

**PJSC Kubanenergo**  
**Interim Condensed Consolidated**  
**Financial Statements (unaudited)**  
**for the three and six months**  
**ended June 30, 2020**

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

	Note	Three months ended on June 30 (unaudited data)		Six months ended on June 30 (unaudited data)	
		2020	2019	2020	2019
Revenue	7	10 372 334	11 178 653	23 098 323	22 993 371
Operating expenses	10	(11 807 972)	(11 297 824)	(24 166 675)	(22 382 293)
(Charge)/recovery of provision for expected credit losses		(64 807)	(84 762)	137 107	(245 673)
Other income	8	219 065	479 950	303 544	555 312
Other expenses	9	(3 650)	(8 280)	(4 131)	(10 143)
<b>(Operating loss)/profit</b>		<b>(1 285 030)</b>	<b>267 737</b>	<b>(631 832)</b>	<b>910 574</b>
Finance income	11	12 808	13 487	45 555	31 642
Finance expenses	11	(528 257)	(483 972)	(1 073 375)	(941 372)
<b>Total finance expenses</b>		<b>(515 449)</b>	<b>(470 485)</b>	<b>(1 027 820)</b>	<b>(909 730)</b>
<b>(Loss)/profit before tax</b>		<b>(1 800 479)</b>	<b>(202 748)</b>	<b>(1 659 652)</b>	<b>844</b>
Income/(expense) on income tax	12	213 628	(89 582)	31 867	(230 597)
<b>Loss for the period</b>		<b>(1 586 851)</b>	<b>(292 330)</b>	<b>(1 627 785)</b>	<b>(229 753)</b>
<b>Other comprehensive income</b>					
<i>Items that cannot be reclassified subsequently to profit or loss</i>					
Revaluation of obligations for the programmes with fixed payments	12	(40 511)	(40 766)	(15 861)	(61 060)
Income tax	12	8 102	8 153	3 172	12 212
<b>Total items that cannot be reclassified subsequently to profit or loss</b>		<b>(32 409)</b>	<b>(32 613)</b>	<b>(12 689)</b>	<b>(48 848)</b>
<b>Other comprehensive expense for the period, except income tax</b>		<b>(32 409)</b>	<b>(32 613)</b>	<b>(12 689)</b>	<b>(48 848)</b>
<b>Total comprehensive expense for the period</b>		<b>(1 619 260)</b>	<b>(324 943)</b>	<b>(1 640 474)</b>	<b>(278 601)</b>
<b>Loss is attributable to:</b>					
Company owners		(1 586 851)	(292 330)	(1 627 785)	(229 753)
<b>Total comprehensive loss is attributable to:</b>					
Company owners		(1 619 260)	(324 943)	(1 640 474)	(278 601)
<b>Earnings per share</b>					
Basic and diluted earnings per share (RUB)	21	(4,74)	(0,96)	(4,86)	(0,76)

The present Consolidated Interim Condensed Financial Statements are approved by Company Management on 21 August 2020 and signed on behalf of Company Management by the following persons:

Deputy General Director  
for Economics and Finance  
(per procuracy of December 23, 2019  
in register No. 23/256-Н/23-2019-11-654)

O.V. Ocheredko

Chief Accountant – Head of  
Accounting and Tax Accounting Department

I.V. Skiba



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

	Note	June 30, 2020 (unaudited data)	December 31, 2019 (unaudited data)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Fixed assets	13	57 062 271	57 407 331
Intangible assets	14	283 158	325 877
Right-of-use assets	15	6 221 076	991 864
Trade and other accounts receivable	17	13 026	11 343
Assets associated with employee benefits obligations		325 292	318 362
Other non-current financial assets		1	1
Deferred tax assets		334 399	291 819
Advances issued and other non-current assets	18	3 460	5 121
<b>Total non-current assets</b>		<b>64 242 683</b>	<b>59 351 718</b>
Assets classified as held for sale		61 358	61 358
<b>Total non-current assets</b>		<b>64 304 041</b>	<b>59 413 076</b>
<b>Current assets</b>			
Inventory		2 138 292	1 944 833
Prepayment of income tax		636 146	226 256
Trade and other accounts receivable	17	8 282 389	7 066 945
Cash and cash equivalents	19	846 388	1 716 085
Advances issued and other current assets	18	46 177	47 971
<b>Total current assets</b>		<b>11 949 392</b>	<b>11 002 090</b>
<b>Total assets</b>		<b>76 253 433</b>	<b>70 415 166</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Charter capital	20	30 379 335	30 379 335
Share premium		6 481 916	6 481 916
Reserve for capital stock issues		3 086 449	3 086 449
Other reserves		(435 118)	(422 429)
Retained earnings		(7 127 052)	(4 862 354)
<b>Total equity which is payable to Company owners</b>		<b>32 385 530</b>	<b>34 662 917</b>
<b>Total equity</b>		<b>32 385 530</b>	<b>34 662 917</b>
<b>Non-current liabilities</b>			
Non-current borrowings	22	28 483 247	20 321 793
Non-current trade and other accounts payable	23	102 347	104 093
Non-current advances received	25	1 771 309	880 900
Liabilities for employee benefits		764 609	732 902
Deferred tax liabilities		268	-
Government subsidies		6 145	12 287
<b>Total non-current liabilities</b>		<b>31 127 925</b>	<b>22 051 975</b>
<b>Current liabilities</b>			
Current borrowings and current portion of non-current borrowings	22	1 441 230	3 827 128
Trade and other accounts payable	23	8 055 042	6 749 582
Government subsidies		12 275	12 270
Taxes payable except income tax	24	879 758	809 162
Advances received	25	1 562 735	1 575 441
Reserves	26	783 658	726 472
Current income tax payable		5 280	219
<b>Total current liabilities</b>		<b>12 739 978</b>	<b>13 700 274</b>
<b>Total liabilities</b>		<b>43 867 903</b>	<b>35 752 249</b>
<b>Total equity and liabilities</b>		<b>76 253 433</b>	<b>70 415 166</b>

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

	Note	Six months ended June 30 (unaudited data)	
		2020	2019
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Loss for the period</b>		<b>(1 627 785)</b>	<b>(229 753)</b>
<i>Adjustments:</i>			
Depreciation of fixed assets, right-of-use assets and amortization of intangible assets	10	2 856 122	1 926 800
Finance expenses	11	1 073 375	941 372
Finance income	11	(45 555)	(31 642)
(Profit)/loss from fixed assets sale		(3 255)	7 612
(Recovery)/charge of provision for expected credit losses		(137 107)	245 673
Recovery of provision for impairment of inventory		(297)	(154)
Write-off of accounts payable		(4 752)	(2 469)
Write-off of bad debts		352	3 460
Charge of provision		107 856	144 943
Other non-cash transactions		(229 659)	(26 879)
(Income)/expense on income tax		(31 867)	230 597
<b>Total adjustments impact</b>		<b>1 957 428</b>	<b>3 209 560</b>
Change of assets associated with employee benefits obligations		(6 930)	(19 069)
Change of employee benefits obligations		(6 551)	(15 893)
<b>Cash flow from operating activities before changes in working capital and reserves</b>		<b>1 943 947</b>	<b>3 174 598</b>
<b>Change in long-term trade and other receivables</b>			
Change in long-term advances issued and other non-current assets		-	-
Change in long-term trade and other accounts payable		-	-
Change in long-term advances received		-	-
<b>Cash flow from operating activities before changes in working capital and reserves</b>			
<i>Changes in operating assets and liabilities</i>			
Change in trade and other accounts receivable		(1 054 515)	(2 320 764)
Change in advances issued and other assets		143	10 474
Change in inventories		(185 082)	138 580
Change in trade and other accounts payable		1 298 826	(113 416)
Change in advances received		880 017	(18 576)
Change in government subsidies		(6 137)	(6 514)
Change in reserves		(58 618)	(171 740)
<b>Cash flow from operating activities before payment of income tax and interests</b>		<b>2 818 581</b>	<b>692 642</b>
Income tax paid		(412 102)	(351 431)
Interest paid under the lease agreements		(256 419)	(46 273)
Interest paid		(847 084)	(1 129 551)
<b>Net cash from (used in) operating activities</b>		<b>1 302 976</b>	<b>(834 613)</b>

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

	Note	Six months ended June 30 (unaudited data)	
		2020	2019
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Fixed assets and intangible assets acquisition		(2 062 686)	(1 748 837)
Interests received		19 430	26 379
<b>Net cash used in investing activities</b>		<b>(2 043 256)</b>	<b>(1 722 458)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Borrowed funds		19 358 984	2 915 267
Repayment of borrowings		(19 344 357)	(1 654 301)
Dividends which are payable to Company owners		–	(40)
Payments for lease liabilities		(144 044)	(76 996)
<b>Net cash from (used in) financing activities</b>		<b>(129 417)</b>	<b>1 183 930</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(869 697)</b>	<b>(1 373 141)</b>
Cash and cash equivalents as of the beginning of the reporting period	19	1 716 085	2 204 921
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>19</b>	<b>846 388</b>	<b>831 780</b>

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

	Equity attributable to the Company owners					Total equity
	Charter capital	Share premium	Reserve for capital stock issues	Reserves	Retained earnings	
<b>Ending on January 1, 2020</b>	30 379 335	6 481 916	3 086 449	(422 429)	(4 862 354)	34 662 917
Loss for the reporting period	-	-	-	-	(1 627 785)	(1 627 785)
<b>Other comprehensive income</b>						
Revaluation of net obligations (assets) pension liabilities	-	-	-	(15 861)	-	(15 861)
Income tax in respect of other comprehensive income (Note 12)	-	-	-	3 172	-	3 172
<b>Total comprehensive income for the period</b>	-	-	-	(12 689)	-	(12 689)
<b>Transactions with Company owners recorded directly in equity</b>						
Dividends to shareholders (Note 20)	-	-	-	-	(636 913)	(636 913)
<b>Ending on June 30, 2020 (unaudited data)</b>	30 379 335	6 481 916	3 086 449	(435 118)	(7 127 052)	32 385 530

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

	Equity attributable to the Company owners				
	Charter capital	Share premium	Reserves	Retained earnings	Total equity
<b>Ending on January 1, 2019</b>	30 379 335	6 481 916	(193 574)	(7 739 922)	28 927 755
Loss for the reporting period	-	-	-	(229 753)	(229 753)
<b>Other comprehensive income</b>					
Revaluation of net obligations (assets) pension liabilities	-	-	(61 060)	-	(61 060)
Income tax in respect of other comprehensive income (Note12)	-	-	12 212	-	12 212
<b>Total comprehensive income for the period</b>	-	-	(48 848)	(229 753)	(278 601)
<b>Transactions with Company owners recorded directly in equity</b>	-	-	-	-	-
Dividends to shareholders (Note 20)	-	-	-	(143 638)	(143 638)
<b>Ending on June 30, 2019 (unaudited data)</b>	30 379 335	6 481 916	(242 422)	(8 113 313)	28 505 516



## **1 General information**

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

The decision was made on introducing amendments to the Articles of Association of the Company regarding the change of the corporate name on the basis of the decision of the annual General Meeting of Shareholders of PJSC Kubanenergo (Minutes No.43 of May 29, 2020). Entry in the Uniform State Register of Legal Entities (USRLE), the state registration number (SRN) 2202306332908 was made on August 10<sup>th</sup>, 2020. Full corporate name Public Joint Stock Company of power industry and electrification of Kuban (PJSC Kubanenergo) was changed to Public Joint Stock Company Rosseti Kuban (PJSC Rosseti Kuban).

The change of the corporate name of the legal entity for the third parties shall come into force on August 11<sup>th</sup>, 2020.

The core activities of PJSC Kubanenergo (hereinafter referred to as the “Company”) and subsidiaries (hereinafter jointly referred to as the “Group” or “Kubanenergo group of companies”) 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.

Legal and actual address of the Company: 350033, Russia, Krasnodar Region, Krasnodar, 2A Stavropolskaya Street.

PJSC Rosseti is a parent company.

In 1993 the Krasnodar Industrial Group of Power Industry and Electrification “Krasnodarenergo” was reorganized into Open Joint-Stock Company of Power Industry and Electrification of Kuban (hereinafter referred to as the OJSC “Kubanenergo” or “Company”) on the basis of Decree of the President of Russia of August 14, 1992 No. 922 “On Aspects of Reorganization of State Owned Enterprises, Associations, Organizations of Fuel and Energy Industry into Joint Stock Companies”, the Decree of the President of Russia of August 15, 1992 No. 923 “On Management Arrangements of Electric Power Complex of the Russian Federation in the context of privatization”, the Decree of the President of Russia of November 5, 1992 No. 1334 “On Implementation of Decree of the President of Russia for Electric Power Industry of August 14, 1992 No. 922 “On Aspects of Reorganization of State Owned Enterprises, Associations, Organizations of Fuel and Energy Industry into Joint Stock Companies”.

The new corporate name as to type of legal entity was approved by the Annual General Meeting of Shareholders of June 22, 2015 due to introduction of amendments to the Civil Code of the Russian Federation. Full corporate name Open Joint Stock Company of power industry and electrification of Kuban (OJSC Kubanenergo) was changed to Public Joint Stock Company of power industry and electrification of Kuban (PJSC Kubanenergo).

Joint Stock Companies of Kubanenergo PJSC own 100% of the shares in the statutory fund of the Companies as described in Note 5.

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

The Group carries out its activities mainly 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 COVID-19 pandemic has caused financial and economic tensions on the global markets, decrease in level of consumer expenditures and business activity. Decrease in demand for oil, natural gas and oil products together with the increase in oil supply, as a result of abrogation of the OPEC + agreement on production in March 2020, led to the fall in hydrocarbon prices. Since March 2020, there has been a substantial volatility in the stock market, currency market and raw materials market.

Quarantine measures were enforced in many countries including the Russian Federation. Social distancing and isolation measures led to the cessation of activities of the companies in the sphere of retail trade, transport, travelling and tourism, public catering, and many other directions.

The impact of the COVID-19 pandemic on economic development at the national level and global economy generally does not have historical analogues compared with the other periods, when the government took set of measures to rescue the economy. The forecasts for changes in macroeconomic parameters in short-term and long-term outlook, scope of the impact of the COVID-19 pandemic on the companies of different industries including the evaluation of duration of the crisis and recovery rate, vary significantly.

The Group evaluates the impact of above-mentioned events on the Group's activities as limited, taking into account the following prerequisites:

- systemically important nature of the industry and position in the industry where the Group operates its activity, maintaining the uninterrupted power supply to consumers and connection of power;
- state regulation of tariffs for main operating activity allows to forecast within the limits of approved tariffs for the Group's services;
- lack of changes in the way and extent of usage of the Group's business assets in the current period;
- absence of currency risk (the major part of income and expenses of the Group and also monetary assets and liabilities are denominated in Russian rubles);
- absence of direct negative impact of legislative (regulatory) changes on the main operating activity of the Group intended to localization of the COVID-19 pandemic.

However, the uncertainty remains about the future environments of the Group and its contractors. Nowadays, the additional risk may consist of the lingering character of pandemic, the terms and impact of which is not possible to predict with a sufficient measure of reliability.

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, performance of the high interest investment projects and business solvency of the Group;
- control forecasting and factual information on the impact of pandemic on the economy of the Russian Federation, and activities of the main contractors of the Group.
- incorporate such forecasting and factual information into their evaluation of the potential impact of changeable micro and macroeconomic conditions on financial situation and operating results of the Group.

***(c) Relations with the State***

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 June 30, 2020, the Russian Federation owned 88,04% of the shares in the statutory fund of the parent company Rosseti PJSC, including 88,89% of the ordinary voting shares, 7,01% of the preference shares (as at December 31, 2019 owned 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 means of representatives in the Board of Directors of the parent company PJSC Rosseti, regulation of tariffs in the electric power industry, approval and control over the implementation of investment program. A substantial number of government-controlled enterprises are among the consumers of services of the Group.

**2 Basis for Preparation of Consolidated Financial Statements**

***(a) Declaration of Conformity of IAS***

The present Consolidated Interim Condensed Financial Statements for the three and six months ended June 30, 2020 were drawn up in accordance with the requirements of International Accounting Standards (IAS) 34- Interim Financial Reporting. The separated selected explanatory notes required are designed to provide an explanation of events and transactions that are significant to an understanding of the changes in financial position of the Group and performance of the entity since the last annual reporting date. The present Consolidated Interim Condensed Financial Statements should be considered in conjunction with the Consolidated Financial Statements for the year ended December 31, 2019, which were drawn up in accordance with the International Financial Reporting Standards (hereinafter referred to as the IFRS).

***(b) The usage of educated estimates and professional judgements***

Key judgements with regard to the Regulations of accounting policies of the Group and substantial sources of uncertainty in judgements applied by the Management in the preparation of the present condensed consolidated interim financial statements, are consistent with those disclosed in consolidated financial statements for the year ended on December 31, 2019 and as of this date.

***(c) Reclassification of comparison data***

Some sums in comparative information for the previous year were reclassified for the purpose of ensuring its consistency with order of presentation of data in the current reporting period. All reclassifications made are inessential.

**3 Significant Accounting Policies**

The essential elements of accounting policies and calculation methods used by the Group are consistent with those disclosed in the audited consolidated financial statements for the year ended December 31, 2019, except for the following brief description of the standards and interpretations that are effective for annual periods beginning on January 1, 2020 and applicable to the Group's activities.

#### *Amendments to IFRS 3 - Business Combinations*

These amendments change the definition of a business in order to simplify its use in practice. Besides, the IASB has introduced an optional “asset concentration test”. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed. It is not a business if substantially all of the fair value of the assets acquired is concentrated in a single identifiable asset or a group of similar identifiable assets.

#### *Conceptual Framework for Financial Reporting published on March 29<sup>th</sup>, 2018*

Conceptual Framework for Financial Reporting as amended introduces new concepts on measurement, recommendations on disclosure of financial results, improved definitions and recommendations (in particular definition of obligations) and interpretation of separate issues such as a role of the management, deliberation and evaluation of uncertainties in preparation of financial statements.

#### *Amendments to IAS 1 and IAS 8 - Definition of Material*

These amendments clarify the definition of material and application of this interpretation with a help of inclusion of guidelines for definition that were previously contained in other International Financial Reporting Standards are to ensure the subsequence of definition of material in the full set of standards (IFRS).

The amendments explain that the material will depend on the character and quantitative significance of information (each taken separately or in total with the other information) in the context of financial statements, being considered as a whole.

Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

#### *Amendments to IFRS 7, IFRS 9 and IAS 39 - Interest Rate Benchmark Reform*

Amendments to *IFRS 7, IFRS 9, IAS 39 Financial Instruments: Recognition and Measurement* require the number of exceptions that apply to all hedge relationships that are directly affected by Interest Rate Benchmark Reform. Interest Rate Benchmark Reform has an impact on the hedge relationships if some uncertainties with regard to the terms of occurrence and amount of cash flows based on the Interest Rate Benchmark according to the hedge object or hedging instrument, occur as a result of application of this reform. These amendments had no impact on the consolidated financial statements of the Group, because there are no hedge relationships there which can be affected by the Interest Rate Benchmark Reform.

Application of these standards and interpretations did not have a significant impact on this Consolidated Interim Condensed Financial Statements of the Group.

## **4 Fair Value Measurement**

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 valuation technique into three levels:

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 for the asset or liability, either directly (i.e. such as prices) or indirectly (i.e. derived from prices).

Level 3 inputs are unobservable inputs for the assets and liabilities.

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 Principal Subsidiaries

	Country of registration	Ownership share / voting shares, %	
		June 30, 2020	December 31, 2019
JSC Energetik Holiday Facility	The Russian Federation	100	100
JSC Kuban Energoservis	The Russian Federation	100	100

## 6 Segment Information

The Management of Kubanenergo 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 a number of regions of the Russian Federation (Krasnodar Region and the Republic of Adygeya).

Revenue indicators, EBITDA are used to reflect the performance of each reportable segment because they are recorded in the internal management reporting that is prepared on the basis of RAS data and are analyzed and measured on a regular basis by the Management. EBITDA is calculated as profit or loss before interest expenses, tax, depreciation and amortization. Management believes that these indicators are most relevant to analyze financial performance of certain segments against other segments and companies that operate in these industries.

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, as described below, which is the Strategic Business Unit (SBU) 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 which have been drawn up in accordance with IFRS. Reconciliation of the indicators in assessment, submitted to the Management with similar indicators in these Consolidated Financial Statements includes those reclassifications and adjustments that are necessary for presentation of reporting in accordance with IFRS.

**(a) Information on reportable segments**

**Three months ended June 30, 2020**

	<b>Kubanenergo</b>	<b>Other segments</b>	<b>Total</b>
Revenue from external buyers	10 348 352	23 982	10 372 334
Sales revenue between segments	621	218 737	219 358
<b>Segment revenues</b>	<b>10 348 973</b>	<b>242 719</b>	<b>10 591 692</b>
Including			
<i>Electric power transmission</i>	<i>10 140 720</i>	<i>–</i>	<i>10 140 720</i>
<i>Services for technological connection to electric networks</i>	<i>113 183</i>	<i>–</i>	<i>113 183</i>
<i>Other revenue</i>	<i>95 070</i>	<i>242 719</i>	<i>337 789</i>
Finance income	11 746	251	11 997
Finance expenses	(398 543)	(55)	(398 598)
Depreciation and amortization	(1 173 114)	(504)	(1 173 618)
Segment profit/(loss) before tax	(1 890 796)	21 692	(1 869 104)
<b>EBITDA</b>	<b>(319 139)</b>	<b>22 251</b>	<b>(296 888)</b>

**Three months ended June 30, 2019**

	<b>Kubanenergo</b>	<b>Other segments</b>	<b>Total</b>
Revenue from external buyers	11 169 186	12 422	11 181 608
Sales revenue between segments	567	15 837	16 404
<b>Segment revenues</b>	<b>11 169 753</b>	<b>28 259</b>	<b>11 198 012</b>
Including			
<i>Electric power transmission</i>	<i>10 893 255</i>	<i>–</i>	<i>10 893 255</i>
<i>Services for technological connection to electric networks</i>	<i>204 916</i>	<i>–</i>	<i>204 916</i>
<i>Other revenue</i>	<i>71 582</i>	<i>28 259</i>	<i>99 841</i>
Finance income	12 390	2	12 392
Finance expenses	(496 527)	(35)	(496 562)
Depreciation and amortization	(1 040 946)	(655)	(1 041 601)
Segment loss before tax	(362 218)	(28 873)	(391 091)
<b>EBITDA</b>	<b>1 175 255</b>	<b>(28 183)</b>	<b>1 147 072</b>

**Six months ended June 30, 2020**

	<b>Kubanenergo</b>	<b>Other segments</b>	<b>Total</b>
Revenue from external buyers	23 051 441	47 933	23 099 374
Sales revenue between segments	1 370	281 917	283 287
<b>Segment revenues</b>	<b>23 052 811</b>	<b>329 850</b>	<b>23 382 661</b>
Including	22 630 936	-	22 630 936
<i>Electric power transmission</i>	182 711	-	182 711
<i>Services for technological connection to electric networks</i>	239 164	329 850	569 014
<i>Other revenue</i>	19 031	399	19 430
Finance income	(809 704)	(55)	(809 759)
Finance expenses	(2 345 798)	(680)	(2 346 478)
Depreciation and amortization	(1 790 485)	20 544	(1 769 941)
Segment profit/(loss) before tax	<b>1 365 017</b>	<b>21 279</b>	<b>1 386 296</b>
<b>EBITDA</b>			

**Six months ended June 30, 2019**

	<b>Kubanenergo</b>	<b>Other segments</b>	<b>Total</b>
Revenue from external buyers	22 980 392	18 854	22 999 246
Sales revenue between segments	951	21 328	22 279
<b>Segment revenues</b>	<b>22 981 343</b>	<b>40 182</b>	<b>23 021 525</b>
Including	22 614 648	-	22 614 648
<i>Electric power transmission</i>	252 320	-	252 320
<i>Services for technological connection to electric networks</i>	114 375	40 182	154 557
<i>Other revenue</i>	26 347	32	26 379
Finance income	(970 624)	(35)	(970 659)
Finance expenses	(2 078 096)	(836)	(2 078 932)
Depreciation and amortization	(316 462)	(36 685)	(353 147)
Segment loss before tax	<b>2 732 258</b>	<b>(35 814)</b>	<b>2 696 444</b>
<b>EBITDA</b>			

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**June 30, 2020**

	<b>Kubanenergo</b>	<b>Other segments</b>	<b>Total</b>
<b>Assets of segments</b>			
Including			
Fixed assets and construction in progress	62 772 731	36 704	62 809 435
Capital investment	1 750 595	5 171	1 755 766
<b>Liabilities of segments</b>	<b>39 385 637</b>	<b>251 983</b>	<b>39 637 620</b>

**December 31, 2019**

<b>Assets of segments</b>			
Including			
Fixed assets and construction in progress	76 231 919	83 120	76 315 039
Capital investment	63 343 130	32 213	63 375 343
	5 451 095	4 756	5 455 851
<b>Liabilities of segments</b>	<b>35 622 033</b>	<b>33 273</b>	<b>35 655 306</b>



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

**Reconciliation of segments revenues:**

	Three months ended June 30		Six months ended June 30	
	2020	2019	2020	2019
<b>Segments revenues</b>	<b>10 591 692</b>	<b>11 198 012</b>	<b>23 382 661</b>	<b>23 021 525</b>
Exclusion of sales revenues between segments	(219 358)	(16 404)	(283 287)	(22 279)
Sales revenue adjustment (external)	-	(2 955)	(1 051)	(5 875)
Revenue in Consolidated Statement of Profit or Loss and other Comprehensive Income	<u>10 372 334</u>	<u>11 178 653</u>	<u>23 098 323</u>	<u>22 993 371</u>
	Three months ended June 30		Six months ended June 30	
	2020	2019	2020	2019
<b>EBITDA of reportable segments under RAS</b>	<b>(296 888)</b>	<b>1 147 072</b>	<b>1 386 296</b>	<b>2 696 444</b>
Adjustment of intangible asset value	16 823	20 960	37 058	36 376
Discounting of accounts payable	107	-	883	2 995
Adjustment of accounts payable	8 139	2 522	12 370	2 970
Discounting of accounts receivable	974	1 095	2 422	2 268
Adjustment of disputed accounts receivable	(1 963)	(5 825)	27 781	(6 430)
Adjustment of lease	413 507	57 653	812 812	114 579
Additional accrual of estimated liabilities	-	(4 331)	-	6 511
Acknowledgment of pension and other non-current liabilities to employees	(5 144)	34 774	13 481	34 962
Adjustment of accrued provisions for unused vacation days and bonuses	(1 731)	468	(21 463)	(15 464)
Adjustment of fixed assets value	(2 624)	2 808	(3 835)	5 791
Adjustment of taxes	(191)	(6 749)	(199)	(7 697)
Adjustment of revenue from electric power transmission	-	(2 955)	(1 051)	(5 875)
Other adjustments	2 776	231	3 290	1 586
<b>EBITDA of reportable segments under IFRS</b>	<u>133 785</u>	<u>1 247 723</u>	<u>2 269 845</u>	<u>2 869 016</u>
Depreciation of fixed assets, right-of-use assets and amortization of intangible assets	(1 406 007)	(966 499)	(2 856 122)	(1 926 800)
Interest expenses for financial liabilities measured at amortized cost	(400 283)	(460 439)	(811 964)	(895 099)
Interest expenses for lease liabilities	(127 974)	(23 533)	(261 411)	(46 273)
Income tax expense	213 628	(89 582)	31 867	(230 597)
<b>Consolidated profit/(loss) for the period in Consolidated Statement of Profit or Loss and Other Comprehensive Income</b>	<u>(1 586 851)</u>	<u>(292 330)</u>	<u>(1 627 785)</u>	<u>(229 753)</u>

Reconciliation of the total sum of assets of reportable segments:

	<b>Six months ended June 30, 2020</b>	<b>A Year Ended December 31, 2019</b>
<b>Total sum of assets of segments</b>	<b>77 305 810</b>	<b>76 315 039</b>
Recognition of right-of-use assets on lease within the scope of IFRS 16	6 221 900	991 864
Recognition of assets, associated with employee benefits obligations	325 292	318 362
Adjustment of deferred tax assets	(775 962)	(501 586)
Adjustment of financial investments	6 638	6 638
Adjustment of provision for expected credit losses	(33 499)	(61 280)
Decrease in accounts receivables of advances for VAT amount from advances issued	(702 685)	(517 157)
Settlement of accounts between segments	(210 182)	(26 243)
Discounting of accounts receivable	(8 025)	(10 381)
Reclassification of accounts receivable on lease to lease obligations	(7006)	(8 777)
Write-off of accounts receivable	(25 619)	(24 522)
Intragroup financial assets	(45 687)	(45 687)
Adjustment of intangible assets value	(87 490)	(89 063)
Decrease in VAT recoverable amount for VAT amount from advances received	(6 016)	(5 601)
Adjustment of fixed assets value	(5 686 630)	(5 906 065)
Other adjustments	(17 406)	(20 375)
<b>Total sum of assets in Consolidated Statement of Financial Position</b>	<b>76 253 433</b>	<b>70 415 166</b>

Reconciliation of the total sum of liabilities of reportable segments:

	<b>Six months ended June 30, 2020</b>	<b>A Year Ended December 31, 2019</b>
<b>Total sum of liabilities of segments</b>	<b>39 637 620</b>	<b>35 655 306</b>
Acknowledgment of lease liabilities within the scope of IFRS 16	6 373 236	1 017 174
Acknowledgment of pension and other non-current liabilities to employees	764 609	732 902
Adjustment of accrued provisions for unused vacation days and bonuses	166 979	145 516
Discounting of accounts payable	(1 531)	(2 080)
Decrease in other accounts payable for VAT amount from advances received	(6 017)	(5 601)
Settlement of accounts between segments	(210 182)	(26 243)
Write-off of deferred income	(126 086)	(113 716)
Adjustment of deferred tax assets	(2 028 040)	(1 134 136)
Decrease in other accounts payable for advances received for VAT amount from advances received	(702 685)	(517 157)
Other adjustments	-	284
<b>Total sum of liabilities in Consolidated Statement of Financial Position</b>	<b>43 867 903</b>	<b>35 752 249</b>

### 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 six months ended on June 30, 2020 and June 30, 2019, 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 revenue total from the first contractor for the six months ended June 30, 2020 amounts to 11 155 680 thousand rubles or 49,20% of total revenues of the Group (for the six months ended June 30, 2019 amounts to 10 695 667 thousand rubles or 46,52%).

The revenue total from the second contractor for the six months ended June 30, 2020 amounts to 7 394 995 thousand rubles or 32,68% of total revenues of the Group (for the six months ended June 30, 2019 amounts to 7 925 473 thousand rubles or 34,47%).

## 7 Revenue

	Three months ended June 30		Six months ended June 30	
	2020	2019	2020	2019
Electric power transmission	10 140 509	10 889 849	22 629 446	22 608 048
Technological connection to electric networks	113 183	204 916	182 711	252 320
Repair and maintenance	20 252	7 416	59 950	14 169
Other revenue	68 232	70 900	170 173	109 796
	<u>10 342 176</u>	<u>11 173 081</u>	<u>23 042 280</u>	<u>22 984 333</u>
Revenue from lease agreements	30 158	5 572	56 043	9 038
	<u>10 372 334</u>	<u>11 178 653</u>	<u>23 098 323</u>	<u>22 993 371</u>

Revenue from providing services for installation of equipment at the electric grid facilities, technical, repair and maintenance services, diagnostics and test, performance of installation and construction works, consulting, organizational and technical services, and other non-tariff services constitutes other revenue.

## 8 Other Income

	Three months ended June 30		Six months ended June 30	
	2020	2019	2020	2019
Income from discovered electric power consumption without agreements	28 586	28 305	38 691	48 201
Income in the form of penalties, fines and forfeits in economic contracts	116 877	279 457	161 574	317 670
Income from compensation for losses due to disposal/liquidation of electric grid property	2 370	150 684	2 850	150 684
Income from donated fixed assets and inventories	15 578	9 465	26 533	16 005
Insurance payout	52 885	10 612	69 144	20 283
Write-off of accounts payable	2 769	1 427	4 752	2 469
	<u>219 065</u>	<u>479 950</u>	<u>303 544</u>	<u>555 312</u>

## 9 Other Expenses

	Three months ended June 30		Six months ended June 30	
	2020	2019	2019	2019
Loss from fixed assets sale	3 074	5 749	3 255	7 612
Other expenses	576	2 531	876	2 531
	<u>3 650</u>	<u>8 280</u>	<u>4 131</u>	<u>10 143</u>

## 10 Operating Expenses

	Three months ended June 30		Six months ended June 30	
	2020	2019	2020	2019
Expenses for employee benefits	1 877 276	1 528 516	3 639 168	3 094 521
Depreciation of fixed assets, right-of-use assets and amortization of intangible assets	1 406 007	966 499	2 856 122	1 926 800
<i>Material expenses, including</i>				
Electric energy for compensation of process losses	1 495 583	1 612 906	4 032 133	3 929 272
Purchasing electrical energy and heat for own requirements	17 897	16 489	68 492	64 772
Other material expenses	618 868	561 212	907 819	874 181
<i>Works and services of production nature, including</i>				
Services for electric power transmission	4 878 837	4 980 637	9 951 738	9 882 506
Repair services and technical maintenance	255 587	600 171	392 415	710 236
Other works and services of production nature	87 027	21 849	150 930	34 434
Taxes and dues except income tax	176 023	166 513	353 214	323 487
Short-term lease	8 399	–	10 233	2 695
Insurance	21 639	18 985	43 802	38 316
<i>Other outsourced services, including:</i>				
Communication services	28 109	18 032	44 963	35 293
Security	59 162	50 756	117 921	101 379
Consulting, legal and auditing services	7 715	4 437	14 076	13 666
Expenses for software and maintenance	28 214	16 562	43 809	41 484
Transport services	83	1 766	1 627	2 731
<i>Other services, including:</i>				
Expenses for energy service agreements	421 839	306 343	662 143	508 512
Other outsourced services	124 531	94 611	194 437	155 348
Reserves	65 696	76 407	107 856	144 943
<i>Other expenses, including</i>				
Business expenses	7 441	44 251	24 538	79 223
Expenses for services for implementation, operation and development of UES	28 519	28 169	55 783	55 437
Expenses recognized in the form of penalties, fines and forfeits for breach of contract	98 474	(6 698)	341 246	119 252
Other operational services	95 046	189 411	152 210	243 805
	<b>11 807 972</b>	<b>11 297 824</b>	<b>24 166 675</b>	<b>22 382 293</b>

Reserves are the accrued liabilities for lawsuits that were brought to the Group regarding the core activities.

## 11 Finance Income and Expenses

	Three months ended June 30		Six months ended June 30	
	2020	2019	2020	2019
<b>Finance income</b>				
Interest income on loans issued, bank deposits and bills and bank account balance	11 727	12 392	19 430	26 379
Interest income on assets associated with liabilities for employee benefits	–	–	22 820	–
The effect from initial discounting of financial liabilities	107	–	883	2 995
Amortization of discount of financial assets	974	1 095	2 422	2 268
	<b>12 808</b>	<b>13 487</b>	<b>45 555</b>	<b>31 642</b>

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	Three months ended June 30		Six months ended June 30	
	2020	2019	2020	2019
<b>Finance expenses</b>				
Interest expenses for financial liabilities measured at amortized cost	388 190	435 409	788 069	846 878
Interest expenses for lease liabilities	127 974	23 533	261 411	46 273
Interest expenses for long-term liabilities for employee benefits	11 005	9 149	22 397	18 785
The effect from initial discounting of financial assets	1	7 790	66	7 856
Amortization of discount of financial liabilities	1 087	1 291	1 432	1 519
Other finance expenses	–	6 800	–	20 061
	<u>528 257</u>	<u>483 972</u>	<u>1 073 375</u>	<u>941 372</u>

## 12 Income tax

	Three months ended June 30		Six months ended June 30	
	2020	2019	2020	2019
<b>Current income tax</b>				
Accrued of current tax	2 341	62 580	(7 437)	–
Tax adjustment for the prior periods	–	–	164	–
<b>Total current income tax</b>	<u>2 341</u>	<u>62 580</u>	<u>(7 273)</u>	<u>–</u>
Deferred income tax	211 287	(152 162)	39 140	(230 597)
<b>Current income tax expense</b>	<u>213 628</u>	<u>(89 582)</u>	<u>31 867</u>	<u>(230 597)</u>

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

	Three months ended June 30, 2020			Six months ended June 30, 2020		
	Before tax	Income tax	After tax	Before tax	Income tax	After tax
Revaluation of pension liabilities for the programmes with fixed payments	(40 511)	8 102	(32 409)	(15 861)	3 172	(12 689)
	<u>(40 511)</u>	<u>8 102</u>	<u>(32 409)</u>	<u>(15 861)</u>	<u>3 172</u>	<u>(12 689)</u>

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	Three months ended June 30, 2019			Six months ended June 30, 2019		
	Before tax	Income tax	After tax	Before tax	Income tax	After tax
Revaluation of pension liabilities for the programmes with fixed payments	(40 766)	8 153	(32 613)	(61 060)	12 212	(48 848)
	<u>(40 766)</u>	<u>8 153</u>	<u>(32 613)</u>	<u>(61 060)</u>	<u>12 212</u>	<u>(48 848)</u>

In 2020 and 2019, income tax rate was 20 percent, officially established by the Russian legislation.

Income tax expenses are recorded based on the best assessment as at reporting date by the management of the weighted-average expected income tax rate for the full financial year.

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

	Three months ended June 30		Six months ended June 30	
	2020	2019	2020	2019
Profit/(loss) before tax	(1 800 479)	(202 748)	(1 659 652)	844
Theoretic cost amount of income tax at 20% rate	360 095	40 550	331 930	(169)
Tax effects from sections, untaxed and non - deductible for tax purposes	(146 467)	(130 132)	(300 063)	(230 428)
	<u>213 628</u>	<u>(89 582)</u>	<u>31 867</u>	<u>(230 597)</u>

### 13 Fixed Assets

	Real estate and buildings	Transmissio n networks	Electric power transmission equipment	Other	Construction in progress	Total
<b>Initial /deemed cost</b>						
As at January 1, 2019	8 078 303	39 375 396	17 999 307	7 961 187	11 312 191	84 726 384
Reclassification between groups	(2 211)	(1 186)	2 477	920	-	-
Receipts	576	5 363	50 781	53 359	1 627 971	1 738 050
Entry into operation	523 030	3 172 335	115 303	106 693	(3 917 361)	-
Disposal	(3 094)	(5 482)	(883)	(16 007)	(7 645)	(33 111)
As at June 30, 2019	<u>8 596 604</u>	<u>42 546 426</u>	<u>18 166 985</u>	<u>8 106 152</u>	<u>9 015 156</u>	<u>86 431 323</u>
<b>Accumulated depreciation and impairment</b>						
As at January 1, 2019	(2 890 092)	(12 341 674)	(7 942 339)	(5 602 190)	(78 302)	(28 854 597)
Reclassification between groups	1 149	336	(1 171)	(314)	-	-
Introduction into fixed asset structure (loss carryforward due to impairment)	-	(548)	(251)	-	799	-
Accumulated depreciation	(153 191)	(865 011)	(506 855)	(272 173)	-	(1 797 230)
Disposal	1 832	3 749	639	11 203	-	17 423
As at June 30, 2019	<u>(3 040 302)</u>	<u>(13 203 148)</u>	<u>(8 449 977)</u>	<u>(5 863 474)</u>	<u>(77 503)</u>	<u>(30 634 404)</u>
<b>Carrying amount</b>						
As at January 1, 2019	<u>5 188 211</u>	<u>27 033 722</u>	<u>10 056 968</u>	<u>2 358 997</u>	<u>11 233 889</u>	<u>55 871 787</u>
As at June 30, 2019	<u>5 556 302</u>	<u>29 343 278</u>	<u>9 717 008</u>	<u>2 242 678</u>	<u>8 937 653</u>	<u>55 796 919</u>
<b>Initial /deemed cost</b>						
As at January 1, 2020	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	16 242	14 163	8 972	1 753 500	1 792 922
Entry into operation	158 230	844 530	228 885	153 633	(1 385 278)	-
Disposal	(758)	(2 979)	(18 842)	(13 394)	(7 358)	(43 331)
As at June 30, 2020	<u>10 014 645</u>	<u>46 590 218</u>	<u>21 725 153</u>	<u>9 090 903</u>	<u>4 063 679</u>	<u>91 484 598</u>
<b>Accumulated depreciation and impairment</b>						
As at January 1, 2020	(3 207 102)	(14 098 992)	(8 986 012)	(5 964 288)	(71 282)	(32 327 676)
Reclassification between groups	-	(151)	-	151	-	-
Introduction into fixed asset structure (loss carryforward due to impairment)	(876)	(133)	(350)	(531)	1 890	-
Accumulated depreciation	(173 065)	(1 053 471)	(580 743)	(317 692)	-	(2 124 971)
Disposal	609	1 003	18 072	10 595	41	30 320
As at June 30, 2020	<u>(3 380 434)</u>	<u>(15 151 744)</u>	<u>(9 549 033)</u>	<u>(6 271 765)</u>	<u>(69 351)</u>	<u>(34 422 327)</u>
<b>Carrying amount</b>						
As at January 1, 2020	<u>6 650 026</u>	<u>31 632 595</u>	<u>12 514 935</u>	<u>2 978 242</u>	<u>3 631 533</u>	<u>57 407 331</u>
As at June 30, 2020	<u>6 634 211</u>	<u>31 438 474</u>	<u>12 176 120</u>	<u>2 819 138</u>	<u>3 994 328</u>	<u>57 062 271</u>

For the six months ended on June 30, 2020, capitalized interests amounted to 29 148 thousands rubles (for the six months ended on June 30, 2019 amounted to 247 724 thousand rubles), capitalization rate amounted to 7,38% (for the six months ended on June 30, 2019 amounted to 7,93%).

For the six months ended on June 30, 2020, depreciation was capitalized into the value of the facilities of investment building amounting to 3 310 thousand rubles (for the six months ended on June 30, 2019 amounted to 2 861 thousand rubles).

### **Impairment of fixed assets**

Fixed assets of the Group are mainly presented to the facilities of special purpose. Accordingly, the recoverable value of fixed assets is determined as value in use of fixed assets by using cash flow forecasting method.

The Group carried out the fixed assets impairment test as at December 31, 2019 and disclosed in the consolidated financial statements ended December 31, 2019 the sensitivity analysis on basic assumptions on the basis of which the impairment models of cash-generating units were constructed

As at June 30, 2020, the Group carried out the additional analysis of external and internal sources of information including the current impact of COVID-19 pandemic on the activities of the Group and macro-environment (Note 1 “Economic environment in which the Group operates its activities”).

The Group updated the calculation of value in use of non-current assets as at June 30, 2020 in the context of the following key assumptions which can be affected by the COVID-19 pandemic, according to the Group opinion:

- Discount rate. As at June 30, 2020, the Group used the discount rate of 9,18% (as at December 31, 2019 – 9,03%), taking into account the specific risk adjustment in the current situation.
- The volumes of electric power output were revised in the forecast period 2021-2024 towards the possible decline in 2020 with the subsequent recovery in 2021.
- The amount of capital investments in the calculation of cash flow forecasting reflects the sums approved as at December 31, 2019, because if there are some investment program adjustments of the Group, these adjustments may take into account possible deviations and are subject to approval by the Ministry of Energy of the Russian Federation in the second half of 2020.
- The possible adjustments of the own working capital were examined by the Group for use in modeling of working capital in order to foresee the impact of macroeconomic factors (reduction in liquidity and profitability of the companies, increase in bankruptcy in a number of spheres) on the possibility of some consumers of the Group to pay off their debts.

As a result of assessment made regarding the impact of possible changes in key assumptions on the value in use of non-current assets, the factors that give evidence concerning the need for recognition of impairment loss of fixed assets as at June 30, 2020, have not been detected by the Group.

The Group continues to analyze the impact of changes in economic environment on its activities for the purpose of renewal of impairment testing of non-current assets in the subsequent periods, as far as the additional information on the middle and long-term forecasting of energy consumption in the Russian Federation becomes available and further plans of the Group are approved.



## 14 Intangible Assets

	Software	Certificates, licenses and patents	R&D	Other	Total
<i>Initial cost</i>					
As at January 1, 2019	505 189	5 295	40 934	36 169	587 587
Reclassification between groups	–	–	7 500	(7 500)	–
Receipts	20 394	–	–	–	20 394
Disposal	–	–	–	(8 297)	(8 297)
As at June 30, 2019	<u>525 583</u>	<u>5 295</u>	<u>48 434</u>	<u>20 372</u>	<u>599 684</u>
<i>Accumulated amortization and impairment</i>					
As at January 1, 2019	(318 369)	(5 295)	–	(15 102)	(338 766)
Accumulated amortization	(42 899)	–	–	(2 551)	(45 450)
Disposal	–	–	–	8 297	8 297
As at June 30, 2019	<u>(361 268)</u>	<u>(5 295)</u>	<u>–</u>	<u>(9 356)</u>	<u>(375 919)</u>
<i>Carrying amount</i>					
As at January 1, 2019	<u>186 820</u>	<u>–</u>	<u>40 934</u>	<u>21 067</u>	<u>248 821</u>
As at June 30, 2019	<u>164 315</u>	<u>–</u>	<u>48 434</u>	<u>11 016</u>	<u>223 765</u>
	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	13 888	1 846	–	–	15 734
As at June 30, 2020	<u>666 689</u>	<u>9 017</u>	<u>14 500</u>	<u>78 195</u>	<u>768 401</u>
<i>Accumulated amortization and impairment</i>					
As at January 1, 2020	(403 576)	(5 895)	–	(17 319)	(426 790)
Accumulated amortization	(45 814)	(1 367)	–	(11 272)	(58 453)
As at June 30, 2020	<u>(449 390)</u>	<u>(7 262)</u>	<u>–</u>	<u>(28 591)</u>	<u>(485 243)</u>
<i>Carrying amount</i>					
As at January 1, 2020	<u>249 225</u>	<u>1 276</u>	<u>14 500</u>	<u>60 876</u>	<u>325 877</u>
As at June 30, 2020	<u>217 299</u>	<u>1 755</u>	<u>14 500</u>	<u>49 604</u>	<u>283 158</u>

For the six months ended on June 30, 2020, the sum of amortization of intangible assets in the amount of 58 017 thousand rubles is included in operating expenses and capitalized in the value of capital construction facilities in the amount of 436 thousand rubles (for the six months ended on June 30, 2019, the sum of amortization of intangible assets in the amount of 45 393 thousand rubles is included in operating expenses and capitalized in the value of capital construction facilities in the amount of 57 thousand rubles).

Other intangible assets include circuit diagrams, programs to calculate the protection of high-voltage electric transmission lines and electrical substations from lightning overvoltages, lightning strikes, results of R&D works in the amount of 78 193 thousand rubles as at June 30, 2020 (as at June 30, 2019 amounted to 11 016 thousand rubles).

## 15 Right-of-use Assets

	Land and buildings	Transmission networks	Electric power transmission equipment	Other	Total
<i>Initial cost</i>					
As at January 1, 2019	529 699	18 906	562 801	8 858	1 120 264
Receipts	59 464	–	344	5 110	64 918
Modification of terms under lease agreements	5 538	(144)	(11 158)	–	(5 764)
Disposal or termination of lease agreements	(1 703)	–	–	(1 071)	(2 774)
As at June 30, 2019	<u>592 998</u>	<u>18 762</u>	<u>551 987</u>	<u>12 897</u>	<u>1 176 644</u>
<i>Accumulated depreciation and impairment</i>					
As at January 1, 2019	–	–	–	–	–
Accumulated depreciation	(16 570)	(2 234)	(67 445)	(1 375)	(87 624)
Modification of terms under lease agreements	787	126	850	–	1 763
Disposal or termination of lease agreements	97	–	–	24	121
As at June 30, 2019	<u>(15 686)</u>	<u>(2 108)</u>	<u>(66 595)</u>	<u>(1 351)</u>	<u>(85 740)</u>
<i>Carrying amount</i>					
As at January 1, 2019	<u>529 699</u>	<u>18 906</u>	<u>562 801</u>	<u>8 858</u>	<u>1 120 264</u>
As at June 30, 2019	<u>577 312</u>	<u>16 654</u>	<u>485 392</u>	<u>11 546</u>	<u>1 090 904</u>

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	<u>Land and buildings</u>	<u>Transmission networks</u>	<u>Electric power transmission equipment</u>	<u>Other</u>	<u>Total</u>
<b>Initial cost</b>					
As at January 1, 2020	581 969	14 704	558 753	7 789	1 163 215
Reclassification between groups					
Receipts	1 681 640	2 761 922	1 031 458	365 932	5 840 952
Modification of terms under lease agreements	74 647	125	101	–	74 873
Disposal or termination of lease agreements	(10 110)	(1 328)	(617)	(385)	(12 440)
As at June 30, 2020	<u>2 328 146</u>	<u>2 775 423</u>	<u>1 589 695</u>	<u>373 336</u>	<u>7 066 600</u>
<b>Accumulated depreciation and impairment</b>					
As at January 1, 2020	(32 455)	(3 804)	(133 505)	(1 587)	(171 351)
Reclassification between groups					
Accumulated depreciation	(192 762)	(277 566)	(170 118)	(37 278)	(677 724)
Modification of terms under lease agreements	647	–	–	–	647
Disposal or termination of lease agreements	2 438	305	124	37	2 904
As at June 30, 2020	<u>(222 132)</u>	<u>(281 065)</u>	<u>(303 499)</u>	<u>(38 828)</u>	<u>(845 524)</u>
<b>Carrying amount</b>					
As at January 1, 2020	<u>549 514</u>	<u>10 900</u>	<u>425 248</u>	<u>6 202</u>	<u>991 864</u>
As at June 30, 2020	<u>2 106 014</u>	<u>2 494 358</u>	<u>1 286 196</u>	<u>334 508</u>	<u>6 221 076</u>

In 2019 the lease agreement of energy network assets No. № 407/30-507 of April 25, 2019 was concluded by the Group with the contractor AO DVEUK-ENES. The lease period with monthly lease payment amounting to 110 719 thousand rubles excluding VAT was fixed for the period from January 1, 2020 to December 31, 2024 in accordance with the present agreement. At inception of the lease, i.e. January 1, 2020, the Group evaluated the right-of-use asset and liability for long-term lease according to discounted value of lease payments that have not been made yet amounting to 5 501 499 thousand rubles. Increase in value of right-of-use assets and liability for long-term lease under the present agreement was recorded and disclosed in the present consolidated interim condensed financial statements.

## 16 Other Financial Assets

	<u>June 30, 2020</u>	<u>December 31, 2019</u>
<b>Non-current assets</b>		
Financial assets, measured at fair value, changes of which are recorded through other comprehensive income:		
<i>investments in unquoted equity instruments</i>	1	1
	<u>1</u>	<u>1</u>

## 17 Trade and Other Accounts Receivable

	June 30, 2020	December 31, 2019
<b>Trade and other accounts receivable long-term</b>		
Trade accounts receivable	467	285
Provision for expected credit losses on trade accounts receivable	-	-
Other accounts receivable	12 559	11 058
Provision for expected credit losses on other accounts receivable	-	-
	<b>13 026</b>	<b>11 343</b>
<b>Trade and other accounts receivable short-term</b>		
Trade accounts receivable	8 989 354	7 655 769
Provision for expected credit losses on trade accounts receivable	(898 526)	(1 057 167)
Other accounts receivable	912 973	1 185 766
Provision for expected credit losses on other accounts receivable	(721 412)	(717 423)
	<b>8 282 389</b>	<b>7 066 945</b>

Information on balances with related parties is disclosed in Note 30.

## 18 Advances Issued and Other Assets

	June 30, 2020	December 31, 2019
<b>Non-current</b>		
Advances issued	2 775	4 436
Provision for impairment of advances issued	-	-
VAT for advances issued	685	685
	<b>3 460</b>	<b>5 121</b>
<b>Current</b>		
Advances issued	31 646	45 760
Provision for impairment of advances issued	(9 503)	(13 313)
VAT recoverable	6 900	8 030
VAT for advances received, and Vat for advances, issued for fixed asset acquisition	7 660	431
Prepaid taxes, except income tax	9 474	7 063
	<b>46 177</b>	<b>47 971</b>

Information on balances with related parties is disclosed in Note 30.

## 19 Cash and Cash Equivalents

	June 30, 2020	December 31, 2019
Cash at bank and in hand	846 388	1 716 085
	<b>846 388</b>	<b>1 716 085</b>

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	<u>Rating</u>	<u>Rating agency</u>	<u>June 30, 2020</u>	<u>December 31, 2019</u>
Federal Treasury Department in Krasnodar Region	–	–	579 268	579 268
JSC AB “ROSSIYA”	ruAA	Эксперт РА	1 216	9 009
Russian Regional Development Bank	ba3	Moody’s	90 247	670
Mosoblbank PJSC	–	–	–	6
PAO Sberbank*	ba1	Moody’s	87 484	44 154
Bank GPB (JSC) *	ba1	Moody’s	87 983	1 082 059
VTB Bank (PJSC) *	BBB-	Standart & Poor’s	66	900
Cash in hand	–	–	72	19
Other banks	–	–	52	–
			<b>846 388</b>	<b>1 716 085</b>

\* Government-related banks.

As at June 30, 2020 and December 31, 2019, all cash balance and cash equivalents are in rubles.

## 20 Charter Capital

### (a) Charter capital

<i>Per share</i>	<u>Ordinary shares</u>	
	<u>June 30, 2020</u>	<u>December 31, 2019</u>
Nominal value per share	100 rub.	100 rub.
In circulation as at January 1 of the reporting period	334 657 837	303 793 350
In circulation at the end of year and fully paid	334 657 837	334 657 837

### (b) Ordinary shares

In accordance with the Articles of Association as at January 1, 2020, the Charter capital of the Company amounted to 30 379 335 000 rubles and it is divided in 303 793 350 units of ordinary registered uncertified shares at nominal value of 100 (one hundred) rubles per share.

On July 18, 2019 the Bank of Russia carried out the official registration of secondary equity offering in the quantity of 37 477 392 units, 30 864 487 units of which were floated.

On November 28, 2019 the relevant extract of the Bank of Russia from the register of securities was received. According to the present extract, 334 657 837 units of the ordinary shares of PJSC Kubanenergo at nominal value of 100 (one hundred) rubles per share are in circulation at the moment. The total make at nominal value amounted to 33 465 783 700 rubles.

As at June 30, 2020 the official registration of amendments to the Articles of Association of PJSC Kubanenergo related to the above-mentioned increase of share capital was not carried out.

The State registration of such amendments to the Articles of Association of the Company was carried out on July 15<sup>th</sup>, 2020.

### (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.

The Annual General Meeting of Shareholders was held on May 29, 2020 and the decision was made to pay dividends on outstanding shares of the Company following the results of financial and operational activities of PJSC Kubanenergo for 2019 amounted to 636 913 thousand rubles (Minutes of the Annual General Meeting of Shareholders of May 29, 2020 No. 43). The amount of dividends amounted to 1,90318 rubles per one ordinary share of the Company.

As at June 30, 2020, the dividends in arrears owed to the owners amounted to 636 913 thousand rubles, including PJSC Rosseti – 595 146 thousand rubles.

Dividend payments to the parent company PJSC Rosseti for 2019 were made in the sum of 595 146 thousand rubles after the reporting date in July 2020.

**(d) Additional issue of securities**

On April 17, 2019 the Annual Extraordinary General Meeting of Shareholders of PJSC Kubanenergo (Minutes of April 19, 2019 No. 41) passed a resolution concerning the increasing of charter capital of the Company by the way of outstanding supplement shares by public subscription in the quantity of 37 477 392 units (thirty seven million four hundred and seventy-seven thousand three hundred and ninety two units). The offering price per one ordinary registered uncertified share (for people on the list holding the preemptive right to purchase outstanding supplement shares) amounted to 100 rubles (one hundred rubles).

On June 14, 2019 the Board of Directors of PJSC Kubanenergo upheld the decision on additional issue and securities prospectus of the Company (Minutes of June 17, 2019 No. 347/2019).

On June 18, 2019 the Bank of Russia carried out the official registration of additional issue and securities prospectus of the Company (State Registration Number 1-02-00063-A of July 18, 2019).

The payment for supplement shares was made in cash.

The shareholders contributed 3 086 449 thousand rubles to the charter capital of the Company and these monetary resources were considered to be a reserve for capital stock issues as a part of the capital.

The stock floatation of the additional issue was completed by the Group on October 23, 2019. The quantity of shares actually floated amounted to 30 864 487.

The State registration of such amendments to the Articles of Association of the Company was carried out on July 15th, 2020.

**21 Earnings per Share**

Calculation of earnings per share for the six months ended on June 30, 2020 and June 30, 2019 is based on earnings that are payable to the ordinary shareowners and weighted average number of common shares outstanding.

The Company doesn't have the dilutive finance facilities.

<i>In thousands of shares</i>	Three months ended June 30		Six months ended June 30	
	2020	2019	2020	2019
<b>Ordinary shares as at January 1</b>	334 658	303 793	334 658	303 793
The effect of stock floatation	–	–	–	–
<b>Weighted average number of shares for the period ended on June 30</b>	<u>334 658</u>	<u>303 793</u>	<u>334 658</u>	<u>303 793</u>

	Three months ended June 30		Six months ended June 30	
	2020	2019	2020	2019
Weighted average number of shares outstanding for the period ended on June 30 (in thousands of units)	334 658	303 793	334 658	303 793
Profit/(loss) for period which is payable to Company owners	(1 586 851)	(292 330)	(1 627 785)	(229 753)
<b>Profit/(loss) per share – basic and diluted (in Russian rubles)</b>	<b>(4,74)</b>	<b>(0,96)</b>	<b>(4,86)</b>	<b>(0,76)</b>

## 22 Borrowings

	June 30, 2020	December 31, 2019
<b>Long-term liabilities</b>		
Unsecured loans and borrowings	23 045 838	19 432 911
Unsecured bonds	–	3 600 000
Lease liabilities	6 854 879	1 063 418
By deducting: current portion of long-term lease liabilities	(1 214 898)	(174 536)
By deducting: current portion of long-term loan liabilities	(202 572)	–
By deducting: current portion of long-term unsecured bonds	–	(3 600 000)
	<b>28 483 247</b>	<b>20 321 793</b>
<b>Short-term liabilities</b>		
Unsecured loans and borrowings	23 760	52 592
Current portion of long-term lease liabilities	1 214 898	174 536
Current portion of long-term loan liabilities	202 572	–
Current portion of long-term unsecured bonds	–	3 600 000
	<b>1 441 230</b>	<b>3 827 128</b>
<b>Including:</b>		
Interest on loans and borrowings payable	22 060	19 652
Interest on unsecured bonds payable	–	32 940
	<b>22 060</b>	<b>52 592</b>

Long-term and short-term loans and borrowings liabilities, bonds liabilities as at June 30, 2020 and December 31, 2019 amounted to 21 658 996 thousand rubles and 23 085 503 thousand rubles as relevant (except long-term and short-term lease liabilities).

As at June 30, 2020 and December 31, 2019, long-term and short-term lease liabilities amounted to 6 854 880 thousand rubles and 1 063 418 thousand rubles as relevant

As at June 30, 2020 and December 31, 2019, all loans and borrowings balances are denominated in rubles.

For the six months ended on June 30, 2020, the Group took out the following bank loans

	Effective interest rates	Repayment periods	Nominal value
Unsecured bank loans *	7,25%-7,40%	2022-2023 rr.	16 051 890
Unsecured bank loans	7,40%-7,40%	2022-2023 rr.	1 905 394
Unsecured loans and borrowings	7,07%-7,07%	2020-2025 rr.	1 400 000
Other unsecured loans and borrowings	12,0%-12,0%	2020-2020 rr.	1 700
			<b>19 358 984</b>

\* Loans and borrowings from state-controlled entities.

For the six months ended June 30, 2020, the Group repaid the following bonded and bank loans:

	<b>Nominal value</b>
Loans and borrowings from state-controlled entities	14 113 538
Other loans and borrowings	1 630 819
Bonded loans	3 600 000
	<b>19 344 357</b>

As at June 30, 2020, the sum of available line of open but untapped credits of the Group amounted to 17 637 162 thousand rubles (as at December 31, 2019 amounted to 20 850 089 thousand rubles).

The Group has an opportunity to involve the additional financing within the relevant credit lines in order to carry 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.

### **23 Trade and Other Accounts Payable**

	<b>June 30, 2020</b>	<b>December 31, 2019</b>
<b>Long-term debt</b>		
Trade accounts payable	102 347	103 725
Other accounts payable	-	368
	<b>102 347</b>	<b>104 093</b>
<b>Short-term debt</b>		
Trade accounts payable	5 654 034	5 120 393
Other accounts payable and accrued costs	690 517	592 588
Payables to employees	1 074 671	1 036 148
Dividends payable	635 820	453
	<b>8 055 042</b>	<b>6 749 582</b>

### **24 Taxes Payable except Income tax**

	<b>June 30, 2020</b>	<b>December 31, 2019</b>
VAT	499 649	418 872
Property tax	167 928	173 921
Social security contributions	151 786	157 424
Other taxes payable	60 395	58 945
	<b>879 758</b>	<b>809 162</b>



## 25 Advances Received

	<u>June 30, 2020</u>	<u>December 31, 2019</u>
<b>Long-term</b>		
Advances for services of technological connection to electric networks	1 771 309	880 900
	<b>1 771 309</b>	<b>880 900</b>
<b>Short-term</b>		
Advances for services of technological connection to electric networks	1 471 523	1 537 903
Other advances received	91 212	37 538
	<b>1 562 735</b>	<b>1 575 441</b>

## 26 Reserves

	<u>2020</u>	<u>2019</u>
<b>Balance as at January 1</b>	<b>726 472</b>	<b>788 366</b>
Increase for the period	131 359	319 635
Decrease due to provision recovery	(23 503)	(104 670)
Release of provisions	(58 618)	(304 860)
Capitalized	7 948	28 001
<b>Balance as at June 30</b>	<b>783 658</b>	<b>726 472</b>

Reserves are mainly relate to legal lawsuits and claims that are made against the Group regarding the core activities.

## 27 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.

Goals and policy of the Group in respect of financial risk and capital management, and method for determining the fair value correspond to those ones which were disclosed in the consolidated financial statements for the year ended December 31, 2019.

The Group's Management takes measures of the efficient character to ensure the sufficiency of financial resources (liquidity) from operating activity in order to finance high interest objects of the investment programs, as well as measures to keep a record of short-term and long-term borrowings available as at reporting date. The Group's Management carries out activities aimed to the optimization of the structure of debt capital, ensuring of the presence of accessible credit limits, liquidity cushion in the form of bank account balances and short-term financial investments, and quality control of receivable financial security (banker guarantees).

### (a) Credit risk

The carrying value of financial assets reflects the maximum value of credit risk of the Group. The maximum level of credit risk as at reporting date amounted to:

	<u>Carrying value</u>	
	<u>June 30, 2020</u>	<u>December 31, 2019</u>
Trade and other accounts receivable (less the provision for expected credit losses)	8 295 415	7 078 288
Cash and cash equivalents	846 388	1 716 085
	<b>9 141 803</b>	<b>8 794 373</b>

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The maximum level of the credit risk as to trade accounts receivable in groups of the buyers amounted to:

	<u>June 30, 2020</u>		<u>December 31, 2019</u>	
	<u>Total nominal value</u>	<u>Provision for expected credit losses</u>	<u>Total nominal value</u>	<u>Provision for expected credit losses</u>
Buyers of services for transmission of energy	8 632 525	(861 651)	7 352 026	(1 014 606)
Buyers of services for technological connection to electric networks	35 750	(29 515)	66 105	(38 185)
Other buyers	321 546	(7 360)	237 923	(4 376)
	<u>8 989 821</u>	<u>(898 526)</u>	<u>7 656 054</u>	<u>(1 057 167)</u>

Classification of trade and other accounts receivable according to the statute of limitations is outlined below:

	<u>June 30, 2020</u>		<u>December 31, 2019</u>	
	<u>Total nominal value</u>	<u>Provision for expected credit losses</u>	<u>Total nominal value</u>	<u>Provision for expected credit losses</u>
Undue debts	4 835 202	(117)	5 715 353	(151 662)
Overdue by less than 3 months	2 225 599	(4 920)	885 831	(4 104)
Overdue by more than 3 months and less than 6 months	537 191	(73 988)	254 785	(67 973)
Overdue by more than 6 months and less than a year	435 922	(70 631)	565 275	(128 105)
Overdue for a certain period more than a year	1 881 439	(1 470 282)	1 431 634	(1 422 746)
	<u>9 915 353</u>	<u>(1 619 938)</u>	<u>8 852 878</u>	<u>(1 774 590)</u>

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

	<u>2020</u>	<u>2019</u>
<b>Balance as at January 1</b>	<b>1 774 590</b>	<b>1 722 985</b>
Increase in provision for the period	93 120	352 822
Reversal of the amounts of reserve for a period	(230 227)	(277 074)
Amounts of trade and other accounts receivable written-off out of the previous accrued reserve	(17 545)	(24 143)
<b>Balance as at June 30</b>	<b>1 619 938</b>	<b>1 774 590</b>

***(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 securing 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 on contract periods of repayment of financial liabilities, taking into account the anticipated interest payments and excluding the influence of offsetting, is outlined below. In relation to cash flows included in the analysis of repayment periods, it is not assumed that they may arise significantly earlier in time or in significantly different amounts:

<b>June 30, 2020</b>	<b>Carrying value</b>	<b>Contractual Cash Flows</b>	<b>Up to 1 year</b>	<b>From 1 year to 2 years</b>	<b>From 2 years to 3 years</b>	<b>From 3 years to 4 years</b>	<b>From 4 years to 5 years</b>	<b>Above 5 years</b>
<b>Non-derivative financial liabilities</b>								
Loans and borrowings	23 069 598	28 015 601	1 912 885	5 110 718	19 412 749	98 980	1 480 269	–
Lease liabilities	6 854 880	9 277 150	2 125 265	1 635 851	1 577 359	1 464 154	769 520	1 705 001
Trade and other accounts payable	8 157 389	8 158 920	8 058 994	12 561	7 150	7 733	8 364	64 118
	<b>38 081 867</b>	<b>45 451 671</b>	<b>12 097 144</b>	<b>6 759 130</b>	<b>20 997 258</b>	<b>1 570 867</b>	<b>2 258 153</b>	<b>1 769 119</b>
<b>December 31, 2019</b>								
<b>Non-derivative financial liabilities</b>								
Loans and borrowings	19 452 563	23 038 199	1 492 123	9 444 657	12 101 419	–	–	–
Bonded loans	3 632 940	3 664 872	3 664 872	–	–	–	–	–
Lease liabilities	1 063 418	2 349 838	238 737	236 708	231 066	91 049	55 021	1 497 257
Trade and other accounts payable	6 853 222	6 855 302	6 750 302	9 255	3 806	3 575	3 718	84 646
	<b>31 002 143</b>	<b>35 908 211</b>	<b>12 146 034</b>	<b>9 690 620</b>	<b>12 336 291</b>	<b>94 624</b>	<b>58 739</b>	<b>1 581 903</b>

**(c) Fair and carrying value**

Carrying value of financial instruments of the Group is equivalent to their fair value; therefore, the additional disclosure is not required in respect of these financial instruments.

Interest rate used for discounting of the expected cash flow on long-term and short-term borrowings for the purpose of determination of disclosed fair value as at June 30, 2020 amounted to 7,07% – 12% (as at December 31, 2019 amounted to 7,70%-7,75%).

Interest rate used for discounting of the expected cash flow on long-term accounts receivable for the purpose of determination of disclosed fair value as at June 30, 2020 amounted to 7,07%-7,07% (as at December 31, 2019 amounted to 7,70%-7,75%).

Interest rate used for discounting of the expected cash flow on long-term accounts payable for the purpose of determination of disclosed fair value as at June 30, 2020 amounted to 8,03%-9,01% (as at December 31, 2019 amounted to 9,17%-9,98%).

For the six months ended on June 30, 2020 and the six months ended June 30, 2019, there were no transfers between levels of the fair value hierarchy.

Reconciliation of carrying value of financial assets measured at fair value through profit or loss and financial assets measured at fair value through other comprehensive income at the beginning and the end of the reporting period is outlined below:

	<b>Financial assets measured at fair value through other comprehensive income</b>
As at January 1, 2020	<b>1</b>
Purchase	–
Sale	–
Changes in fair value recognized as a part of other comprehensive income	–
Changes in fair value recognized as a part of profit or loss	–
<b>As at June 30, 2020</b>	<b>1</b>

**28 Capital Contractual Commitments**

The sum of capital liabilities of the Group under the contracts for purchasing and construction of fixed assets amounted to 2 870 525 thousand rubles including VAT as at June 30, 2020 (as at December 31, 2019 amounted to 2 099 864 thousand rubles including VAT).

**29 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 liabilities**

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 incompliant 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.

Russian tax authorities shall have the right to charge additional tax liabilities and penal sanctions in accordance with rules established by the legislation on transfer-pricing provided that the price/profitability in the controlled transactions differs from the market level. The list of controlled transactions mainly includes those transactions concluded between the affiliated persons.

Since the beginning of January 1<sup>st</sup>, 2019, the control over transfer-pricing for a considerable part of transactions in Russia has been cancelled. However, the release from price controls may not apply to all transactions concluded in the internal market. However, in the case of additional charges, the cross-adjustment mechanism of tax liabilities can be used in compliance with the specified requirements of the legislation. The intragroup transactions that have been out of control of transfer pricing methods starting with 2019 can be checked by the territorial tax authorities concerning the gaining of unjustified tax benefit, and the transfer pricing methods may be used to determine the amount of additional charges. The Federal executive body commissioner for control and supervision in the sphere of taxes and dues, may carry out a control of prices/profitability in the controlled transactions and in the case of disagreement with the prices used by the Group in such transactions, shall have the right to charge additional tax liabilities if the Group is unable to substantiate the market character of pricing in such transactions by submitting documentation on transfer pricing in accordance with the requirements of the legislation.

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.

The Group contests the results of on-site tax inspection for 2013-2015 in the court and litigation process is appointed on September 21<sup>st</sup>, 2020. The Group reflected the results of such inspection (penalties, fines and arrears) in the accounting in the preparation of the financial statements for 2018. According to estimates of the Group, the total amount of contingent liability as at reporting date does not exceed 1,44% of the Group's assets.

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

**(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 interim condensed 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 litigation 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.

**30 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 June 30, 2020 and December 31, 2019. 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 Rosseti PJSC and its affiliates and associated companies:

	Transaction amount				Carrying value	
	Three months ended June 30		Six months ended June 30		June 30, 2020	December 31, 2019
	2020	2019	2020	2019		
<b>Revenue, other income, finance income</b>						
Other revenue	296	296	592	592	-	-
<b>The enterprises are under common control of the parent company</b>						
Lease	1 100	10	2 199	21	6	4
Other revenue	26 788	30 800	30 654	30 353	117 688	86 818
Interest income	270	-	-	-	-	-
	<u>28 454</u>	<u>31 106</u>	<u>33 445</u>	<u>30 966</u>	<u>117 694</u>	<u>86 822</u>

**PJSC Kubanenergo**  
*Explanatory notes to the Interim Condensed Consolidated Financial Statements  
for the three and six months ended June 30, 2020 (unaudited)  
(in thousands Russian rubles, if not otherwise mentioned)*

	Transaction amount				Carrying value	
	Three months ended June 30		Six months ended June 30		June 30, 2020	December 31, 2019
	2020	2019	2020	2019		
<b>Operating expenses, finance expenses</b>						
<b>Parent company</b>						
Expenses for UES organization and development services	27 264	28 169	55 783	55 437	52 740	–
Other work and services of production nature	3 818	3 818	7 636	7 636	1 409	1 409
Other expenses	1 595	1 596	3 191	3 191	–	23 208
Interest expense on lease	40	–	79	–	–	–
Interest expenses for financial liabilities measured at amortized cost	31 932	200 808	42 479	399 314	10 547	32 940
<b>The enterprises are under common control of the parent company</b>						
Services for electric power transmission	1 980 605	2 082 208	3 786 320	4 213 180	1 401 167	854 915
Services for technological connection to electric networks	–	36	3 491	36	–	5 645
Repair services and technical maintenance	440	–	880	–	528	–
Other services	–	–	11 074	–	–	–
Short-term lease	5	33	19	66	12	12
Other expenses	15 739	–	–	–	164 012	81 238
Interest expense for lease liabilities	3 964	–	7 685	–	–	–
Interest expenses for financial liabilities measured at amortized cost	–	6 800	–	20 061	–	–
	<u>2 065 402</u>	<u>2 323 468</u>	<u>3 918 637</u>	<u>4 698 921</u>	<u>1 630 415</u>	<u>999 367</u>
Construction and installation jobs capitalized	2 255	49 924	19 100	90 187	118 850	131 557
	<u>2 067 657</u>	<u>2 373 392</u>	<u>3 937 737</u>	<u>4 789 108</u>	<u>1 749 265</u>	<u>1 130 924</u>

	Carrying value	
	June 30, 2020	December 31, 2019
<b>Parent company</b>		
Loans and borrowings	1 400 000	3 600 000
Lease liabilities	1 805	1 947
<b>The enterprises are under common control of the parent company</b>		
Advances issued	2 775	4 436
Lease liabilities	202 341	800
Advances received	76	76
	<u>1 606 997</u>	<u>3 607 259</u>

As at June 30, 2020, the liability owed to the parent company in paying dividends amounted to 595 146 thousand rubles (as at December 31, 2019, the liability owed to the parent company in paying dividends 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 of PJSC Kubanenergo as the key management personnel.

The amounts of the key management personnel remuneration disclosed in the table are recognized as expenses of the current reporting period related to the key management personnel and included in personnel costs.

	Three months ended June 30		Six months ended June 30	
	2020	2019	2020	2019
Short-term employee benefits	38 910	21 899	81 897	41 902
Post-employment benefits and other long-term benefits (including Pension Plans)	–	15	–	30
	<u>38 910</u>	<u>21 914</u>	<u>81 897</u>	<u>41 932</u>

As June 30, 2020, the current value of liabilities according to the programs with fixed payments recorded 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, 2019 amounting to 0 thousand rubles).

**(e) Transactions with the government-related entities**

In the course of its operating activities, the Group is engaged in many transactions with government-related entities. These transactions are carried out in accordance with regulated tariffs or based on market prices.

Revenue from government-related entities amounted to 1,91% and 1,63% of total revenues of the Group for the three and six months ended June 30, 2020 (for the three and six months ended June 30, 2019 amounted to 2,40% and 1,89%), including 1,62% and 1,28% of revenue from electric power transmission (for the three and six months ended June 30, 2019 amounted to 1,95% and 1,67%).

Expenses for electric power transmission to the government-related entities (including offset against technological losses) amounted to 3,81 % and 2,93% of total expenses for electric power transmission for the three and six months ended June 30, 2020 (for the three and six months ended June 30, 2019 amounted to 2,83% and 4,10%).

Interests accrued on loans and borrowings from government-related banks for the three and six months ended June 30, 2020 amounted to 82,92% and 84,95% of the total amount of interest accrued (for the three and six months ended June 30, 2019 amounted to 76,46% and 76,55%).

As at June 30, 2020, the cash balance and cash equivalents placed on government-related banks accounts amounted to 175 533 thousand rubles (as at December 31, 2019 amounted to 1 127 113 thousand rubles).

Information on loans and borrowings received from government-related banks is disclosed in Note 22.

As at June 30, 2020, the lease liabilities of government-related entities (as a part of borrowings) amounted to 6 277 225 thousand rubles (as at December 31, 2019 amounted to 472 171 thousand rubles).

### **31 Subsequent Events**

On July 27th, 2020 until the date of signature of the present statements of the Company, debt capital was raised by concluding the loan agreement of June 30, 2020 No. 5781/407/30-905 with PJSC Rosseti. The amount of loan is 5 400 000 thousand rubles. The transaction is an interested party transaction.

The purpose of the loan is working assets financing, funding for investment activity, refinancing of debt portfolio, and other purposes.

On July 21<sup>st</sup>, 2020 until the date of signature of the present statements of the Company, debt capital was raised by concluding the agreement of April 29, 2020 No. 375ю/407/30-2к with the branch office of the Russian Regional Development Bank (Bank "RRDB"( JSC). The amount of loan is 634 785 thousand rubles.

The purpose of the loan is working assets financing, funding for investment activity and refinancing of debt portfolio.

The decision was made on introducing amendments to the Articles of Association of the Company regarding the change of the corporate name of the Company to Public Joint Stock Company Rosseti Kuban on the basis of the decision of the annual General Meeting of Shareholders of PJSC Kubanenergo (Minutes No.43 of May 29, 2020). Entry in the Uniform State Register of Legal Entities (USRLE), the state registration number (SRN) 2202306332908 was made on August 10th, 2020.

The change of the corporate name of the legal entity for the third parties shall come into force on August 11th, 2020.