject to varying interpretation when being applied to the transactions and activities of the Group. Consequently, the management's interpretation of tax legislation and the formal documentation may be successfully challenged by the relevant regional or federal authorities. Russian tax administration gradually strengthens. In particular, there is a higher risk of review of tax transactions without a clear business purpose or with tax non-compliant counterparties. Tax inspections may cover three calendar years prior the year of the decision on the tax inspection. Under certain circumstances reviews may cover longer periods.

The Russian tax authorities have the right to add additional tax liabilities and penalties based on the rules established by the legislation on transfer pricing, if the price/profitability in controlled transactions differs from the market level. The list of controlled transactions mainly includes transactions concluded between related parties.

Starting from January 1, 2019 control over transfer pricing for a significant part of domestic transactions has been canceled. However, the exemption from price controls may not apply to all transactions made in the domestic market. At the same time, in the case of additional charges, the mechanism of counter-adjustment of tax liabilities can be used if certain legal requirements are met. Intra-group transactions that have been out of the control of the TP since 2019 can nevertheless be checked by the territorial tax authorities for obtaining unjustified tax benefits, and the TP methods can be used to determine the amount of additional charges. The federal executive entity authorized to control and supervise taxes and fees may check prices/profitability in controlled transactions and, in case of disagreement with the prices applied by the Group in these transactions, add additional tax liabilities if the Group is unable to justify the market nature of pricing in these transactions, by providing transfer pricing documentation that meets the legal requirements.

With the further development of the practice of applying the tax rules on property tax, the tax authorities and courts may challenge the criteria the Group uses for assigning the property to movable or immovable property. The Group's Executive Board does not eliminate the risk of resource outflow, however, the impact of the events cannot be estimated with sufficient measure of reliability.

According to Executive Board opinion, the applicable legislative provisions are correctly interpreted and the position of the Group may be well-reasoned and secured with regard to tax compliance.

For the tax periods 2016-2020 the Group assessed the risk of additional property tax charges, excluding fines, in the amount of 972,005 thousand rubles. In terms of risk for the tax periods of 2016-2018, the Group assessed the risk at the level of «probable» and created a reserve in the amount of 156,967 thousand rubles. In terms of risk for the tax periods 2019-2020, the Group estimated the risk at the level of «possible» in the amount of 700,000 thousand rubles.

### **(c) Legal proceedings**

The Group is party to a number of legal proceedings (both as a plaintiff and a defendant) arising in the ordinary course of business.

In the opinion of the Executive Board, there are no current legal proceedings or other claims outstanding, which could have a material effect on the result of operations or financial position of the Group and which have not been accrued or disclosed in the consolidated financial statements.

### **(d) Environmental commitments**

The Group has been operating in the power industry in the Russian Federation for many years. The environmental legislation of the Russian Federation continues to evolve and responsibilities of the authorized state bodies supervising its observance are being reconsidered. Potential environmental commitments arising as a result of a change in interpretation of the existing regulations, civil claims or changes in legislation cannot be assessed. The management believes, that under the existing control system and legislation, there are no probable liabilities, which may have a material adverse effect on the Group's financial position, results of operations or cash flows.

## **28 Related party transactions**

### **(a) Control relationship**

Related parties include shareholders, affiliates and entities under common ownership and control with the Group, members of the Board of Directors and the key management personnel of the Company. Rosseti PJSC had control over the company as at March 31, 2021 and December 31, 2020. The Government represented by the Federal Agency for Property Management holding the majority shares of Rosseti PJSC is the ultimate controlling party.

**(b) Transactions with the parent company, its affiliated and associated companies**

Transactions with the parent company, its affiliated and associated companies include transactions with PJSC Rosseti and its affiliates and associated companies:

	Transaction amount		Carrying value	
	Three months ended March 31		March 31, 2021	December 31, 2020
	2021	2020		
Revenue, other income, finance income				
<b>Parent Company</b>				
Other revenue	296	296	–	–
<b>The enterprises are under common control of the parent company</b>				
Lease	1,144	1,100	1,363	4
Revenue from technological connection services	46	–	1	–
Other revenue	4,304	26,788	120,135	109,811
Interest income	696	270	856	160
	<b>6,486</b>	<b>28,454</b>	<b>122,355</b>	<b>109,975</b>
Provision for expected credit losses on trade and other receivables	2,551	–	(95,199)	(97,750)
Accounts receivable less provision for expected credit losses	–	–	27,156	12,225
<b>Operating expenses, finance expense</b>				
<b>Parent company</b>				
Other work and services of production nature	3,818	3,818	2,855	39,982
Other expenses	1,595	28,859	–	37
Interest expense on lease	–	40	–	–
Interest expenses for financial liabilities measured at amortized cost	101,426	31,932	230,860	153,866
<b>The enterprises are under common control of the parent company</b>				
Services for electric power transmission	1,990,051	1,980,605	792,860	765,295
Services for technological connection to electric networks	457	440	549	–
Software and maintenance costs	6,511	361	6,731	–
Other expenses	9,803	15,383	17,265	23,286
Interest expense for lease liabilities	5188	3,964	–	–
	<b>2,118,849</b>	<b>2,065,402</b>	<b>1,051,120</b>	<b>982,466</b>
Construction and installation jobs capitalized	6,329	2,255	668,505	295,632
	<b>2,125,178</b>	<b>2,067,657</b>	<b>1,719,625</b>	<b>1,278,098</b>
			<b>Carrying value</b>	
			<b>March 31, 2021</b>	<b>December 31, 2020</b>
<b>Parent company</b>				
Loans and borrowings			6,800,000	6,800,000
Lease liabilities			–	–
<b>The enterprises are under common control of the parent company</b>				
Advances issued			4,867	4,867
Lease liabilities			282,823	293,285
Advances received			1,908	76
			<b>7,089,598</b>	<b>7,098,228</b>

As at March 31, 2021 the liability owed to ultimate parent in paying dividends based on the results of 2020 is absent (as at December 31, 2020 debt to the parent company for the payment of dividends at the end of 2019 is absent).

**(c) Transactions with key management personnel**

For the purposes of preparing these consolidated financial statements, the Group identifies the members of the Board of Directors and members of the Management Board as the key management personnel.

The amounts of remuneration to key management personnel disclosed in the table represent the current period's expenses for key management personnel recorded as part of employee compensation expenses.

	<b>Three months ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Short-term employee benefits	36,400	42,987
Changes in end-of-service obligations and other long-term benefits (including pension plans)	—	—
	<b>36,400</b>	<b>42,987</b>

As at March 31, 2021 the current value of liabilities according to the programs with fixed payments that is reported in the Consolidated Statement of Financial Position, includes the liabilities in relation to key managerial personnel amounting to 0 thousand rubles (as at December 31, 2020: 0 thousand rubles).

## **29 Events after reporting period**

On April 29, 2021, the Board of Directors of PJSC «Rosseti Kuban» announced the date of the Annual General Meeting of shareholders in the form of absentee voting: June 3, 2021 (minutes of the meeting of the Board of Directors of April 29, 2021 No. 429/2021).

For the period from April 1, 2021 until the date of signing the Company's financial statements, the amount of borrowed funds raised for investment activities amounted to 54,936 thousand rubles. In addition, during this period, loans were repaid and borrowed, including indirect refinancing of loans with the highest interest rates in order to replace them with borrowed funds with a lower cost of borrowing. As a result of these measures, the loan portfolio was reduced by 692,746 thousand rubles through the use of temporarily available own funds in order to reduce the Group's interest expenses.

In the opinion of Management, there are no other business facts in the Group that had or may have an impact on the financial position, cash flows or results of operations of the Group, and which occurred in the period between the reporting date and the date of signing of the interim condensed consolidated financial statements for the 3 months ended March 31, 2021 and as at March 31, 2021.